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The role of Marketing Capabilities in Stock return

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ABSTRACT

The company's capabilities determine give it the opportunity to sustain its competitive advantage. This study examines the role of marketing capabilities in Stock return performance. Data analysis was performed in the EViews environment. The TSE-listed companies (138, in total) formed the statistical population in this study, whose data (in year-firm) for the period 2019 through to 2022 was subjected to panel/pooled data analysis using regression models. The overall significance of the fit model was verified using Fisher test statistic, was used. The findings, conversely, indicated a positive and significant association between marketing capability and Stock return. The obtained results from test of the main hypothesis imply that managers of the understudy institutions can by employing active workforce, establishing strong public relations, and creating differentiation for the companies make their marketing efforts more effective, while profiting from marketing research for having insight into the customer needs and wishes, and weaknesses and strengths of their competitors improve the corporate Stock return.

KEYWORDS: marketing capability, Stock return, importance of marketing, firm size

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1. Introduction

For continuance and sustained competitive advantage, the organization needs to furnish the necessary mechanisms and infrastructures for continuous product improvement in line with new products and markets, and speedy use of opportunities. The company's capabilities determine give it the opportunity to sustain its competitive advantage. A distinct capability or competence can be described as an important feature which places the company or organization in a leading position. These capabilities, in turn, may bear important competitive advantages – the advantages that companies do not possess, and companies do not have to respond to competitive perils by developing the respective capabilities (Usman Ahmad et al, 2014). Elaborating on this view, Weerawardena and Sullivan Mort (2006) maintain that these arguments are valid in the context of marketing capability. They argue that a competitive industry environment can cause firms to pursue innovative ways of creating superior value for their customers by requiring development of differentiating capabilities (Weerawardena et al, 2006), especially marketing capabilities. On the other hand, operational capability is defined as the firm's ability to create integration and coordination among a set of functions through which the resources available to it (inputs) are deployed to achieve the desired objectives (outputs) (Dutta et al, 1999: 551). Considerable research has shown that various operational technologies, such as quality practices, are essential in explaining corporate performance and achieving its strategic goals (Shah and Ward, 2003, 2004).

Yet, despite the crucial role of marketing and operational capabilities in business performance and value creation for the firm (Nath et al, 2010), relatively few studies have shown their impact on corporate performance (Hsu et al, 2015; Robb et al, 2008).

Due to the increased environmental complexity and competition intensity, organizations need to think on building their competitive advantage. A competitive advantage implies superior performance relative to competitors that makes sure of profitability in short term and continuance and growth in long term. A long-term competitive advantage is built for a company with superior capabilities relative to competitors. Opportunities for the company to sustain its competitive advantage are determined by its capabilities and competencies. A distinct capability or competence can be described as one of the significant features which ensure superiority of the company or organization. Marketing capability is among such capabilities. Marketing capability can be viewed as the organization ability to understand market and customer relationship (Day, 1994). Marketing capability is an integrated process in which companies employ tangible and intangible resources to get insight into the complexity of customer specific needs, achieving a relative product differentiation for a competitive edge and finally, realizing a superior brand quality (Day, 1994; Dutta et al, 1999; Song et al, 2005; Benedetto et al, 2007).

Therefore, marketing capabilities are the right tools that help companies to achieve a better market performance, where understanding of how marketing capability affects the corporate Stock return is crucial. Given the reviewed literature, and as far as the domestic research concerns, no research has been so far conducted in Iran on the impact of marketing capability of Stock return,

and even in other countries, such research has never been conducted among firms. Therefore, present research, examining the likely role of marketing capabilities on Stock return, while contributes to the existing related literature, attempts to fill the existing research gap in this regard.

