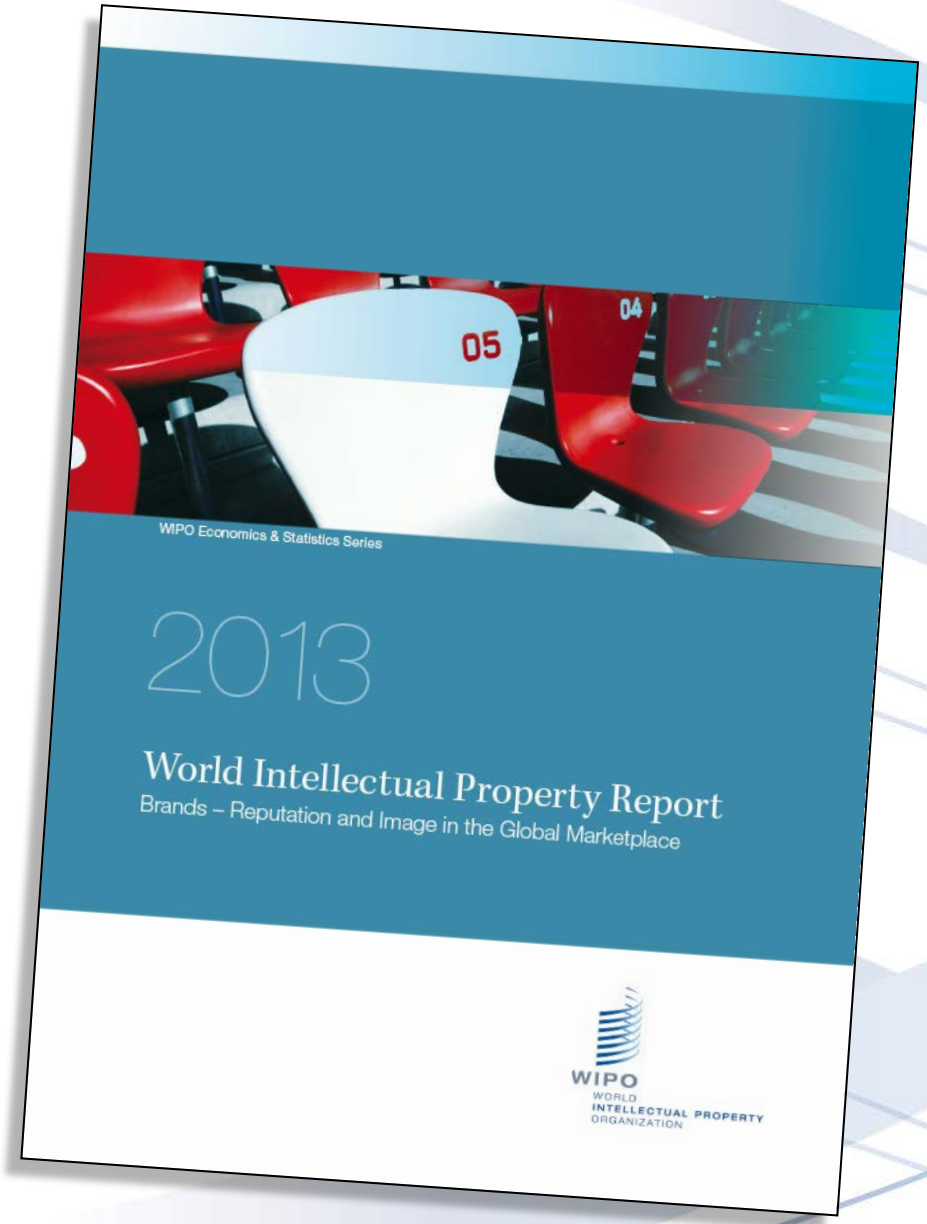


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Overview of main findings

The Information Technology & Innovation Foundation

Washington, DC
February 12, 2014

Carsten Fink
WIPO Chief Economist

Overview

- How has the face of branding evolved in recent history?
- What are elements of successful trademark policies?
- How do branding activities affect innovation and market competition?

