

# Should Marketing Assets Be on the Books? Unique Evidence of Capital Allocation Benefits for Marketing and the Firm

**Peter Guenther**

University of Liverpool

**Miriam Guenther**

University of Liverpool

**Bryan Lukas**

University of Manchester

**Christian Homburg**

University of Mannheim

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## **Abstract**

Despite marketing assets' (MAs) importance to firms, their value is rarely reported to stakeholders. Current accounting standards restrict the balance-sheet recording of MAs such as brands because they do not meet the requirements for reliable measurement. While potential valuation risks are established, evidence regarding recording benefits is missing. We propose that reporting MAs' values creates capital allocation benefits by reducing myopic marketing management and facilitating firm financing. Since Australian GAAP allowed comprehensive MA recording before the harmonization with international rules, this context provides a unique opportunity to investigate our hypotheses. Analyzing 2,056 financial statements of publicly-listed firms over a 17-year period, we demonstrate that the reporting of MAs reduces myopic marketing cuts and improves debt and equity financing. Our results suggest that firms would benefit in important ways from a relaxation of current accounting requirements.

**Keywords:** *marketing-assets; balance-sheet-recording; capital-allocation*

**Track:** Marketing Strategy & Theory