

CENTENARY OF TRADE MARKS IN AUSTRALIA: AN ECONOMIST'S OVERVIEW

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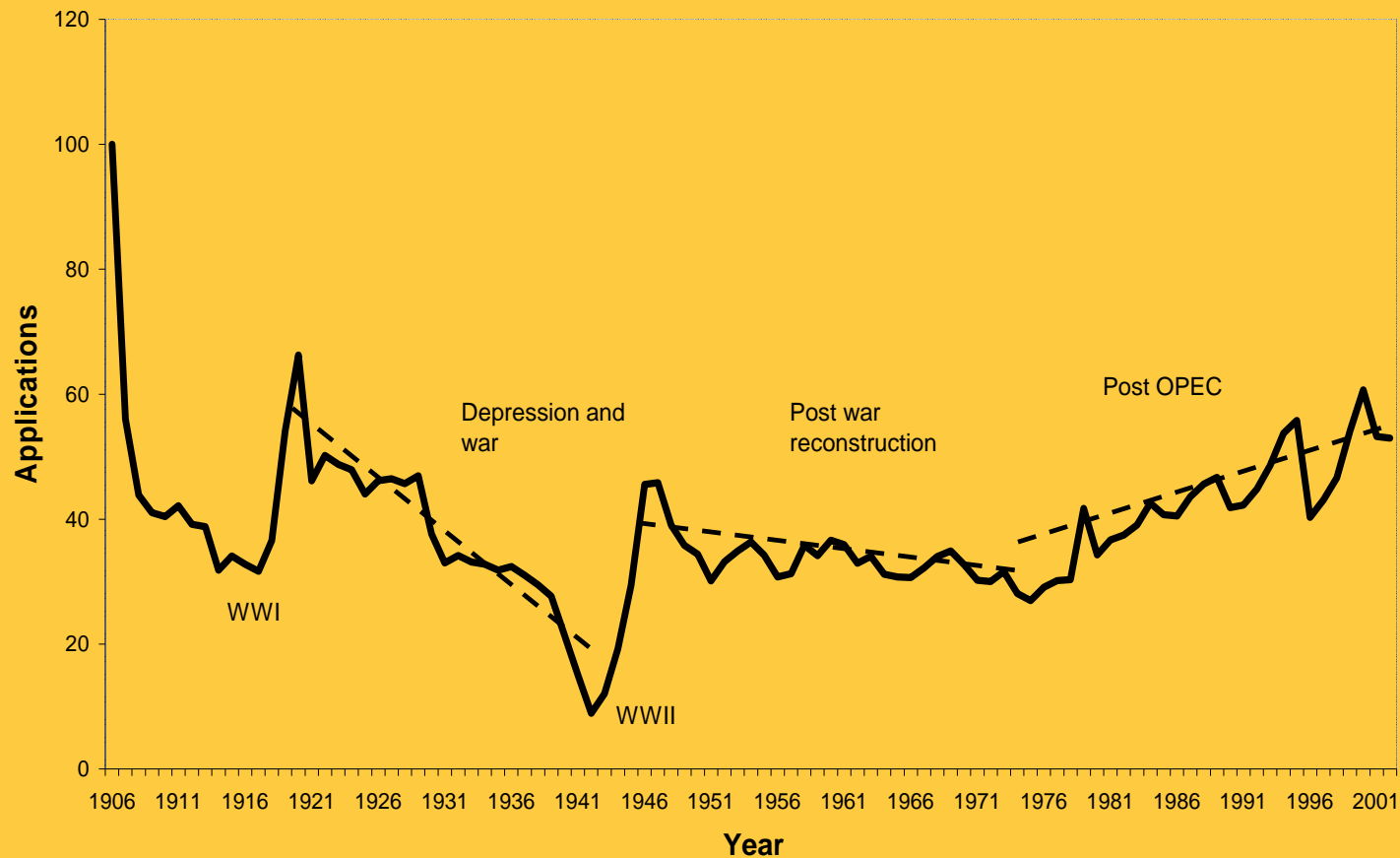
Economics of Trade Marks (TMs)

- TMs play 2 important roles in market economies:
 - 1. Provide information to consumers about product quality (particularly where quality is unobservable)
 - 2. Provide an incentive to producers to invest in quality (since TMs enable firms to appropriate profits)
- Overview of TMs in Australia wrt:
 - Changes in the *level* of TM usage
 - Changes in the *value* of TM usage
 - Overall costs/benefits of TM usage

TM Usage in Australia

- In real terms (i.e. relative to GDP), there have been 3 distinct phases of TM growth:
 - 1906-1945: strong decline in usage (5.9% p.a.)
 - 1946-1975: weak decline in usage (0.9% p.a.)
 - 1976-2002: strong increase in usage (2.3% p.a.)
- Observed growth has been spread across many sectors (e.g. services, alcohol, clothing)
- Growth is mirrored in other countries (incl. a “bubble” in 2001 due to dot-com crash)

Real Trends in TM Usage



The Value of TMs

- Our recent research addresses 3 aspects relating to the value of TMs to firms:
 - 1. Regular business surveys suggest that TMs and brands are consistently among the highest-rated forms of appropriation
 - 2. Estimates indicate that the contribution of TMs to firm profits has been increasing over time
 - 3. TM age (which is a proxy for consumer loyalty) has a strong positive effect on consumer demand for manufactured foodstuffs

Survey Results

	IPRIA Survey		Yale Survey		Swiss Survey	
Appropriation Mechanism	<i>Australia, 2001-2004</i>		<i>US, 1983</i>		<i>Switzerland, 1988</i>	
	Mean	Mean	Mean	Mean	Mean	Mean
	Products	Processes	Products	Processes	Products	Processes
Patents	3.41	2.90	4.33	3.52	3.44	2.76
Secrecy	3.56	3.52	3.57	4.31	3.25	3.60
Lead time	4.24	4.20	5.41	5.11	5.37	5.63
Moving quickly down the learning curve			5.09	5.02	4.56	4.42
Distribution & brand names	4.50	4.15				
Know-how	4.82	4.75				
Sales and service efforts			5.6	4.55	5.2	5.7
Sample size	850		650		358	

TMs and Profits

- We collected data on net profit for 1,000 firms over the period 1989-2004 and we:
 - Matched it to data on IP registrations (including patents and TMs) and firm size (shareholder funds)
- Our results showed that:
 - TM stocks are important determinants of profit
 - Contribution of TMs to profit increased over time

TMs and Grocery Demand

- How do TMs and brand characteristics influence consumer choice? In 12 product categories (incl. 92 brands) over 3 years, we found that:
 - Brand loyalty matters. Brands with older TMs have higher demand levels, but the effect peaks at 41 years
 - Generic goods are positively related to demand. Possibly no stigma associated with these anymore
 - Health conscious characteristics +vely affect demand
 - Use of Australiana motifs won't fool consumers: they only want to buy certified "Australian Made" goods

Overall Costs/Benefits of TMs

- TMs have benefits for producers and consumers:
 - Lower transaction costs
 - Improvements in product quality/variety
- But, it may come at some cost since TMs can:
 - Be used to create barriers to entry
 - Create consumer confusion about differences in quality (e.g. bioequivalent pharmaceuticals)
 - Lead to advertising “arms races”
- This begs the question: is the current level of TM usage optimal?