How has the face of branding evolved in recent history?

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Globalization and technology have left their mark on branding

- Brands more easily transcend national borders
- Companies create and deliver a “brand experience” for the consumer; brand perception goes beyond product quality
- Brands “communicate” through an increasing number of channels, in a more interactive way
- Branding is no longer the purview of companies alone

Estimating branding investments

Global estimate

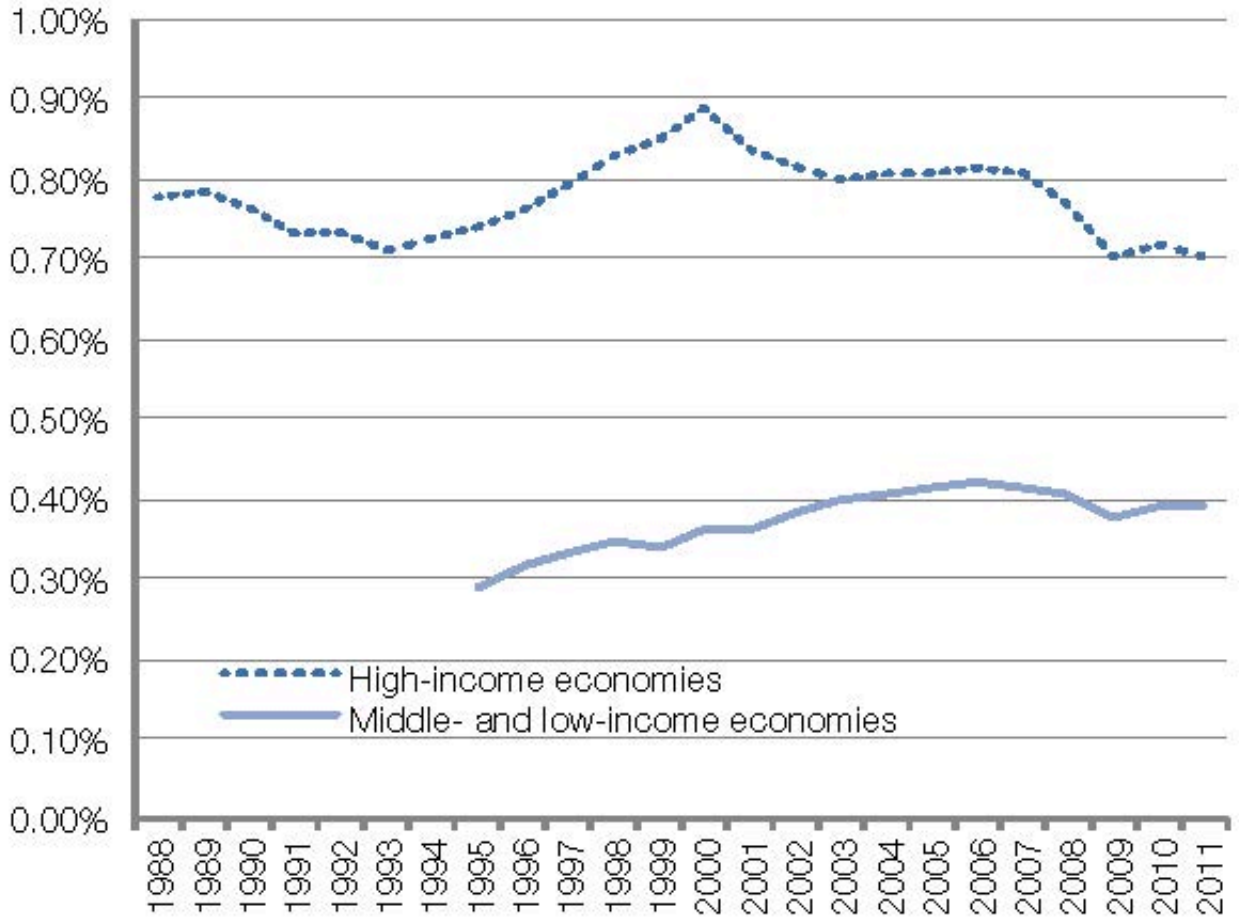
- Goes beyond advertising expenditure
- Accounts for depreciation of branding expenditure in a more careful way
- Global investments stood at USD 466 billion in 2011

