Corrado and Hao (2013)

* Which economists/literature dispute the position that brands are productive assets in the economy.
* What are the investments in brand?
  + They claim promotions. But I would also argue that product quality/innovation and availability/distribution can be investments that support the brand.
* Brand equity via growth accounting techniques?
* *Capital –* productive asset and source of wealth
  + *Brand capital* is productive in generating an incremental revenue stream via the information stock associated with the brand (name, logo etc)
  + So the value of the firm is based in part on the capitalized value of the incremental profits due to the brand.
* Intangible assets:
  + firm’s total intangible assets consist of its computerized information, its intellectual and creative property (e.g. R&D), and its economic competencies (Corrado et al 2005)
* potentially high spending on intangibles (Nakamura 2001, Lev 2001)
  + investments in the marketing and development of new products
  + marketing for new products = necessary sunk cost of first sale

Intro to “Meaauring Capital in the New Economy”

* skepticism about measuring intangibles using market valuations.
* Spending to induce future consumption (e.g., marketing) = investment
  + By late 1990s, spending on intangibles as big as on traditional equipment and structures
* Market valuation = gap between market value of company’s securities and replacement value of its physical assets
* Once depreciation and LR value of advertising accounted for, total investment in goodwill is much smaller than total spending on advertising.
  + Challenge is that LR effects vary by product (e.g., new vs old brand etc)
* Hulten (1979, *AER*), the solution to this optimization problem has an important implication for the treatment of intangible capital: any use of resources that reduces current consumption in order to increase it in the future qualifies as an investment.

Metrics:

Ittner and Larker 199

* Customer satisfaction measures using ***ACSI*** (what about net promoter etc?)

Relationship between loyalty and equilibrium firm sizes

Empirical Fact from Dunne, Roberts and Samuelson (1988): Exit less likely for older/larger firms

* One explanation is **consumer loyalty**
* Fishman and Robb (2003) – loyalty/interia 🡺 equilib firm sizes
  + Loyalty increases ROI from investments in quality
  + So large firms have higher quality and less likely to exit in equilib
* Rob and Fishman (2005) – loyalty via reputation 🡺 equilib firm sizes
  + So large firms have higher quality and less likely to exit in equilib