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Advertising and Financial Performance in the Tourism Industry: The Moderating Role of The Brand Architecture Strategy

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Abstract

Financial resources are considered one of the important economic resources, which need to be allocated wisely. Despite the increased interest in understanding whether advertising represents an investment or an expense, research on the link between advertising and financial performance is limited. Hence, this study aims to investigate the effect of advertising spending on both operating and market financial performance as well as to analyze the moderating role of brand architecture strategy in the tourism industry. Fixed-effects regression estimations were used to test the proposed effects based on a sample of publicly-listed hospitality firms in the US. The results show that advertising spending boosts both operating and market financial performance. Furthermore, firms applying the house-of-brands strategy were found to benefit more from the positive effects of advertising on return on equity and market value. As such, this study extends the current literature by showing that advertisement represents an investment that contributes to financial performance. Additionally, this research provides the first empirical evidence for the moderating effect of brand strategy on the advertisement and financial performance link. The findings also provide implications for industry practitioners to make budget decisions and for investors to use advertising expenditures and brand strategy as investment criteria in investing decisions.

Keywords Advertising · operating performance · market performance · brand strategy

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Advertising and Financial Performance in the Tourism Industry: The Moderating Role of The Brand Architecture Strategy

There is a growing interest of both researchers and practitioners in understanding the effect of marketing activities on firm financial performance. With respect to different marketing activities, advertising is considered to be an effective tool that has the potential to influence consumer behavior, thereby increasing firm performance (Hyun et al., 2011). The primary assumption for the positive effect of advertising on financial performance is based on the argument that advertisement can be regarded as an investment rather than an expense (Denizci & Li, 2009; Srivastava et al., 1998). In the literature, there are two common approaches to assess the effect of advertising on financial outcomes depending on the measures used to proxy the performance. Specifically, operating financial performance relies on accounting measures, such as operating profit (OP), return on assets (ROA), and return on equity (ROE), which address the short-term financial impacts of advertising (McAlister et al., 2016). On the other hand, market-based financial performance, which adopts a long-term orientation by using market value proxies, focuses on firm value as the outcome of advertising spending. Therefore, some scholars criticize operating performance measures because they fail to capture the long-term effects of advertising. For instance, Shah and Akbar (2008) argue that the market value perspective can outweigh other perspectives, since it has a long-term focus incorporating the carryover effect of advertising on financial performance.

Indeed, the expected impact of advertising is attributed to its role in influencing both consumer and investor behaviors. First, advertising serves as a means to inform customers about products and services, create awareness among them, and shape their attitudes and perceptions (Peterson & Jeong, 2010; Shah & Akbar 2008). As such, advertising has positive behavioral effects on customer responses, which further leads to increased demand and sales for companies (Kim et al., 2018; Park & Jang, 2012). Second, investors use advertising spending as an indicator of financial returns since it represents a sign of future earnings (Joshi & Hanssens, 2010). In fact, the positive effects of advertising can be explained based on the principles of signaling theory (Spence, 1973), which addresses the role of credible signals in the case of information asymmetries between two parties. Since firms have more information than the market, advertising expenditures may serve as credible signals for both consumers and investors to assess product benefits and future financial returns (Joshi & Hanssens, 2010). Moreover, advertising is specifically important for service firms compared to manufacturing firms for its effect on firm performance due to the intangible nature of services (Ho et al., 2005). In particular, the hedonic character of tourism services further intensifies the importance of advertising due to its effects on cognitive decision-making processes (Kivetz & Zheng, 2017).

To date, prior literature has used both operating and market-based performance measures to investigate the effect of advertising, but reported conflicting results (Assaf et al., 2017; Denizci & Li, 2009; Kim et al., 2018; Kim et al., 2019). The contradictory findings of previous studies can be explained by the interaction effects of other factors on the link between advertising and financial performance (Luo & de Jong, 2012). Similarly, the contingency theory argues that the relationship between two factors could be dependent on some other factors (Tosi & Slocum, 1984). Hence, this study proposes a company brand architecture strategy as one of the potential moderators based on the argument that different architecture strategies may have different impacts on the efficiency of advertising spending (Rubio & Calderón-Martínez, 2021). As a result, motivated by the importance of advertising for financial performance as well as conflicting results on the relation between advertising and financial outcomes, the purpose of this study is to investigate the effect of advertising on both the operating and market financial performance of hospitality firms. Furthermore, the current research aims to analyze whether the effect of advertising on financial performance is contingent on the type of brand architecture strategy. This study also aims to assess whether the effect of adverting differs between firms having multiple brands and firms adopting a single brand.

