

Measuring public ratings' impact on financial condition

[Finance](#), [Investment](#)



MEASURING PUBLIC RATINGS' IMPACT ON FINANCIAL CONDITION OF MASS MEDIA COMPANIES IN THE PHILIPPINES: AN ANONYMOUS RELATIONSHIP A

Thesis presented to the Faculty of the College of Business, Economics, Accountancy and Management De La Salle Lipa In partial fulfillment of the requirements for the Degree Business Management Major in Financial Management by Macatangay, Gladys Maralit, Joshua Montes, Jose Miguel Salute, Niel Patrick Acknowledged by Winnie D. Dimaano Thesis Adviser

ABSTRACT

This study will aim to recognize the significant relationship of Public ratings/ media ratings to the subject mass media companies' (ABS-CBN, GMA Network) financial condition and stock market performance for the years 2009-2011. The purpose of the study is to determine the companies' public ratings/ media ratings for the years 2009-2011, to assess if there is a significant relationship between public ratings/ media ratings and the companies' financial condition and stock market performance and to determine if public ratings/ media ratings have a significant effect on the companies.

The public ratings/ media ratings will be gathered online through the websites of AGB Nielsen Philippines and Kantar Media. The researchers will be using secondary data collection technique in gathering information regarding the present study. The researchers will also use correlational research design to analyze the data. Descriptive design will also be used in the study. TABLE OF CONTENTS Page ABSTRACT i ACKNOWLEDGEMENT ii DEDICATION iii LIST OF FIGURES AND TABLES iv

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 BIBLIOGRAPHY20 APPENDICES Chapter 1 BACKGROUND OF THE STUDY This
 chapter presents the background of the study, statement of the problem,
 statement of research objectives, significance of the study and the scope
 and limitations of the study. Introduction In the Philippines, one of the most
 influential systems of the society is media. Thus, this makes it one of the
 systems that the public knows the most and is familiar of.

However, despite its familiarity, there are only few who are curious of how
 public ratings and public relations affect these companies' financial condition
 in terms of its liquidity, solvency and stock value; and perhaps in the long
 run how it affects its profitability and revenue. In the past years, there have
 been two dominant Mass Media companies that are almost at par in terms of
 revenue in the country; The Alto Broadcasting System - Chronicle
 Broadcasting Network popularly known as ABS-CBN and the GMA Network
 (GMA), commonly signified to as " Kapuso Network".

These are major commercial television network in the Philippines owned and
 operated by the publicly traded Filipino media conglomerates. Public Ratings,

in general has always been a part of these Mass Media companies' way of showing their dominance over another and thus, the proponents came to an idea that perhaps public ratings have a significant effect on these companies financial condition and profitability ratio. The fact that these companies even spend large amounts of money to pay other market research companies to conduct a survey amongst the public is enough reason for the researchers to conduct a study about it.

In general when conducting a study about Financial Management, it is common to have a study about the financial condition of a certain business or company concentrating only on one aspect of the company which is its financial statement. However, in this study the researchers would like to showcase the impact of public ratings to the financial condition of Mass Media companies in terms of its liquidity, solvency, and stock value and to prove if there is a significant relationship between these variables; as well as on its profitability ratio.

Statement of the Problem This study will aim to recognize the significant relationship between mass media companies' public ratings and financial condition from the year 2009 to 2011 here in the Philippines. The purpose of the study is to answer the following questions: 1. What are the public ratings of the two mass media companies in the years 2009-2011? 2. What are the companies' financial condition/ performance in terms of: a. Return on Assets b. Return on Equity c. Return on Investments 3.

What is the Stock Market Performance/ Stock price of ABS- CBN and GMA network for the period 2009- 2011? 4. Is there a significant relationship

between the companies' public ratings and financial condition for the years 2009 to 2011? 5. What is the effect of public ratings to the media companies' profitability and stock price performance? Operational Framework Hypothesis Ho1: There is a significant relationship between the media companies' public ratings and financial condition. Ho2: Public ratings have a direct effect to the media companies' stock market performance.

