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The Impact of Selling and Administrative Expenses on Corporate Stock Price Performance

Abstract. Selling costs are vital in shaping a company's profitability position and competitiveness in the market environment, resulting in investor perceptions and also stock price performance. Previous studies indicate that sales costs significantly affect profitability, while profitability mediates stock price performance. High general and administrative (G&A) expenses also may have a significant influence on a company's stock price performance, as controlling them can be a serious problem for any business. This paper moves slightly away from the traditional analysis of selling and administrative expenditure and profitability by evaluating the effect of selling and administrative expenses on corporate share price. Researchers applied a quantitative technique with case data on Woolworths Holdings Ltd (2004 to 2024). Data were collected from the archives of Woolworths Holdings Ltd (for S&D expenses) and Investing.com archives (for stock market price). The results of a simple regression analysis indicate that selling and administrative expenses have a significant and positive effect on the movement of Woolworth's stock price at a p-value of 0.001 over the twenty-one years of data examined in this paper. Hence, the paper offers new insight into the important role of selling and administrative investment beyond the current year of operation and the bottom line. The paper provides practical implications for businesses, including the need for managers to invest efficiently in strategic areas such as current-year adverts and promotions, as these may have multiple years of economic benefits for the company. Theoretically, the result also indicates that the current year's expense values may not be limited to the bottom line and that these expenses may cautiously be included in the variables for economic value-added analysis given their ripple benefit effect unto subsequent years' economic values.

Keywords: stock price, selling and administrative expenses, advertising, promotions, economic value.

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Вплив витрат на збут та адміністративних витрат на курс корпоративних акцій

Анотація. Витрати на збут мають життєво важливе значення для формування прибутковості та конкурентоспроможності компанії в ринковому середовищі, що впливає на сприйняття бізнесу інвесторами, а також на курс акцій. Попередні дослідження показують, що витрати на збут суттєво впливають на прибутковість, тоді як прибутковість впливає на курс акцій. Високі загальні та адміністративні витрати також можуть мати значний вплив на курс акцій компанії, оскільки контроль над ними може бути серйозною проблемою для будь-якого бізнесу. Це дослідження децю відходить від традиційного аналізу витрат на збут,

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адміністративних витрат і прибутковості, зосереджуючись на оцінці впливу витрат на збут та адміністративних витрат на ціну акцій компанії. Дослідники застосували кількісну методику аналізу, використовуючи дані про діяльність компанії Woolworths Holdings Ltd за 2004–2024 роки. Дані були зібрані з архівів Woolworths Holdings Ltd (щодо витрат) та архівів Investing.com (щодо цін на фондовому ринку). Результати простого рересійного аналізу вказують на те, що витрати на збут та адміністративні витрати мають значний і позитивний вплив на рух курсу акцій Woolworth при p -значенні 0,001 протягом двадцяти одного року – періоду розглянутого у цій статті. Таким чином, стаття пропонує новий погляд на важливість ролі витрат на збут та адміністративних витрат за межами поточного року діяльності. Дослідження містить практичні наслідки для бізнесу, включно з необхідністю для менеджерів ефективно інвестувати в стратегічні сфери, такі як реклама поточного року та рекламні акції, оскільки вони можуть принести багаторічну економічну вигоду для компанії. З позиції теорії результат також свідчить, що значення витрат поточного року можуть не обмежуватися підсумковим результатом, а тому ці витрати можна обережно включати до змінних для аналізу економічної доданої вартості, враховуючи їх ефект хвилеподібної вигоди для економічної вартості наступних років.

Ключові слова: курс акцій, витрати на збут та адміністративні витрати, реклама, акції, економічна цінність.

INTRODUCTION

Aside from capital investment costs, a well-planned and strategic incurrence of certain costs of yearly business economic activities can constitute value-driven investments, in which the economic value may continue to flourish way beyond the fiscal year when such annual costs of business activity were incurred. These include selling and administrative expenses. On the one hand, selling expenses are associated with the costs used by a business for marketing purposes, product or service promotions, and product and/or service sales. Hence, selling expenses have a direct relationship with revenue-generating sales activities. On the other hand, administrative expenses refer to the costs that support business in general, which are not only associated with the production and sales of the current period.

