RECONSIDERING THE MEASURES OF SHAREHOLDERS VALUE: A CONCEPTUAL OVERVIEW

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Abstract

Economic and finance theory dictates that the major purpose of a firm is to create value. Value can be considered from different points of view. Advances in two distinctly different functional areas of business, namely marketing and financial management, initiated a reconsideration of our understanding of what constitutes a firm’s value. On the one hand marketing was called upon to become more financially accountable and at the same time intangible assets on balance sheets require that the asset or group of assets should be separately identifiable, protected, transferable and enduring. Brands represent a significant fraction of the intangible, and hence, total value of many firms. This situation made various researchers call for the integration of the disciplines of marketing and finance. The blend of empirical customer research and financial measures to produce measures such as, for instance, CLV holds a great deal of promise to support our understanding of value creation in firms and how that translates into shareholder value.

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