Research Objectives It specifically aims to attain the following objectives: 1. Determine the public ratings of the two mass media companies in the years 2009-2011. 2. Determine the companies' profitability ratios in terms of: a. Return on Assets b. Return on Equity c. Return on Investments 3. Determine the Stock Market Performance/ Stock price of ABS- CBN and GMA network for the period 2009- 2011. 4. Determine if there is a significant relationship between the companies' public ratings and financial condition for the years 2009-2011. . Determine the effect of public ratings to the companies' profitability ratio. Significance of the Study This study will be useful to numbers of sectors including the public, investors, brokers and traders, faculty, students and future researchers. For the public This study may introduce the value of public ratings to the public and may give them the idea that good public ratings does not only affect the media companies' popularity or fame and its influence, but it also affects its financial condition in terms of its liquidity, solvency and stock value.

For the investors This study is beneficial to the investors for they can have an additional basis in analyzing the past and the current financial condition of the media company they wish to invest at. The media companies' public

ratings would also help them analyze the which company profits more and which company gives greater opportunity for investment growth and diversification. For the brokers and traders This study is beneficial to the brokers and traders for they can have an additional basis in analyzing the companies financial health in terms of its liquidity, solvency and stock value.

Thus, giving them basis for investment. For the faculty The result of this study is beneficial for the professors to have a deeper understanding about what public ratings can really do to affect the financial condition of a certain company especially companies who directly concentrates on media usage for profitability. For the financial management students The result of this study is beneficial for them to learn more about the effect of public ratings which is commonly seen only as a basis for popularity.

They can use it as a reference or guide to their study to further understand the factors that may affect a company's financial condition. For the students and future researchers The result of this study will serve as a reference to their finance courses. This will be useful to them by providing them essential details necessary in conducting their related studies. Scope and Limitations The study will focus on the significant relationship of public ratings to the financial condition of media companies in the Philippines in terms of liquidity, solvency and stock value.

Specifically, the study will focus on public relations which may directly affect the public ratings of these media companies. Primary sources will be gathered by the researchers by visiting university libraries, reading articles and researches that are related to the study. Secondary resources will be

also gathered via internet and finance websites. These resources will prove that public relations have a significant relationship with public ratings. Furthermore, in determining the significant relationship between the variables (public ratings, liquidity, solvency and stock value), comparative analysis will be used.

In order for comparative analysis to be done, the researchers gathered financial statements of both media companies from years 2009- 2011. The researchers also gathered the public ratings of these media companies that were gathered by market research companies that each media company has hired (Nielsen ratings and Kantar Media). Furthermore, the stock value for each company will be gathered. Definition of Terms Public Ratings Refers to media ratings issued by AGB Nielsen and Kantar Media market research firms in the Philippines that rate the subject corporations' overall television viewer ratings.

Chapter 2 REVIEW OF RELATED LITERATURE This chapter presented literature reviews related to the study. The section presents the writing of different personalities both foreign and local conducted by the proponents during their research which have been beneficial to the study. It involves reference materials and detailed facts stated by few people and pioneer in the field of investment that will serve as the foundation for sorting out and solving problems that may be encountered in the development of the proposed study.

Literature and studies presented in this study contained information, concepts, and findings that were contributory and fitting for the selection

and development of the theoretical framework of the study. Synthesis was also created based from the gathered information and facts in literature and studies. Related Literature Public relations is now recognized as an important tool of management in production, distribution, and finance. “ To have the people in your community think well of you and your company, to win a measure of acceptance on the part of certain special publics, and lastly, as you devoutly hope, to gain some degree of recognition on the part of the general public. ” is what media companies should do to gain better and more effective relations with the public. Related studies According to a book of Romeo P. Virtusio entitled “ How to make it in PR: PR Veterans Tell Their Stories (2007),” Public Relations has a significant effect on Public ratings also known as media ratings.

In this article the author emphasized that Public Relations is a significant asset to a company's Public Ratings. The article also showed that there are long run relationships between the two, both directly affects each other progressively. A study conducted by a group of students from De La Salle University Taft entitled “ Public Relations Firms in the Philippines and Their Life Cycle (2009),” explained that PR bears distinguishing marks for a company's life as “ failures” and “ survivors. The study mentioned that Public Ratings can seriously affect a company's orientation or leadership profile, vision, client management, financial management, preferences for innovation, and risk- taking propensity. Public Relation firms equally keep pace with the dynamic market and other forces to recognize the stage of decline which can trigger their demise, as in the case of defunct firms, and steer well through the known external environment/ public. This study also

elaborated further the real effects of Public Ratings to companies. The operating relations firms are the survivors.