2. Research method

In this research, all the data analysis and the inferential statistics and finally, the research model estimation were performed in EViews environment. The research statistical population included the TSE-listed companies from the banking and insurance industries (212 companies, in total) during 2019 -2022. In this study, the noted regression models were estimated using the pooled data (in year- firm) pertaining to 138 TSE-listed companies. Before the model estimation using the pooled data, first it should be made a choice of the right method for application of such data in the estimation. That is to say, it should be first determined if there is basically a need for considering a panel structure for the data (due to the firm-specific differences and effects) or the data regarding different companies can be pooled and used in the model estimation. In single-equation estimation, to make a decision on the use of the right method, F-test is performed. Based on the results of this test, it is decided whether to accept or reject the hypothesis on equality of the firm-specific fixed effects and whether eventually to choose the classical pooled method or the panel data method.

3. Results

The following model (the second model) will be used for test of the SR (Stock return):

$$SR_{it} = \beta_0 + \beta_1 MC_{it} + \beta_2 IM_{it} + \beta_3 SIZE_{it} + \beta_4 LEV_{it} + e$$

Table 1. Summary results of model testing

Variable	Coefficient	Std. Error	t-Statistic	Prob.	VIF
<i>C</i>	0.0463	0.0569	0.6450	0.5202	-----
<i>MC</i>	0.3567	0.0514	5.7586	0.0000	1.53
<i>IM</i>	2.8856	1.5269	2.5146	0.0341	1.98
<i>SIZE</i>	0.0238	0.0213	1.3758	0.2654	3.14
<i>LEV</i>	-0.0141	0.1351	-0.0346	0.8479	2.29
<i>F-statistic</i> <i>Prob(F-statistic)</i>	4.5118 (0.0112)	<i>Durbin-Watson stat</i>		1.6897	
<i>R-squared</i>	0.5421	<i>Adjusted R-squared</i>		0.5304	

The second's model's coefficient of determination (R^2) indicates that 54 percent of changes in the dependent variable (SR) can be explained by the independent variables.

The estimated coefficient of the independent variable MC in the above table indicates a positive and significant relationship between marketing capability (MC) and SR at an error level of 5%, since the calculated p-value for MC coefficient is smaller than the threshold of 0.05 ($p\text{-value} < 0.05$). Thus, it could be inferred that at 95 percent confidence interval there is a positive and significant relationship between MC and SR in the TSE-listed companies.

The estimated coefficient of the independent variable IM in the above table indicates a negative and significant association between importance of marketing (IM) and SR an error level of 5%, since the calculated p-value for IM coefficient is smaller than the threshold of 0.05 ($p\text{-value} < 0.05$). Thus, it could be inferred that at 95 percent confidence interval there is a significant relationship between IM and ROE in the TSE-listed companies.

4. Discussion and conclusion

The obtained results from test of the main hypothesis imply that managers of the understudy institutions can by employing active workforce, establishing strong public relations, and creating differentiation for the companies make their marketing efforts more effective, while profiting from marketing research for having insight into the customer needs and wishes, and weaknesses and strengths of their competitors improve the corporate market performance. Marketing capability seems to have more effect on the corporate market performance. This suggests that management by paying adequate attention to such aspects as creation of a superior customer value could significantly boost the corporate market performance. Given the results on test of the second hypothesis, by implementation of an organization-wide employee marketing training, motivation, talent building, and marketing culture, management could extend and institutionalize marketing throughout the organization. In other words, marketing will not be limited to specialized marketing department and all employees will be given the opportunity to participate and engage in this area. Suggests an emphasis on cross-sectional coordination allowing contribution of different sections and departments to composition an formulation of plans and strategies, balanced resource sharing among the organization sections, distribution of the obtained information and knowledge from the customer experience among sections, and awareness of all sections about providing superior customer value. The results on test of the hypothesis knowledge of environment highlights the importance of the management knowledge of environment and the opportunities it offers which could be used to improve the corporate profitability, as well as the customer relationship management to strengthen the bonds with customers and identify their needs and desires. This also involves brand name differentiation, customer complaint handling, market segmentation, enhanced technical know-how and service delivery to customers. Considering the results on test, the company, applying liquidity control, improved human resources proficiencies, information technology, diversified banking services, would secure customer satisfaction which itself is a kind of advertising.

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ETHICAL CONSIDERATION

Authenticity of the texts, honesty and fidelity has been observed.

CONFLICT OF INTEREST

Author/s confirmed no conflict of interest.