



STATISTICS

Payments for Nonproduced Knowledge-based Capital (Marketing Assets)

International Workshop on the Update of
System of National Accounts, 2008

September 6-8, 2022

Outline

- **Background**
- **Options Considered and Outcome**
- **Testing**

Background

- Both the 2008 SNA and the BPM6 classify marketing assets as nonproduced non-financial assets.
 - ✓ *Assets that come into existence in ways other than through processes of production.*
- Classified into three categories:
 - (i) Natural resources, (ii) Contracts, leases, and licenses, and (iii) Goodwill and marketing assets.
- While the basis for classifying natural resources and contracts leases, and licenses as nonproduced assets is clear, the basis for classifying marketing assets is not.

The 2008 SNA acknowledges that the major reason for treating marketing assets as nonproduced, non-financial and not as fixed assets is due to the difficulty of measuring their value.

Background

Marketing assets consist of items such as brand names, mastheads, trademarks, logos, and domain names (*BPM6* paragraph 13.17 and *2008 SNA* paragraph 10.198)

A key driver of brand value and corporations invest in building and supporting their brands to differentiate their products and develop a positive emotional connection with their customers

Conceptual issues:

- ✓ whether marketing assets should be maintained as being nonproduced non-financial assets
- ✓ whether marketing assets could be re-examined as produced non-financial assets

Options Considered

OPTION I: Marketing Assets are treated as Produced Non-Financial Assets

The existing definition of intellectual property products would then be expanded with a new sub-category for marketing assets.

Payments for the use of a marketing asset (franchise fee): would be recorded as output in the form of the sale of a service.

Outright acquisition/sale of a marketing asset: recorded in the goods and services account

Sub-licensing a marketing asset: instead → license to reproduce a marketing asset (if meets asset requirement) *change in the economic ownership of (part of or whole of) the underlying marketing asset.*

OPTION II: Maintain treatment of Marketing Assets as Nonproduced Non-Financial Assets

Consistent guidance between *BPM6* and *2008 SNA* would be required

Outcome: Treatment of Marketing Assets as Produced

The Globalization Task Team (GZTT) recommends that marketing assets be reclassified as produced assets.

Advisory Expert Group on National Accounts (AEG) and the IMF Committee on Balance of Payments Statistics (BOPCOM) were supportive but recommended **targeted testing** before deciding on the final recommendation.

Reasons

- Impacts the core concepts of production boundary and asset boundary
- Potentially a significant impact on GDP

Testing Objectives

To see if marketing assets can be treated as produced in the next update

- Determine what data sources are available
- Propose adequate methodology to calculate the current production and gross fixed capital formation
 - What is the appropriate valuation
- Develop depreciation rates/retirement patterns/service lives to calculate capital stock and consumption of fixed capital
- Propose appropriate deflators

Experimental Estimates

Some experimental estimates developed by UK Office for National Statistics and Statistics Netherlands, and by academics (e.g., Corrado, Hulten, and Sichel).

- ✓ Purchased marketing and branding services: data more readily available
- ✓ Main challenges posed by estimating own account production of marketing and branding services.

Similar issues and challenges identified

- ✓ How to define investments in brand equity

Way Forward: Two-stage Testing

Stage 1: a dedicated group of countries and International Organizations reviewed existing literature on the topic and see if methodology can be replicated.

- **Two 2-hour virtual workshops in June 2022**

- Designed of questionnaire that will be sent to all countries to test the feasibility of treating marketing assets as produced.
 - Feedback on a proposed definition and scope of investment in brand equity

Stage 2: Launch questionnaire to all countries in September 2022

- Evaluate country responses and make recommendation to AEG/BOPCOM on feasibility by end of December 2022.

Thank you