United States estimate

- Includes strategic marketing, corporate communications and other “bought-in” services
- Includes “own-account” branding expenditures
- US investments stood at USD 340 billion in 2010

Middle-income economies see growth…

Branding investments, as a percentage of GDP, 1988-2011

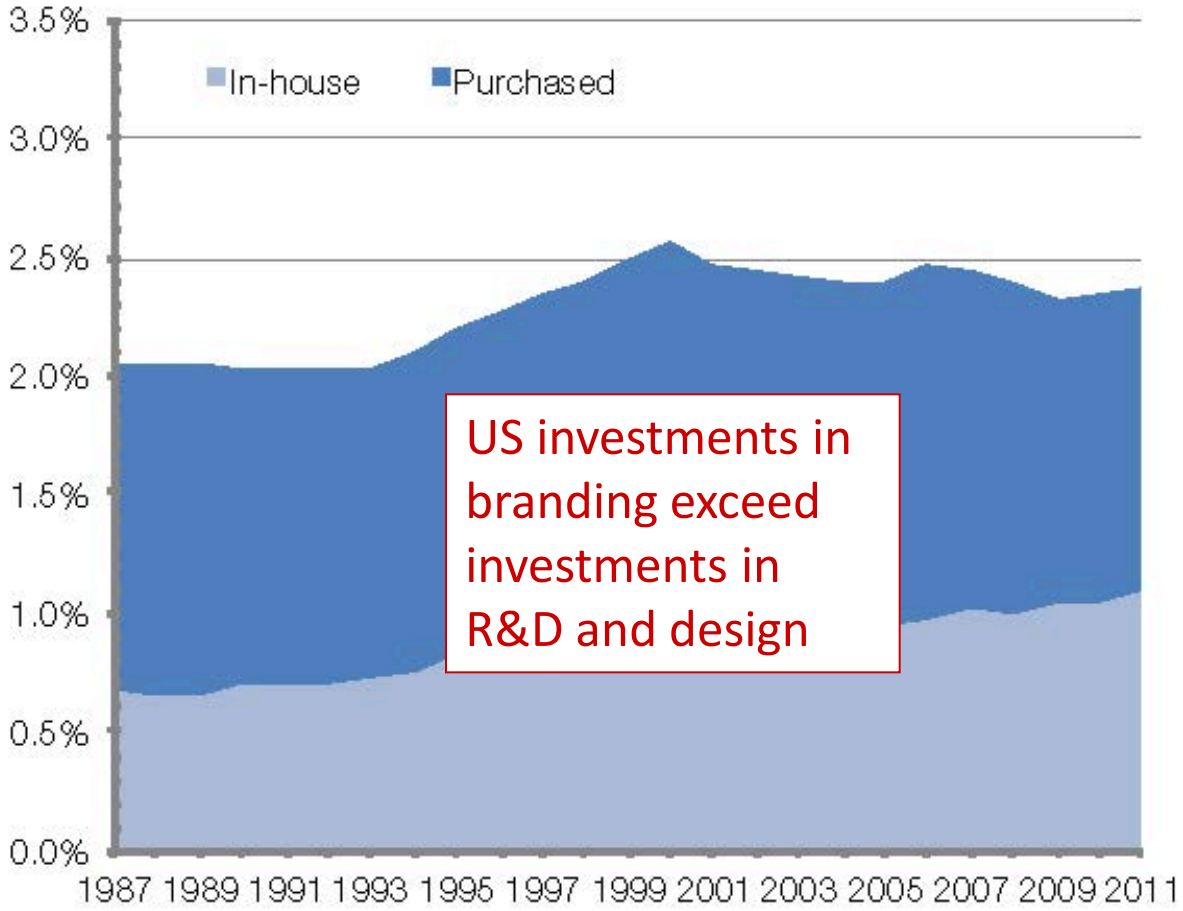


Source: Corrado and Hao (2013)

