

Marketing and Bankruptcy Risk: The Role of Marketing Capabilities

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Abstract

Research has demonstrated the role of marketing actions and assets in reducing bankruptcy risk. However, firms with strong marketing assets and robust marketing budgets also fall prey to bankruptcy. Therefore, the sheer magnitude of marketing expenses and mere possession of marketing assets do not fully account for the variation in bankruptcy risk. We argue for the need of a strong marketing capability to ensure that marketing assets are fully employed and exploited. Using a large longitudinal dataset of U.S. firms, we show that a combination of capabilities and assets is required to reduce bankruptcy risk. Out-of-sample validation using machine-learning techniques indicates that the performance of bankruptcy prediction models improve when marketing capability is included with standard financial predictors.

Keywords: *Bankruptcy; Marketing capability; Marketing assets*

Track: Marketing Strategy & Theory