Therefore, this study contributes to both finance and tourism literature in two different ways. First, the current research answers the call for more studies to investigate the relationship between marketing and finance in the hospitality industry (Assaf et al., 2017). As such, this study provides further empirical evidence for the role of advertising in enhancing both operating and market financial performance. Second, this study provides the first empirical evidence for the moderating effect of brand strategy, thus justifying the contingency perspective on the link between advertising and financial performance. The findings of this study also provide implications, which can guide the advertising decisions of practitioners and the financing choices of investors.

Literature Review

Effect of advertising on financial performance

According to Rust et al. (2004), the effects of advertising can be analyzed from different perspectives. While customer impact focuses on the responses of consumers, such as satisfaction, loyalty; market impact, financial impact, and firm value impact deal with firm financial performance outcomes. Financial performance, defined as "the fulfillment of firm's economic goals" is commonly conceptualized as short-term performance that uses operating measures and long-term performance that relies on market-based measures (Gentry & Shen, 2010, p. 516). In line with this conceptualization, financial impact relies on accounting performance measures to assess the short-term effects of advertising on operating financial performance. On the other hand, impact on firm value uses value performance measures to evaluate the long-term impact of advertising on market financial performance.

Even though these two perspectives differ based on performance measure orientations, both of them aim to link marketing activities with financial outcomes. According to the literature, the relationship between advertising and financial performance can be approached from the perspective of marketing productivity, which stands for "the quantifiable value added by the marketing function, relative to its costs" (Sheth & Sisodia, 2002, p. 351). Hence, marketing productivity adopts the input-output view where advertising expenditures represent the input resulting in improved financial performance as the output. In particular, the idea assumes that advertising needs to be regarded as an investment rather than a cost. Moreover, especially for the hospitality industry, advertising results in higher economic benefits compared to other assets (Qi et al., 2018)

However, prior literature, which adopts different proxies to tackle the question of how advertising spending influences firm financial performance, reports conflicting findings. For instance, Kim et al. (2019) analyzed the relationship between advertising and restaurant performance using the measures of sales, profitability, and stock value. The authors evidenced the quadratic effect of advertising expenses on all three performance measures and showed that the effect changes depending on the level of advertising spending. Similarly, in a study of restaurant and hotel firms, Assaf et al. (2017) showed that advertising spending has a positive and significant effect on sales and firm value, which is measured as market value added (MVA). Denizci and Li (2009) also provided support for the significant positive effect of advertising on firm value, which is measured by Tobin's q. However, the effects on stock value and return on assets were found to be insignificant. Likewise, Kim et al. (2018) studied the intermediate effects of advertising, but did not yield a positive immediate or lagged effect of advertising on both sales and profit.

The mixed and contradictory findings in the literature can be attributed to the adoption of different measures and methodological limitations. First, critics have disparaged the use of a single indicator to assess financial performance (Boyd et al., 2005). Since financial performance is not a unidimensional construct (Gentry & Shen, 2010); using two distinct dimensions, namely the operating and market performance, helps to capture both short-term and long-term outcomes. Likewise, prior studies in the hospitality and tourism literature heavily relies on sales and operating performance measures to understand the effect of advertising spending (Qi et al., 2018). Second, it is argued that there might be potential firm-related factors overlooked, which may influence the causal relationship between advertising expenditures and financial performance (Landes & Rosenfield, 1994). Therefore, these criticisms make it important to approach financial performance as a multidimensional construct that needs to be measured by different indicators. Furthermore, the mixed results highlight the noteworthiness of analyzing the effect of moderating factors on the link between advertising and financial performance.