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…and the US – with better data – as well

US branding investments, as a percentage of GDP, 1987-2011

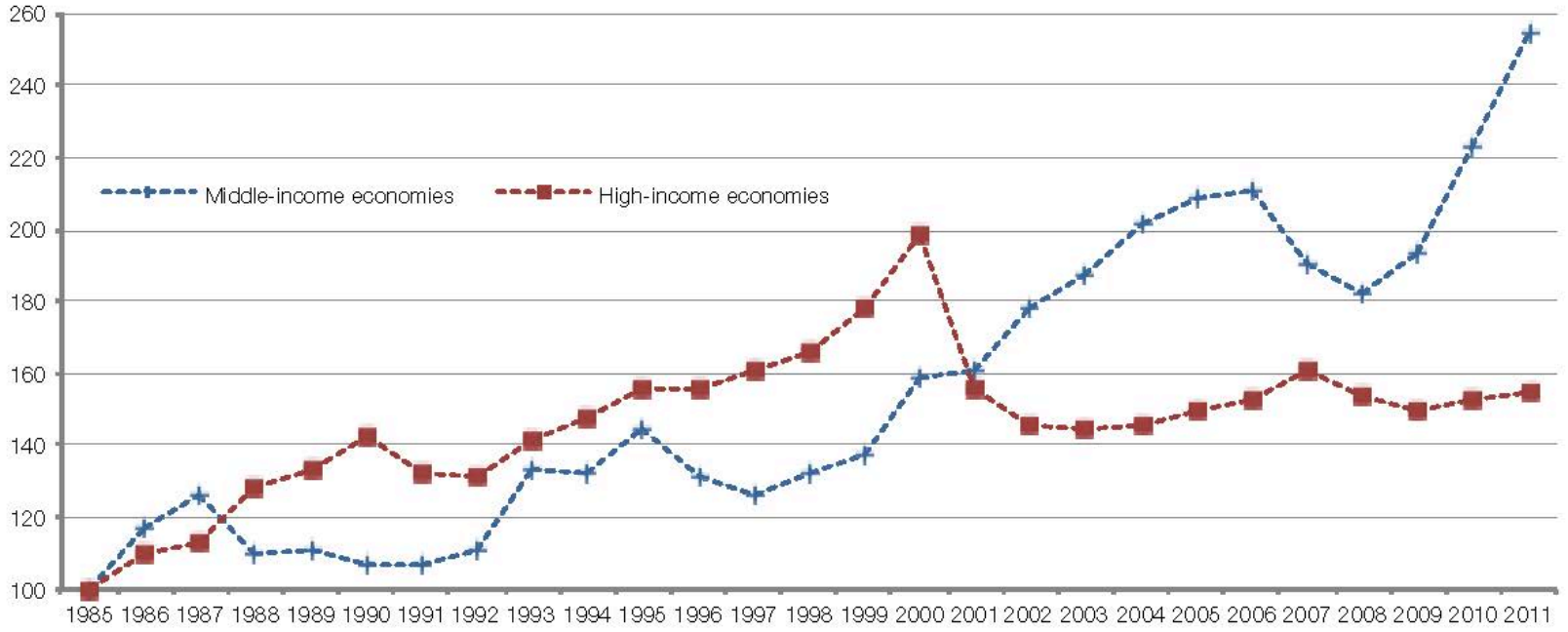


Source: Corrado and Hao (2013)

