Development Economics of China
2025, VOL. 9, NO. 5, 100-104
DOI: 10.47297/wspdecWSP2515-797320.20250905

A Review of the Research on the Relationship Between Marketing Strategy and Financial Performance

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ABSTRACT
This paper systematically reviews the relationship between marketing strategies and financial performance, focusing on the traditional 4P marketing theory and its extension strategies such as digital marketing, brand management and green marketing. By combing through the resource-based view, dynamic capability theory, market-oriented theory and marketing capitalization theory, it explains how marketing strategies can promote corporate sales growth, profit improvement and brand value accumulation by improving product differentiation, pricing rationality, promotion effectiveness and channel efficiency. In addition, digital transformation has driven companies to adopt precise digital marketing methods, brand management has strengthened customer loyalty, and green marketing has reflected corporate social responsibility. These strategies have increasingly significant positive effects on financial performance. This paper also explores the reverse impact of financial performance as a resource constraint and decision-making feedback mechanism on marketing strategy planning. Finally, this paper points out the fragmentation problem in current research and proposes that research on cross-strategy integration and dynamic environmental adaptability should be strengthened in the future to provide theoretical support for companies to formulate scientific marketing strategies and help maximize financial performance.

KEYWORDS
Marketing strategy; Financial performance; 4P theory; Digital marketing; brand management; Green marketing; Resource-based view; Dynamic capability theory; Market orientation theory; Marketing capitalization theory; Marketing performance evaluation

1 Introduction

In recent years, with the rapid development of digitalization, the consumption environment in China and even the world has undergone tremendous changes. The traditional single-channel retail model has begun to transform into a new multi-channel retail model. Choosing the right marketing strategy has become the primary problem faced by many companies. There are many ways to evaluate the marketing methods of enterprises. Financial performance is an important evaluation indicator. It directly reveals the feasibility of marketing methods from the perspective of results, discovers potential problems and proposes solutions to ensure that the company maximizes its goals[1][2][3].

Marketing strategy and financial performance are closely related. Studying the correlation between the two is conducive to enterprises to quickly find their position and enhance their value in different market environments. The academic community has continuously expanded and deepened the research on the relationship between the two. Marketing strategy and financial performance complement each other and influence each other. Financial performance management in turn provides funding and decision-making guidance for marketing activities. On the other hand, with the development of the digital industry, the traditional 4P strategy can no longer meet the needs of corporate profitability. Therefore, supplementary marketing strategies have emerged one after another. The optimization of marketing strategy, as a new driving force, promotes the expansion of company scale and the enhancement of brand influence, and achieves rapid growth in financial performance.

Although a certain amount of research has been done on the correlation between marketing strategy and financial performance in academia, they are relatively specific and fragmented. This paper aims to analyze the existing research results, summarize the mechanism of action between marketing strategy and financial performance, and on this basis, look forward to future research to further promote the improvement and development of this field.

2 Core concepts of marketing strategy and financial performance

Definition and classification of marketing strategy.

Marketing strategy is a series of action arrangements formulated by enterprises based on their own development characteristics and external competitive environment. Its core goal is to help enterprises cope with the changing marketing environment and achieve the best economic benefits with relatively low investment. With the rapid development of digitalization and new retail, marketing strategy has gradually evolved from the traditional framework to

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a diversified direction, which can be specifically divided into two categories: the traditional 4P model and complementary marketing strategy.

2.1 Traditional 4P model

The 4P marketing theory (product, price, place, promotion) proposed in the mid-20th century is the basic model of modern marketing, emphasizing the improvement of market performance through multi-dimensional combinations. Product strategy designs products according to target market and brand positioning to form differentiated advantages; price strategy combines cost structure, market demand and brand positioning to formulate competitive prices; channel strategy focuses on intermediary management and sales network construction to improve product availability; promotion strategy uses advertising, public relations, social media and other tools to enhance brand awareness and promote sales. This model helps enterprises systematically optimize marketing behaviors from core dimensions, consolidate consumer groups in fierce competition, and enhance brand value and market position at a lower cost.

2.2 Complementary marketing strategies

As the market environment becomes increasingly complex and consumer demands become more diversified, enterprises have gradually explored complementary marketing strategies with the characteristics of the times. Digital marketing relies on the Internet platform and uses social media to achieve accurate reach and in-depth interaction with target groups; brand marketing emphasizes enhancing consumer identity and brand loyalty through clear brand positioning, image building and emotional connection; green marketing focuses on environmental sustainability and corporate social responsibility, responding to consumers' expectations for environmental awareness and ethical consumption. This type of emerging strategy responds to the actual needs of digital transformation, consumer awareness upgrades, and social responsibility orientation, helping enterprises to build differentiated advantages in fierce competition and achieve the organic unity of commercial value and social value. Numerous empirical studies from Chinese enterprises also confirm the effectiveness of these emerging strategies in improving financial performance in various industries[4]-[8].