Despite the contradictory findings reported by prior studies, the general notion in the current literature is that advertising spending has a positive influence on firm financial outcomes. In fact, the positive impact of advertising on performance can be explained based on the arguments of signaling theory, which addresses the situations where there is an information asymmetry between two parties (Spence, 1973). Within the framework of marketing, advertising expenditures can be considered as signals to consumers and investors to reduce information asymmetries between the focal firm and the market. The relevance of the signaling theory is based on the assumption that consumers and investors favorably respond to advertising, which further affects the purchases of products and company stocks (Chemmanur & Yan, 2009). On one hand, advertising serves as a tool to inform customers about products and services, which, in turn, triggers demand (Shah & Akbar, 2008). Furthermore, advertising influences the attitudes and perceptions of consumers (Rust et al., 2004), thereby translating into purchase intentions (Hyun et al., 2011). On the other hand, advertising expenditures send signals to the financial market regarding the current and future earnings of the firms. Joshi and Hanssens (2010) provide evidence that advertising expenditures positively affect firm value by creating an investor response. Specifically, investors usually consider advertising spending as an investment that can yield financial returns in the short-run (Rust et al., 2002). In other terms, investors use advertising expenditures as a signal to evaluate their economic returns. Therefore, based on the foundations of the signaling theory, this study proposes the following hypothesis:

H1. Advertising spending positively affects the operational financial performance of hospitality firms.

H2. Advertising spending positively affects the market financial performance of hospitality firms.

The moderating role of the brand architecture strategy

Brands represent strategic intangible assets for companies that positively contribute to cash flow and stock return (Mizik & Jacobson, 2008). In particular, reputed and reliable brands represent one of the significant firm characteristics positively influencing financial performance due to their risk-reduction effects (Kim et al., 2020). Since reliable brands have the opportunity to have a better position in the minds of consumers relative to competitors (Vogus & Welbourne, 2003), these brands can also be assumed to have strong brand equity. Specific to the hospitality industry, the intangible characteristics of the services intensify the importance of brands and their impacts on financial performance. However, there are contradictory findings for the effect of brands on the financial performance of hospitality firms. For instance, Fan et al. (2023) could not evidence a significant effect of both brand equity and brand identity on the financial performance of hotel firms. On the other hand, Kim and Kim (2005) found that brand equity positively contributes to financial performance, which is measured as Revenue Per Available Room (RevPAR). Hence, these conflicting results imply that there might be other factors to consider while analyzing the impact of brands on firm performance.

Based on a study including firms from different industries, prior research suggests that both brand orientation and inter-firm market orientation result in better financial performance. Tajeddini and Ratten (2020) demonstrated that collaboration with partners and having a mindset that integrates brand into marketing strategy enhance firm performance. This finding is also in line with previous literature, which argues that inter-firm relationships enable firms to combine resources, thereby yielding better outcomes. In a similar vein, Ozdemir et al. (2019) found that restaurant firms following a brand diversification strategy by having multiple brands face lower underpricing in their initial public offerings (IPOs). As such, the brand architecture choices of firms could be considered a factor that influences the financial performance of businesses (Rao et al., 2004). Brand architecture can be defined as “an organizing structure of the brand portfolio that specifies brand roles and the nature of relationships between brands” (Aaker & Joachimsthaler, 2000, p. 134). In the literature, “Branded House” (BH) and “House of Brands” (HOB) constitute two primary brand architecture strategies for firms (Petromilli et al., 2002). While BH adopts a unified corporate brand name across all businesses in the portfolio, HOB uses different brands developed for different businesses in the portfolio where the brands do not have an association with the corporate brand (Rao et al., 2004). Hence, the HOB strategy is usually associated with operating a portfolio of diversified brands.

Brand diversification accounts for one of the two common diversification strategies adopted by hospitality firms (Kang & Lee, 2014) since it is especially important for services due to the heterogeneous needs of customers. Brand diversification represents the scope of different brands used by a firm (Bahadir et al., 2008). Even though brand diversification offers various benefits to companies, such as achieving price premiums, larger market share, and competitive advantage (Kekre & Srinivasan, 1990), there is limited research regarding the impact of operating several brands on financial performance, and the results yield contradictory findings. For instance, using a sample of manufacturing firms, Morgan and Rego (2019) report that brand diversification positively contributes to firm value. Conversely, Choi et al. (2011) evidenced the negative effect of brand diversification on the firm value of restaurant businesses. Despite these two different conflicting results, according to the portfolio theory (Markowitz, 1952), which originated from studies in the area of economics, offering a portfolio of different brands can reduce risks and positively affect long-term financial returns. Specifically, a portfolio of brands creates synergy across the portfolio and improves efficiency (Aaker, 2004). Regarding the effect of different brand architecture strategies on financial performance, Rao et al. (2004) concluded that the BH strategy outweighs the HOB strategy in terms of firm value, which is measured by Tobin’s Q. On the contrary, Hsu et al. (2016) showed that HOB strategies result in higher firm value through increased returns and lower risk compared to BH strategies.