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Most countries have seen use of the trademark system intensify…

Trademark applications divided by GDP, index (1985=100), 1985-2011



Source: WIPO Statistics Database and World Bank

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…driven by a multitude of factors

- Economic growth has come along with the creation of new companies and the introduction of new goods and services
- Economies have shifted towards services
- Firms seek trademark protection in more and more countries
- The Internet has increased the need for trademark protection

Markets for brands enable companies to enlarge the reach of their brands

- Companies can generate new revenues without substantial investments into building or acquiring additional know-how or manufacturing capability
- Available evidence suggests:
  - Entertainment and sports sectors account for the greatest number of trademark licenses
  - Europe accounts for the largest number of franchising brands, Asia for the largest number of franchising establishments
  - The value of cross-border “brand” transactions seems modest compared to technology-based transactions

What are elements of successful trademark policies?

Trademarks reduce search costs

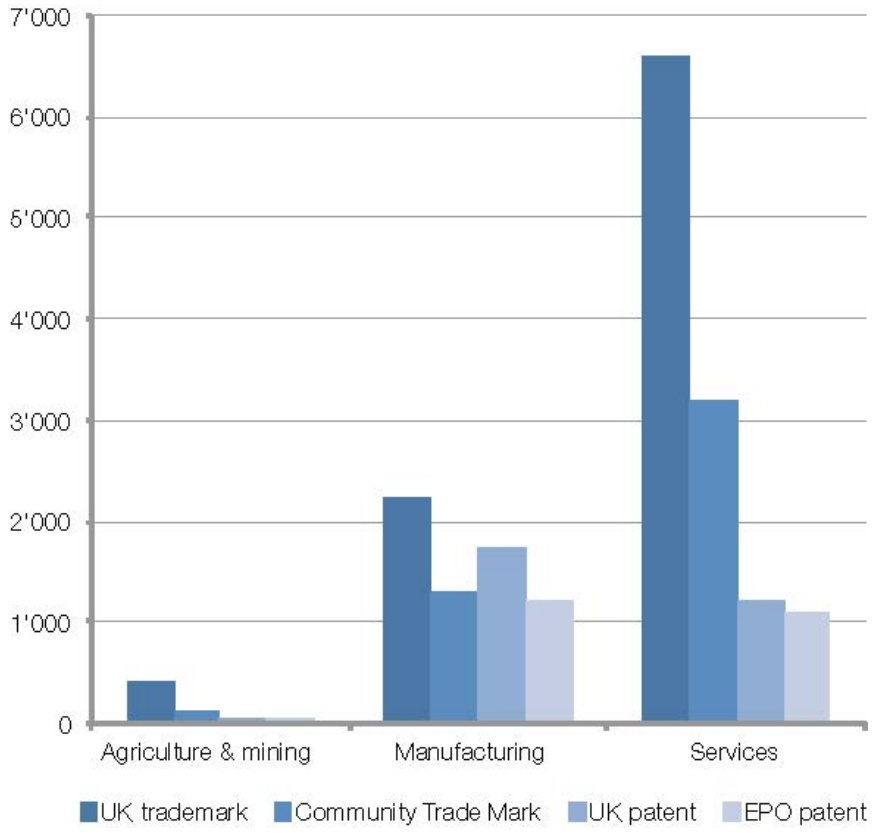
- Asymmetries of information between producers and consumers may lead to market failure
- Brand reputation helps consumers to reduce the “search costs” associated with new purchases
- The trademark system provides the legal framework underpinning brand confidence
- For companies, trademarks create incentives to invest in higher quality goods and services



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SMEs mostly use trademarks

Number of IP-active SMEs in the UK, 2001-2005



Source: Rogers *et al* (2007)

