

National Culture as A Determinant of Advertising Expenditures

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Abstract

This paper uses the data of non-financial firms from 56 countries to document the impact of national culture on advertising activities undertaken by firms. Using secrecy as an indicator of national culture, we show that firms headquartered in cultures that score high on secrecy spend less on advertising than firms headquartered in cultures that score low on secrecy. These findings are consistent with the assumption that secretive cultures are not conducive for dissemination of information. Firms headquartered in these cultures have a preference for confidentiality. An outcome of a lower propensity to disseminate information is that firms headquartered in these cultures exhibit a lower preference for advertising. The paper also shows that the value of advertising (as measured by the impact of advertising on sales growth, Tobin's Q, and financial distress risk) is lower in cultures that score high on secrecy.

Keywords: Culture, Secrecy, Marketing, Information Asymmetry