As proposed by Aaker (1996), advertising helps to develop brand associations for both customers and investors by influencing their perceptions. Thus, the positive moderating effect of the HOB strategy could be explained based on the spillover effect. As argued by Kang and Lee (2014), especially in the hospitality industry, brand diversification occurs among similar businesses, resulting in more commonalities. Hence, the advertising expenditures can create synergy across brands in the portfolio. That is, the brand associations of customers and investors may spill over into the perceptions of other brands in the portfolio. In line with the arguments of the spillover effect, Rubio and Calderón-Martínez (2021) demonstrated that the scope of the brand portfolio positively influences the advertising efficiency of hotel firms. That is, larger portfolios enable better segmentation of the market, which, in turn, results in more effective market targeting. Hence, the HOB strategy may allow firms to create synergies across brands, thereby increasing advertisement efficiency, which may lead to higher performance measures. As a result, based on the preceding discussions, this research proposes the following hypotheses:

H3. Brand architecture strategy moderates the positive effect of advertising spending on the operational financial performance of hospitality firms in a way that the effect is stronger for firms that adopt the HOB strategy.

H4. Brand architecture strategy moderates the positive effect of advertising spending on the market financial performance of hospitality firms in a way that the effect is stronger for firms that adopt the HOB strategy.

Methodology

Sample and data

This study uses a panel data set of 68 publicly-traded US hospitality firms, including hotel and restaurant businesses, within the period from 2000 to 2022 with 752 observations. Annual firm financial data were derived from S&P Global's Compustat database. The brand architecture strategy is assessed by reviewing the 10-K of each listed firm included in the sample.

The variables used in the research and the description of each variable are provided in Table 1. Following the methodology of prior studies for firm financial performance (Denizci & Li, 2009; García-Gómez et al., 2022), this research adopted four dependent variables. While profit margin (PM), return on assets (ROA), and return on equity (ROE) are used as the measures of operating financial performance, Tobin's Q is used as the measure of market financial performance. spending, which is measured by annual advertising expenditure, represents the primary independent variable of interest. To analyze the data, the study employed natural logarithms of all performance variables and advertising expenditures to reduce skewness in the distribution. In order to investigate the interaction effect of brand architecture strategy on the link between advertising and financial performance, a dummy variable is created as BRNDSTR, which takes a value of 1 if the firm uses a portfolio of different brands (HOB), and 0 otherwise (BH). Lastly, this research also included a set of control variables in the estimation models. Specifically, firm size, leverage, capital intensity, and liquidity are identified as the firm-level control variables since they are also related to firm performance.

Table 1

Variables and measures

Variable	Measure
OPM	Ratio of net operating income to net sales
ROA	Ratio of net income to total assets
ROE	Ratio of total net income to total equity

Variable	Measure
Tobin's Q	Ratio of the market value of the firm to the replacement cost of its assets
ADV	Annual advertising expenditure
ADV*BRNDSTR	Dummy variable (1 if the firm has a portfolio of different brands and 0 otherwise)
Firm Size	Natural logarithm of total assets
Leverage	Ratio of total liabilities to total assets
Capital Intensity	Ratio of total assets to sales
Liquidity	Ratio of current assets to current liabilities