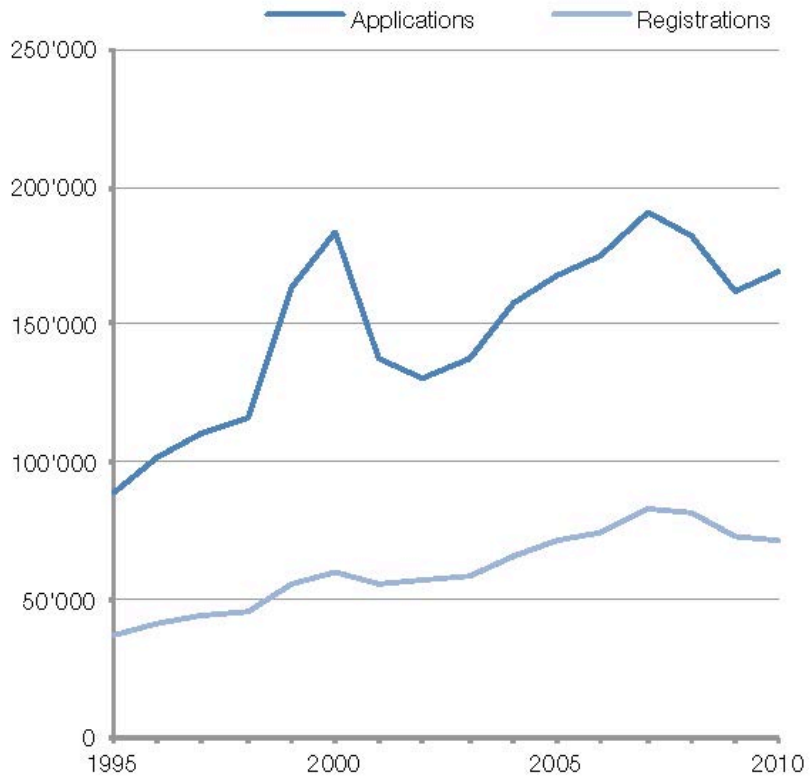
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The design of the trademark registration process matters

- Objectives in managing the trademark registration process:
  - Promote accessibility to the trademark system
  - Ensure transparency and legal certainty
  - Balance the interests of right holders and those of third parties
  - Avoid “cluttering” of the trademark register
- Institutional choices:
  - Fees, use requirement, relative grounds examination, opposition systems, how to specify goods and services, international cooperation

Intentions to use often do not result in actual use

Applications and registrations for intent-to-use trademarks at the USPTO, by filing year, 1995-2010



Source: Myers (2013)

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How do branding activities affect innovation and market competition?