Increases in corporate economic activities would, under normal business circumstances, warrant associated increases in selling and administrative expenses (Venieris et al., 2015; Suzan & Lumbantobing, 2023). Hence, Payne (2024) concurs that increases in selling and administrative expenses should not be interpreted as abnormal if such increases follow expansions in corporate productive or service activities. Conventional research is ubiquitous with the profit reduction implications of increases in selling and administrative expenses (Nadiyah et al., 2022). However, little research attention exists on the stock market value implications of increasing investment in selling and administrative expenses.

Instead, this paper contributes to the literature by deviating slantly from existing research and focusing on examining the effect of selling and administrative expenses on corporate stock price. Hence, this paper aims to explore the impact of sales and administrative investments on corporate stock price using case data from Woolworths Holdings Ltd.

The research proceeds in four sections: the theoretical foundation, review of related literature, methods and findings; and the last section presents the conclusion.

THEORETICAL FRAMEWORK

The Signalling Theory

The signalling theory expounds that various company stakeholders appreciate available fundamental information shared with them. The companies may send

signals to investors by reporting important information to provide insight into the company's current operation and future prospects (Andini et al., 2024). Information may be provided as a signal to external parties through an annual report. Complete, accurate, timely and relevant information is needed for investors in the capital market because it is an important analytical tool for investment decision-making (Sabatini & Sudana, 2019). For example, an increase in company profits may give a positive signal to investors that the company is profitable and can provide prosperity to investors. When the company's financial statements appear to be good, the investing community tends to be attracted to invest their funds in that company (Khotimah et al., 2020). Conversely, when the financial report is negative, investors tend to have a negative view of the company, thus hurting the company's share price. Excessive costs may have an effect on the profitability of a company and, ultimately, on the share price.

Generally, companies are encouraged to be transparent and provide all important information between the company and its stakeholders because they have more valuable insight into the current status and future projections than prospective creditors and investors. Signalling theory has been referred to as a "management's attitude in providing clues to investors about management's view of the company's future prospects" (Brigham & Houston, 2015, p. 184). It is an important theory to gain an understanding of financial management. Further, a signalling theory can be defined as a signal that a company provides to prospective investors, and the signals given can be made directly or through a detailed, in-depth study. Note that signals can be identified either as bad news or good news. For example, annual growth performance may be considered a good signal, while declining growth performance can be regarded as a bad signal (Jumliana, 2024). All the shared information is critical for the investors' attention and decision-making (Abqari & Hartono, 2020). With the signal or information, investors may consider buying or selling shares.

LITERATURE REVIEW

Selling and Administrative Investment

In business operations, sacrifices that may be in the form of costs or expenses are obligatory. These costs are often referred to as "an economic source that is sacrificed by using a unit of currency as a measurement issued for certain purposes" (Mulyadi, 2016, p. 184). They are considered as costs, sacrifices or exchange rates expended in anticipation of gaining future benefits (Carter & Usry, 2014). Generally, the term cost refers to the load, which actually has a gap in the angle of sacrifice. Considering this view of sacrifice, the object of cost is to yield an output contributing to the value of benefits. Thus, costs are construed as expenses for capital. Whereas the sacrifice perspective of the expense may contribute to achieving income from sales activities, it may also be possible that expenses may not yield benefits in the future. Costs are considered based on the purpose of the expenditure, the number of activities, the important functions in the organisation, the correlation of costs related to that which is financed and also related to the term of the benefits (Mulyadi, 2016).