Model specification

To analyze the data and the proposed hypotheses, regression is used as the statistical method since this research uses panel data of 68 firms to make inferences about causal relationships. For each financial performance variable, this study estimated four separate regression equations. To analyze the main effect of advertising spending on firm financial outcomes, the following regression model (Equation 1) is formulated:

$$\begin{aligned} FP_{i,t} &= ß_o + ß_1 lnADV_{i,t} + ß_2 FSIZE_{i,t} + ß_3 LEV_{i,t} + ß_4 LIQ_{i,t} \\ &+ ß_5 CAP\_INT_{i,t} + \omega_i(\text{Firm Fixed Effects}) + \varphi_t(\text{Year Fixed Effects}) + \epsilon_{i,t} \end{aligned} \tag{1}$$

where FP denotes the financial performance measures, which are PM, ROA, ROE, and Tobin's Q, *i* and *t* indicate the company and year, and $\epsilon_{i,\,t}$ represents the error term. Firm dummies and year dummies are also included in the model. Since panel data estimation is used in the analyses, the Hausman test is performed to decide whether fixed-effects regression or random-effects regression are appropriate. Based on the p-values smaller than 0.01, this research estimated all models by fixed-effects regression.

To investigate the moderating effect of the brand architecture strategy, the baseline regression model in equation 1 is modified by incorporating an interaction term, which is denoted as lnADV*BRNDSTR. As such, the following regression model is constructed (Equation 2):

$$\begin{aligned} FP_{i,t} &= ß_o + ß_1 lnADV_{i,t} + ß_2 BRNDSTR_{i,t} + ß_3 lnADV{*}BRNDSTR_{i,t} + ß_4 FSIZE_{i,t} \\ &+ ß_5 LEV_{i,t} + ß_6 LIQ_{i,t} + ß_7 CAP\_INT_{i,t} + \omega_i(\text{Firm Fixed Effects}) + \varphi_t(\text{Year Fixed Effects}) + \epsilon_{i,\,t} \end{aligned} \tag{2}$$

Results

Model estimation results for the main effect of advertising on financial performance

Table 2 provides the regression estimation results for equation 1, which is used to test the main effects of advertising on financial performance measures. The baseline estimation equation is employed for each performance variable, leading to four regression models, which test the effect of advertising expenditure. The coefficient estimate of lnADV in Model 1 (β=0.0654; p<.01) is positive and statistically significant, indicating that increased advertising spending results in a higher profit margin. This finding confirms the results of previous research (Kim et al., 2019), which reported a positive quadratic effect of advertising on profitability. In a similar vein, the positive effect of advertising is evidenced in Model 3. The findings of Model 3 reveal that advertising expenditure (β=0.0557; p<.01) is significantly and positively related to return on equity. Despite the positive impact of advertising on PM and ROE measures, this study fails to find a statistically significant effect on ROA. The insignificant coefficient on lnADV (β=-0.0557; p>.05) in Model 2 implies that advertising spending does not impact the return on assets. These two findings provide partial support for the prior research, which analyzed the effects of advertising on hotel sales, risk and return (Chen, 2015). That is, the results of the respective prior study could not display a significant relationship between advertising and profitability measures of ROA as well as ROE. Overall, regarding the influence of advertising on operating financial performance, this study provides support for two accounting-based measures, which are profit margin and return on equity. Precisely, the findings provide proof that advertising expenditures positively contribute to the operating financial performance of hospitality firms.

With respect to the proposed relationship between advertising and market-based financial performance, the estimation coefficient for lnADV (β=0.1108; p<.01) indicate that advertising expenditure has a significant positive effect on market performance, as measured by Tobin's Q. In fact, Tobin's Q is a widely adopted measure of market value performance (Servaes & Tamayo, 2013), which reflects firm value based on the expectations of the stock market, thereby reflecting future growth opportunities. The significant finding for Tobin's Q implies that as the advertising expenditures increase, the market firm performance increases. The result is also in line with those of prior studies that argue for the positive impact of advertising on firm value and market-based financial performance (Assaf et al., 2017; Denizci & Li, 2009; Kim et al., 2019).

Regarding the control variables, the effects of firm size and liquidity are relevant for market-based financial performance. Larger firms with a high level of liquidity are more likely to experience better market value. On the other hand, leverage and capital intensity have implications for operating performance. More capital-intensive and leveraged firms display better operating financial outcomes.