They keep pace with the dynamic market and other forces in the known external environment, They keep abreast of their organizational life cycle by means of organizational blueprints for updates, interest in cultural orientation and judicious application of technological changes. Adaptation through selection is resorted to by the firms, so that alignment with the very satisfactory if not excellent business performance can be attained, to assure themselves of longer life cycle. It is in this regard that the applicability of the “ Stewardship Theory” in management could be tested.

The firms survive on the strength of their organization, systems and structures and competencies alone, which can prolong their life cycle. But even the masterful application of innovative management orientation and well- plotted strategy, which combines entrepreneurial orientation and stewardship, the resultant business performance still serve as a significant determinant of their life cycle. The “ failed” firms are those whose management took for granted or ignored the essential requirements for a healthy and robust business concern.

Deviations from the factors of entrepreneurial orientation and stewardship, and control of elements in the internal and external environments, generally lead to failures. An article written by Oscar S. Villadolid emphasized that in Public Relations, knowing the culture of the market, the set of beliefs and the value systems, traditions and ways of doing things, is what makes a strategy

for good PR more effective. Mass Media companies will never get high media ratings if they do not do this. Synthesis

The studies and articles presented are closely related to the current study considering the different variables used. The primary focus was to determine the relationships between Public ratings also known as media ratings and the mass media companies' financial condition. The studies presented assessed the significant relationship between public relations and public ratings. This helped in scrutinizing facts that are viable information to the completion of the study. Chapter 3 RESEARCH METHDOLOGY This chapter discusses the manner by which the study was conducted.

The first portion shows the research design and the purpose of using such design. The second portion discusses the source of data and the third portion tells about the method of data analysis. It also discusses the ways in which relevant data needed for the research was collected and treated. Research Design This research paper will assess the relationship of public ratings and mass media companies found in the Philippines in terms of their profitability ratios mainly focusing on the companies' return on assets, return on equity and return on investments for the years 2009 to 2011.

The study will also focus on the companies' financial condition that would help evaluate their performance in terms of solvency, liquidity and stock value. The study will use descriptive research design in order to analyze the relationship of selected mass media companies in the Philippines. Likewise, the correlational research design will be used to determine the impact of public ratings on the variables that were presented for the years 2009 to

2011. Respondents of the Study The subjects of the study would be the mass media companies specifically ABS-CBN and GMA Network that are listed under the Philippines stock market.

Locale of the Study The study will be conducted in the Philippines specifically in Manila where the subjects are currently situated. Research Tools and Instruments The data that will be used for this study will be the public ratings posted by the market research companies hired to assess the ratings of ABS-CBN and GMA Network. Likewise, it shall use secondary data such as Financial Statement and Stock market performance. In order to assess the relationship between the variables mentioned, the researchers will gather the Financial Statements of these media companies for the years 2009 to 2011.

Data Gathering Procedure The mass media companies' data about profitability ratio and financial condition will be gathered through the use of information and communicationstechnologyby surfing the internet and researching through world-wide web. In addition, other data that will be used in this study will be collected through the references coming from the Library of the De La Salle University located at Taft mostly in the General collection and Periodical section. The researchers will also use secondary data collection technique in gathering information about the study.

Secondary data will be derived from journal articles, manual/handbook and magazines as well as in the different educational, governmental and organizational websites for some related information about public ratings and mass media companies. Secondary data will also be obtained from

related studies conducted for academic purposes. Data Analysis and Interpretation The researchers will analyze the data through the use of different methods for research. To test the relationship between the mass media companies' public ratings, profitability ratio and financial condition, the correlational research design will be used.

Moreover, the regression research design will be used to analyze and compare the financial statements of the media companies and their respective public ratings for the years 2009 to 2011. Descriptive design was also used in the study. Correlation analyses will be done to determine if significant relationship among the variables used in the study is present. The strength of the relationship among the variable will be interpreted using the following correlation equivalents: Table 1 Interpretation of Correlation Coefficient Values

Correlation Coefficient Value	Interpretation
0 to 0.10	No correlation
.11 to .30	Weak correlation
.31 to .50	Moderate correlation
.51 to .70	Strong correlation
.71 to .99	Very strong correlation

The formula to be used will be: $r = \frac{\sum xy}{\sqrt{\sum x^2 \sum y^2}}$ Where: n= number of pairs x, y are the number of the variables to assessed. Bibliography Romeo Virtusio P. 2007. How to make it in PR: PR Veterans tell their Stories. Filipino Book of Public Relations: 65-78. Branka Bugariska. 2013.

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