

Explaining the Future Growth Potential of Public Firms

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Abstract

In this study, we relate strategic marketing investments in value, brand and relationship equity to firms' growth potential in a sample of consumer goods firms. A firm's growth potential is the difference between market capitalization and the value of current operations. We show that investments in value equity improve firms' future growth potential while brand investments do not influence firms' future growth potential. Moreover, investments in customer relationships improve firms' future growth potential for firms in the non-durable consumer goods industry. We conclude that investments in value and – to a lesser extent – relationship equity are highly valued by the stock market and, thus, are expected to pay back in the long run.

Keywords: *marketing-finance interface; growth expectations; strategic marketing investments*

Track: Marketing Strategy & Theory