Table 2

Variables and measures

	lnPM	**lnROA**	**lnROE**	**lnQ**
	(Model 1)	***(Model 2)***	***(Model 3)***	***(Model 4)***
lnADV	0.0654**	-0.0024	0.0557**	0.1108**
	-33984	(-0.2360)	-34129	-41426
FSIZE	-0.0055	0.0213	0.0005	0.1844**
	(-0.2215)	-19330	(0.328)	-57896
LEV	0.0905	0.0101**	0.0009	0.0003
	(0.0595)	-108674	-11327	(0.5983)
LIQ	-0.0010	0.0099	0.0037	0.1716**
	(0.6067)	(0.8400)	-14774	-69683
CAP_INT	0.0518*	0.2898*	0.0644	0.2897
	-22235	-19788	(0.4343)	(0.9710)
Firm Fixed Effects	*Yes*	*Yes*	*Yes*	*Yes*
Year Fixed Effects	*Yes*	*Yes*	*Yes*	*Yes*
R-sq	*0.3096*	*0.1455*	*0.1024*	*0.5755*

*t statistics in parentheses; * p<0.05, ** p<0.01*

Model estimation results for the moderating effect of the brand strategy

Besides the main effects of advertising spending on financial performance outcomes, this study analyzed the interaction effect of brand architecture strategy on the link between advertising and financial performance. In order to test the moderating role of brand strategy, the baseline estimation model is modified by including an interaction term between advertising expenditure and the type of brand architecture strategy.

The results of the moderation analyses are provided in Table 3. The estimation equation is run for each performance variable, resulting in four regression models. The regression analysis of the moderating role of ROE yields a significant role for the brand architecture strategy. The positive coefficient on the interaction term “lnADV*BRNDSTR” (β=0.0781; p<.01) shows that adopting a house-of-brands strategy with a portfolio of different brands intensifies the positive effect of advertising spending on return on equity. Likewise, the results of the analysis for model 8, where the interaction term “lnADV*BRNDSTR” (β=0.1108; p<.01) has a positive significant coefficient, suggests that firms having a portfolio of brands benefit more from advertising expenditures. That is, the positive effect of advertising spending on market performance is more pronounced in the case of the HOB strategy. Conversely, the regression analyses for the moderating role of brand strategy did not yield a significant result for either profit margin or return on assets. In other terms, the type of brand architecture strategy did not make any difference for the influence of advertising spending on profitability or how efficiently a firm uses its assets.

Table 3

Results of the moderator analyses

	lnPM	**lnROA**	**lnROE**	**lnQ**
	(Model 5)	***(Model 6)***	***(Model 7)***	***(Model 8)***
lnADV	0.0803**	0.0021	0.0855**	0.1727**
	(-35089)	(0.2050)	(-52701)	(-72917)
BRNDSTR	0.0074	−0.0060	0.0054	0.1683
	(0.9165)	(-0.1616)	(-10149)	(-11819)
lnADV*BRNDSTR	0.0023	0.0028	0.0781**	0.1108**
	(0.6518)	(-0.4333)	(-27235)	(-31722)
FSIZE	0.0008	0.0211	0.0007	0.1369**
	(0.4660)	−18934	(0.5365)	−50473
LEV	−0.0624	0.0101**	−0.0020	−0.0977
	(-0.0257)	(-108466)	(0.9601)	(-0.0781)
LIQ	0.0018	0.0021	0.0018	0.0073
	(-10461)	(0.2050)	(-14845)	(0.2423)
CAPINT	0.0529*	0.0289	0.0555**	0.0429
	−24371	−19596	−36222	−1500
Firm Fixed Effects	*Yes*	*Yes*	*Yes*	*Yes*
Quarter Fixed Effects	*Yes*	*Yes*	*Yes*	*Yes*
R-sq	*0.2827*	*0.1439*	*0.1396*	*0.1059*

*t statistics in parentheses; * p<0.05, ** p<0.01*

Conclusion and discussion

The value of marketing activities and the impact of these activities on financial performance are of great interest to both academicians and practitioners (Denizci & Li, 2009). Specifically, the question of whether advertising represents an expense or an investment still requires further investigation. Moreover, there is an ongoing need to understand the marketing – finance relationship in the hospitality industry (Assaf et al., 2017) and which factors interact with advertising (Luo & de Jeong, 2012). Therefore, using a sample of publicly-listed US firms, including hotel and restaurant businesses, the purpose of this study is to investigate the effect of advertising spending on both operating and market financial performance. In addition, the current research aims to analyze the interaction effect of the brand architecture strategy on the relationship between advertising and financial performance. The results reveal that advertising positively contributes to both operating and market-based financial performance. Specifically, the more firms spend on advertising, the better they reap the financial rewards. Furthermore, the findings for the moderating role of brand architecture strategy show that brand strategy strengthens the positive impact of advertising on return on equity and market performance. That is, firms following the house-of-brands strategy benefit more from advertising to generate income from equity investments as well as to increase firm market value.