Selling and administrative investment (SG&I) represent the costs associated with promoting and managing a company's products or services, as well as general administrative functions (Rusdiyanto et al., 2021). Some of the selling and administration strategies contribute to revenue growth, efficiency, and achieving a competitive advantage, and they may also have a positive effect on stock price performance. On the other hand, inefficiencies or ineffective strategies may have a negative impact. Generally, investors often closely evaluate these aspects when assessing a company's overall financial health and growth potential, which, as a result, impact the stock price performance of a firm. Notably, SG&I's well-planned and effective management contributes to revenue growth by supporting sales and marketing efforts. Similarly, investments may lead to increased sales and market share and may have a positive impact on the company's stock price. However, when SG&I expenses outpace revenue growth and erode profitability, investors may view the company as inefficient, potentially negatively impacting stock prices.

Selling and Administrative Investments and Stock Price Performance

Sales growth is a regular aspect of the phenomenal growth of any company. Sales are the income derived from trading, service, and industrial firms that are generated as proceeds from the sale of goods, services rendered to customers, and rental amounts from tenants and other service customers or users. Maximum sales volumes generally contribute to the company to gain maximum profits. The company's long-term sustainability can be guaranteed by sales activities in that the more sales the company makes, the higher the profits to be achieved. When sales activities generate income, it covers all costs incurred by the enterprise. Furthermore, when the company gains optimal sales, maximum profits can also be achieved by emphasizing costs.

Selling costs are vital in shaping a company's profitability position and competitiveness in the market environment, resulting in investor perceptions and also stock price performance. Sales costs are necessary for business development strategies in that they help shape a company's profitability position and competitiveness, thus making it important to achieve more profits in accordance with the company's set target (Zhu et al., 2018). The selling costs include all costs related to fulfilling customer orders, including marketing-related costs, labour costs of sales personnel, depreciation of vehicles and office equipment used by the marketing and sales department, and storage costs, including shipping of finished goods. Previous studies indicate that sales costs significantly affect profitability (Susilowati et al., 2021; Deitiana, 2015), while profitability mediates stock price performance (Susilowati et al., 2021; Deitiana, 2015). Generally, investors have a close watch on how companies manage and optimize selling costs relative to their revenue and competitors to assess, in particular, financial health, operational efficiency, and growth prospects (Farhat et al. (2019).

General and Administrative (G&A) costs are those expenses that include salaries of non-sales personnel, rent, utilities, insurance, and related costs that are not directly tied to the production or sales functions. These expenses may have a significant influence on a company's stock price performance because high G&A expenses can be a serious problem for controlling any business (Seetharaman et al., 2016). Instead, investment and stock price performance are tortuously interconnected in that they are influenced by various factors that can affect how investors perceive and value the organization. For example, the type of investments that the company chooses may have an influence in that management may choose to invest in various ways, including capital expenditures (CAPEX), research and development, mergers and acquisitions, marketing campaigns, and expanding into new markets. Each type of investment can have different implications for stock price performance. The other factor may relate to the expectations of future earnings in that stock prices often reflect expectations of future earnings growth. When a business decides on strategic investments, such as in research and development or expanding the production capacity, investors may have expectations for higher future revenues and profits. The positive profit forecasts may increase stock prices as investors bid up the price to reflect these expected future earnings. One other factor may be a result of market reaction to investment news. Generally, the stock markets typically react to the pronouncement of significant investments. Positive announcements about cautious and sensible investments that are expected to yield returns may have a contributory positive effect on the investor's confidence, resulting in the drive of stock prices to higher levels. Conversely, poorly received investment decisions or excessive spending without straightforward returns may lead to scepticism and potential declines in stock prices.

METHOD AND RESULTS

The paper applies a quantitative technique with secondary data on Woolworths' price collected from Investing.com (2024) from 2004 to 2024 (21 years). Similarly, Woolworths' data on yearly selling and administration expenses were collected from Woolworths' archive of Reports, Results and Presentations (Woolworths, 2024). The data analysis applied the simple regression statistics with the aid of Excel software and with the following model:

$$Y = \alpha + \beta X + \epsilon$$

Where:

Y = share price;

α = alpha (or constant);

β = regression coefficient;

X = selling and administration expenses (independent variable);

ε = the error term – representing other variables not included in the model.