3 Theoretical basis of the correlation between marketing strategy and financial performance

The resource-based view (RBV) believes that the marketing capability of an enterprise is a key strategic resource, which forms a competitive advantage that is difficult to imitate through product innovation, brand building and channel management, thereby improving profitability and return on capital. The dynamic capability theory emphasizes that enterprises should flexibly adjust marketing strategies to adapt to market changes, improve resource allocation efficiency and customer response speed, and optimize financial performance. The market-oriented theory believes that integrating product, price, channel and promotion strategies with customer needs as the core can improve customer satisfaction and brand loyalty, and promote sales and profit growth. The marketing capitalization theory points out that the brand assets and customer assets accumulated by long-term effective marketing strategies can improve corporate valuation and price-earnings ratio, and translate into better financial performance.

The above theory provides a basis for the construction of the analytical framework of this article, emphasizing the strategic synergy between marketing and finance. Based on this, this article will further explore the role of various marketing strategies on corporate financial performance.

4 The impact mechanism of marketing strategy on financial performance

4.1 The impact of traditional 4P marketing strategy on financial performance

4.1.1 Product strategy

Product strategy emphasizes that enterprises meet consumer needs through differentiated design, quality improvement and continuous innovation, thereby enhancing market competitiveness. Davcik and Sharma pointed out that product differentiation helps to establish brand premium capabilities and improve profit margins[9]. Henard & Szymanski's meta-analysis further showed that there is a significant positive correlation between new product success and sales growth[10]. High-quality products are also regarded as an important factor in improving customer satisfaction and reducing return rates[11], which has a positive effect on net profit and return on assets. Sorescu and Spanjol emphasized that product innovation can not only increase corporate market share, but also improve investors' expectations of the company's future profitability and improve market value performance[12].

4.1.2 Pricing strategy

A reasonable pricing mechanism is directly related to operating income, profit margins and market response speed. Kotler and Keller pointed out that pricing decisions should be based on a comprehensive consideration of cost, market demand, competition intensity and target profit[13]. The high-price strategy is suitable for products with high differentiation or obvious brand premium, which can increase unit profit; while penetration pricing attracts users through low prices to quickly occupy market share and drive total sales[14]. In addition, psychological pricing strategies influence purchasing decisions through price perception and have been proven to increase conversion rates and customer value in the short term[15].

4.1.3 Channel strategy

Channel strategy focuses on the delivery path of products from producers to consumers and is a key link in achieving the final implementation of marketing strategies. The design and management of channel structure directly affect product availability, distribution efficiency and service quality, thereby affecting operating income and cost control. Anderson, Day & Rangan pointed out that a reasonable channel layout can help improve market penetration and customer satisfaction while reducing logistics and sales costs[16]. In the multi-channel retail model, the integration of e-commerce platforms and offline channels provides enterprises with a wider reach, which significantly improves market response speed and revenue growth potential[17]. The improvement of channel efficiency can also enhance inventory turnover and capital recovery efficiency, and play a positive role in the quality of financial operations.

4.1.4 Promotion strategy

Promotion strategy improves consumer awareness and purchase intention through advertising, public relations, discounts, trials, etc., and is an important means to influence short-term financial indicators. Kotler and Keller pointed out that promotional activities are a key tool to drive immediate sales, especially when new products are launched or in the off-season[13]. Blattberg and Neslin found that temporary discounts can effectively increase sales per unit time, but the frequency needs to be controlled to avoid damaging the brand image[18]. Advertising expenditures are often regarded as investments to enhance brand assets and long-term value, and have a positive impact on long-term financial performance[19].

4.2 Impact of expansion strategy on financial performance

4.2.1 Digital marketing

Digital marketing relies on the Internet and data technology to accurately reach customers through social media, search engines and content marketing, significantly reducing customer acquisition costs (CAC) and increasing customer lifetime value (CLV)[20]. Improved data analysis capabilities have also significantly enhanced the efficiency of advertising and marketing ROI[21]. Enterprises' investment in digital channels is closely related to operating income growth[22]. At the same time, improving brand exposure, asset turnover and cash flow quality is a key factor in promoting the financial performance of modern enterprises.