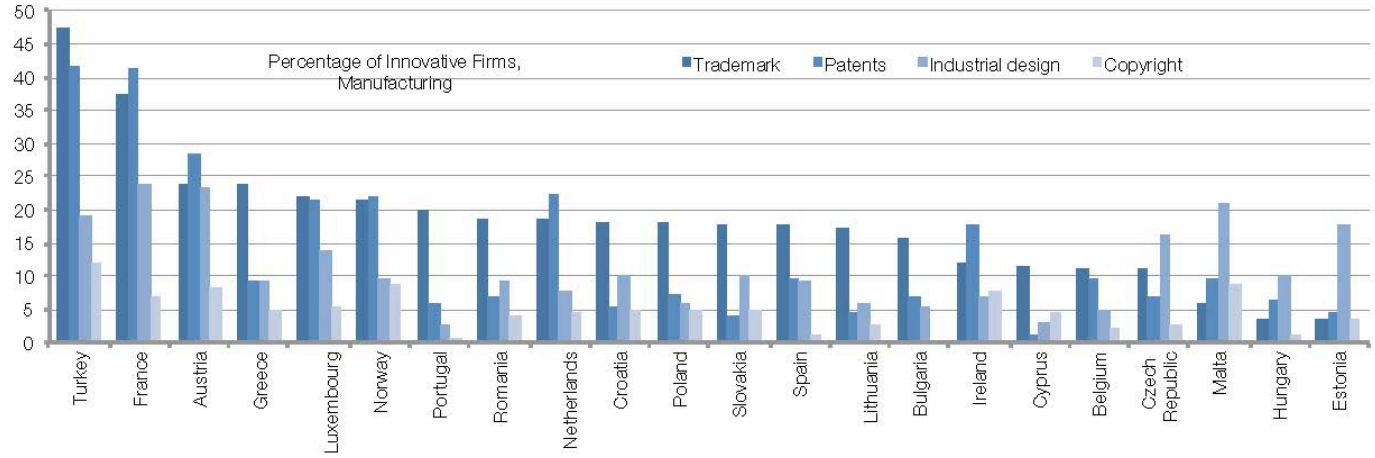
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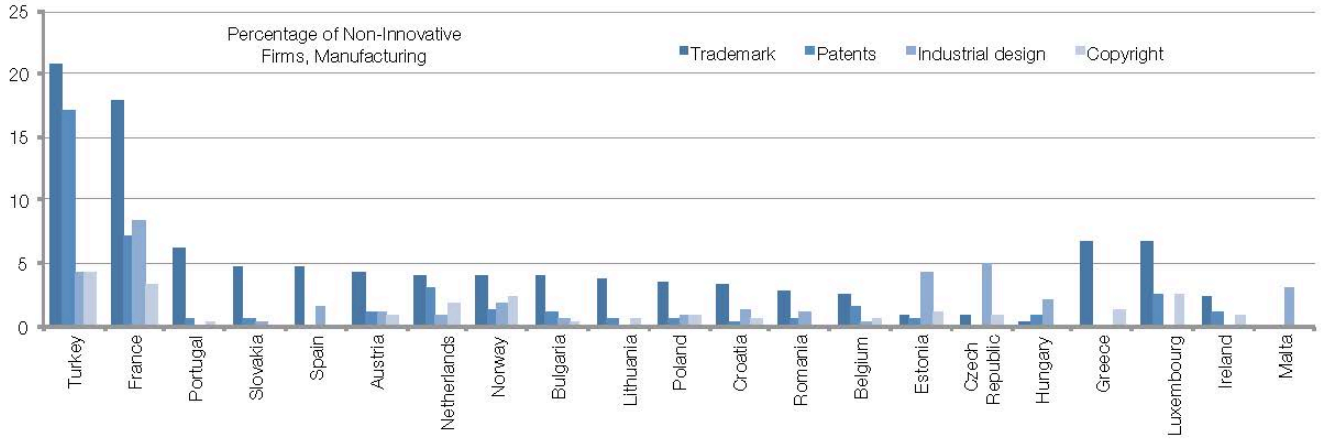
Branding generally complements innovation

- Branding increases demand and enhances willingness to pay
  - Advertising activities raise awareness about a firm's products
  - Strong brand reputation makes consumers willing to accept a higher price, to avoid the search costs of switching to a competing product
  - Brands convey image, which is a product feature consumers are willing to pay for
- A series of firm-level studies have shown that branding is one of the most important mechanisms for firms to secure returns on R&D investments

Innovative firms rely most frequently on trademarks

Percentage share of manufacturing firms using different IP instruments





Source: Eurostat (2005)

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Occasionally, strong brands can raise competition concerns

- While brands can be an important source of market power, this does not imply brand owners behave anticompetitively
- However, in certain situations, strong brands can create high barriers to market entry
- Two areas of concern:
  - Mergers and acquisitions can lead to the concentration of brands in the hands of one or a few companies
  - When licensing their trademarks, owners of strong brands may impose anticompetitive restrictions on their licensees

Directions for future research

- Refine and deepen measurement of branding investments and their impact
- Evaluate how differences in trademark filings behavior and registration outcomes affect market competition
- Make use of unit-record trademark data and other “big data” to gain empirical insights into company branding strategies and consumer behavior

Thank you!

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