The justification for choosing Woolworths Holdings inclines on the company's recognised efforts towards responsible investment in selling, promotions and administrative operations, which not only supports the company's increasing growth but also caters for society. Hence, this paper sought to evaluate the stock market value potential implicit in sales and administrative investment at Woolworths Holdings. As stated in the introduction section, the core aim is to analyse whether the stock market values the company's investment in selling and administrative operations. Thus, the research question 'Does sales and administrative investment by a

responsible company possess equity enhancement capabilities?' should encourage companies to invest in sales and administrative operations.

In this research, the authors test their assertion that it is not always the case that increases in selling and administrative expenses may portend doom for a corporation; instead, if increases in selling and administrative expenses are concomitant with corporate productive expansions, selling and administrative expense increases would attract economic benefits to the company. Since Woolworths Holdings has, over the years, engaged in operational, promotion and sales expansion activities with attendant expenses, this paper moves beyond the traditional evaluation of the effect on profit. It focuses on the effect on the stock market value of the company. This assessment is novel to practical and theoretical research and contributes to our understanding of how the stock market may view and react to corporate selling and administrative investment.

Table 1 presents the results of a simple regression analysis, which examines the effect of yearly selling and administrative investment (using expenses as the proxy) at Woolworths Holdings Ltd. The results show a significant and positive effect of selling and administrative expenses on the share price performance of Woolworths Holdings Ltd over the twenty-one-year period examined in this paper (2004-2024). With a low p-value of 0.001, which is below the alpha level of 5%, and a positive regression coefficient of 0.2023706, and holding other factors constant, the result is significant enough to conclude that within the scope of data, selling and administrative expenses may catalyse positive effect on corporate stock price.

Table 1. Regression Result on the Effect of Selling and Administrative Investment on Share Price

<i>Regression Statistics</i>						
Multiple R	0.6479966					
R Square	0.4198996					
Adjusted R Square	0.389368					
Standard Error	2069.2946					
Observations	21					
ANOVA						
	<i>df</i>	<i>SS</i>	<i>MS</i>	<i>F</i>	<i>Significance F</i>	
Regression	1	58889852.36	58889852	13.75295	0.00149059	
Residual	19	81357620.6	4281980			
Total	20	140247473				
	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>	<i>Lower 95%</i>	<i>Upper 95%</i>
Intercept	1900.3315	892.4243068	2.129404	0.046517	32.46592538	3768.197
Selling & AdmExps	0.2023706	0.054569451	3.708497	0.001491	0.088155463	0.316586

CONCLUSION

This assessment is novel to practical and theoretical research and contributes to our understanding of how the stock market may view and react to corporate selling and administrative investment. This paper thus sheds light on the importance of not limiting managers' and analysts' attention only to the financial bottom line when assessing the selling and administration cost implications on corporate economic value. This paper adds a new insight into the dual role of selling and administration investment, helping investors assess the management's ability to manage selling and administration expenses and eventual efficiency on sales return. This research proves that selling and administrative expenses may provide economic efficiency beyond the immediate sales and profitability in the stock market. This is because the stock market investors can extract future economic value derivable from current expenses on selling expenses. For example, advertisements and promotion campaigns conducted and paid for in 2025 may continue to attract

consumers' patronage to the corporation way beyond the current year of expenditure. Hence, it is not surprising that selling and administrative expenses positively and significantly affected the stock value of Woolworths Holdings Ltd over the twenty-one years examined in this paper.

This novel paper provides practical implications for businesses, which include, *inter alia*, the need to be courageous in making decisions to invest efficiently in areas such as current-year adverts and promotions, as these may have multiple years of economic benefits for the company. This benefit may mimic benefits derivable from capital investments.

Theoretically, this research result also indicates that the current year's expense values may not be limited to the bottom line and that some current expenses, such as the current year's adverts and promotions, may cautiously be factorable into the economic value-added analysis given their ripple benefit effect unto subsequent fiscal years.

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