4.2.2 Brand management

As a core intangible asset, brand can enhance customer loyalty and price tolerance, and improve gross profit margin and return on net assets. The customer-based brand equity theory (CBBE) points out that brand association, cognition and loyalty constitute brand value[23]. Morgan and Rego found that brand equity levels are positively correlated with market value, and the ability to resist risks is particularly prominent during crises[24]. Aaker also believes that brand extension can reduce the cost and risk of new products, thereby increasing financial returns[25].

4.2.3 Green marketing

Green marketing emphasizes the sustainability of products and operations, reflecting the environmental protection and social responsibility of enterprises. The "shared value" theory believes that environmental goals and business goals can be promoted in a coordinated manner. Green reputation can enhance consumer favorability, thereby affecting sales and valuation. Leonidou et al. pointed out that environmentally oriented behavior helps to improve customer loyalty and profit margins[26]. Although green products require large initial investments, they can achieve long-term net profit growth through energy saving and consumption reduction, and build corporate competitive advantages and financial resilience.

5 The feedback effect of financial performance on marketing strategy

Although a large number of studies focus on the positive impact of marketing strategy on financial performance, financial performance management itself also reversely affects the planning, resource allocation and strategic adjustment of marketing activities. The financial status of an enterprise not only determines the resources available for marketing activities, but also helps management make accurate marketing decisions through financial data feedback. Based on the literature review, financial performance mainly has a feedback effect on marketing strategy in two aspects: one is the supportive role of financial resources in the implementation of marketing strategy, and the other is the guiding role of financial analysis in marketing decision-making.

5.1 The impact of financial resources on the implementation of marketing strategy

Financial indicators such as the profitability level, free cash flow, and capital structure of an enterprise directly determine the scale and execution of the marketing budget. pointed out that the rational allocation of financial resources is the basis for achieving strategic goals, especially when implementing resource-intensive marketing strategies such as brand building, digital promotion or channel expansion. Financially adequate enterprises are often more capable of long-term brand investment or high-intensity advertising, thereby driving sales growth and market share. On the contrary, when the financial situation is not good, the marketing budget of enterprises is often compressed, which affects the continuity of promotional activities and market influence[27][28][29]. It can be seen that the abundance of financial resources constitutes an important "hard constraint" for the implementation of corporate marketing strategies.

5.2 The role of financial analysis in marketing decision-making

Modern enterprises pay more and more attention to data-driven scientific marketing, among which financial analysis becomes a bridge between "market performance" and "operating results". Srivastava, Shervani, and Fahey proposed the "market asset-driven value creation" framework, emphasizing that enterprises should monitor the effectiveness of market strategies through financial indicators. For example, financial indicators such as return on investment (ROI), marginal contribution rate, and customer lifetime value (CLV) have been widely used to evaluate the performance of marketing projects. Rust, Lemon, and Zeithaml pointed out that marketing managers can better judge whether advertising, price adjustments, or customer relationship management have brought sustainable benefits through financial analysis, thereby achieving optimal resource allocation. As a "post-test" effect evaluation tool, financial indicators in turn strengthen the rationality and sustainability of marketing strategy formulation.

In summary, financial performance is not only a reflection of marketing results, but also an important force to promote future marketing decisions, strategic revisions and resource allocation. Realizing two-way interaction between finance and marketing will help enterprises form a closed-loop management model and promote the deep integration of market orientation and value creation.

6 Conclusion

By systematically combing through relevant domestic and foreign literature, this paper summarizes the core association mechanism between marketing strategy and financial performance. The study shows that whether it is the traditional 4P strategy or the expansion strategy such as digital marketing, brand management and green marketing, it can have a positive impact on financial performance indicators such as operating income, net profit and return on assets by improving customer value, enhancing brand assets and optimizing market response efficiency. At the same time, financial performance itself also has a feedback effect on marketing resource allocation and strategy formulation, forming a two-way interactive mechanism.

From a theoretical perspective, this study provides a more complete model perspective for understanding the causal chain between marketing and financial performance, and enriches the content system of marketing performance research; from a practical perspective, it provides a systematic thinking oriented towards financial performance for enterprises when formulating marketing strategies, emphasizing that in the process of marketing activity design, it is necessary to pay attention to the balance between financial feedback and long-term value creation.

In general, the relationship between marketing strategy and financial performance is complex and close, and future research still needs to further explore the adaptive path and dynamic adjustment mechanism in the context of subdivided industries.

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