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Editorial

Preface to a debate

Science progresses as evidence in an area accumulates from independent investigations that rely on different theories, data bases, and analytical methods. Occasionally, however, different authors addressing a particular problem use similar data, but come to diametrically opposite conclusions. When the issue addressed is fundamental, debate is both desirable and potentially informative. This paper and the comments that follow represent such a situation.

Recently multiple papers (and other works in progress) have focused on the effects of various marketing assets on firm value, such as customers (Gupta, Lehmann, & Stuart, 2004), new products (Sorescu et al., 2007), R&D and advertising (Mizik & Jacobson, 2003) and customer satisfaction (Ittner & Larcker, 1998; Gruca & Rego, 2005). In 2006, Fornell published a provocative paper that reported a relationship between the key customer metric of satisfaction and stock market performance. Some subsequent papers (e.g., Jacobson & Mizik, 2008) have questioned this link, drawing heavily on financial theory (and work by Fama & French, 1996, in particular). Recently O'Sullivan et al. (2008a,b) submitted a paper to IJRM that suggests there is no link between customer satisfaction and stock performance as measured by abnormal returns. The paper generated a positive reaction from reviewers and was accepted for publication. Because the paper came to a conclusion opposite to that of Fornell et al. (2008), we asked Fornell to comment on the paper: we also asked the authors of the original paper if they wished to respond to Fornell's comments.

The crux of the argument seems to be a) whether including the factors in the four factor model of Fama and French leads to the conclusion that satisfaction produces no abnormal returns and/or b) whether market outperformance by a satisfaction-based portfolio is evidence of the financial impact of satisfaction. This raises other issues, such as, if satisfaction leads to size, (i.e., is fully mediated by it), does this mean that satisfaction has no “value relevance” or that it is a key antecedent of observed performance and hence value? Overall the papers deal with an intersection of marketing, finance, and accounting, all of which are relevant for evaluating activities such as new products, advertising, and brand equity. Because of this, we chose to allow readers to draw their own conclusions rather than attempting to arbitrate the issue as editors. We hope you find the following article and comments interesting and thought provoking.

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