The results of this research also offer valuable implications for academicians and practitioners. From an academic perspective, this study extends the current literature in a way that it provides further empirical support for the role of advertising spending in enhancing both the operating and market financial performance of hospitality firms. Since the hospitality literature on the marketing-finance link is still in its infancy, the results offer further evidence for the positive impact of advertising. Moreover, the findings show that advertising represents an investment rather than an expense and underpins the role of advertising in generating returns for businesses. Last, the direct effect of advertising also endorses the relevance of the signaling theory, which assumes advertising as a signal to influence the behaviors of both consumers and investors. In addition to the contributions regarding the direct effect of advertising, this research presents the first empirical evidence for the moderating role of brand strategy, which interacts with advertising in the effect on financial performance. Hence, the current study also highlighted the importance of adopting a contingency perspective to analyze the relationship between marketing and financial outcomes.

From the perspective of practitioners, hospitality managers need to change their view regarding advertising expenditures. Prior research about the strategic value of advertising in the hospitality industry also argued that advertising expenditures have a higher positive impact on financial performance than other expenditures, and hospitality firms need to approach advertising as an investment. Specifically, a $1-million increase in advertising spending could result in a 0.4198% increase in firm market value, while a $1-million increase in other expenses would increase firm market value by 0.0116% (Qi et al., 2018). Hence, when hospitality firms prepare their budgets, they should allocate more financial resources to the marketing department. Marketing departments also need to assess the effectiveness of different advertising tools. Since advertising can be regarded as an investment to improve financial performance, marketing managers should develop their advertising strategies by considering the strengths and weaknesses of each communication tool to achieve efficient use of the financial resources allocated as advertising budget.

Considering the moderating role of brand architecture, adopting a house-of-brands strategy is advisable to develop relationships, especially with investors, since the strategy affects the firm's financial performance. As argued by Wang and Chung (2015), operating portfolio of brands leads to higher financial performance. More precisely, based on a sample of U.S. hotel firms including major groups such as Marriott International, InterContinental Hotels Group, Hilton Worldwide, and etc., the prior research evidenced that hotels with larger portfolio scope achieve higher financial performance in terms of return on assets, profit margin and cash flow per sales. Similarly, this study also shows that firms are more likely to receive benefits of advertising to improve the return on equity invested and market value of the firm when they operate a portfolio of brands. Hence, the brand architecture strategy could be used as a tool for investor decisions. Since advertising could be considered as a signal for the financial market, investors may also use the advertising expenditures of the firms as a decision criterion in their investment decisions. Likewise, the other criterion that can guide the decisions of investors could be the brand strategy adopted by the businesses. Depending on their investment horizon, investors can choose between companies based on their brand strategies. For long-term oriented investors, the house-of-brands represents a more plausible strategy since it intensifies the positive influence of advertising on market financial performance.

This study also has some limitations. First, the sample includes hospitality firms operating in the US, which represents a developed economy. As such, the results should be interpreted with caution since the results could not be applicable to the firms in other industries and countries. As suggested by Inglehart's theory, the differences between emerging markets and developed markets in terms of socioeconomic development level may influence the effectiveness of advertising across different cultures (Pergelova & Angulo-Ruiz, 2017). Hence, future studies can benefit from testing the proposed effects in different national and cultural contexts. Second, this study focuses on two main types of brand architecture strategies: branded-house and house-of-brands. However, there are other more refined strategies, such as sub-branding, endorsed branding, and hybrid. Hence, it could be valuable to incorporate other branding strategies to assess the role of other forms. Third, to understand the long-term effects of advertising, future studies can adopt other proxies of firm market performance to validate the positive effect of advertising. Last, even though this study provides evidence for the interaction effect of brand strategy on the advertising-finance link, other contingency factors remain unexplored. Hence, further research can be undertaken to explore potential contingency factors.

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