

Report Type

End of Award Report

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Project Title

Product Market Competition and Corporate Trademarks

Project Start Date

Dec 01, 2015

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Dec 01, 2018

Project Abstract

We investigate how product market competition influences the creation of firms' trademarks, which represent the innovative output of firms' product development activities and marketing strategies. On one hand, intensified competition threat motivates firms to create more trademarks to enhance their competitive position and deter the entry or expansion of their rivals. On the other hand, increased product market competition may discourage firms from undertaking risky product development innovation, resulting in fewer trademark applications. As it is unclear a priori which effect will prevail, there is a need for empirical evidence to inform theory.

Activities and Achievement

I have collected the trademark data and the US import and export data from the Center for International Data at the University of California at Davis and Schott's International Economics Resource Page at the Yale University, which cover the periods from 1974 to 1988 and 1989 to 2005, respectively. Import data are classified according to the 1972 version of SIC code during 1974-1988, but are classified according to the 1987 version of SIC code during 1989 to 2005. I have used the 1972 SIC-1987 SIC concordance table provided by the NBER-CES Manufacturing Industry Database to link the data between the two periods. Finally, I have obtained accounting data from the Compustat database and stock price and return data from the CRSP database. To construct the measure for large reductions in import tariffs, I first calculate industry level tariff rates as the duties collected by US Custom divided by the Free-on-Board value of general imports for each 3-digit SIC industry in each year. I then define a shock to import tariffs in a specific industry-year as a binary variable that takes the value of one if a negative change in import tariffs is 2, 2.5, or 3 times larger than its median change, and zero otherwise.

My analysis reveals that foreign rivals' entry threat affect firms' product introduction to the market. I also find that firms tend to apply for fewer product development trademarks once the import penetration in a particular industry goes deeper. I believe that firms tend to adopt conservative product development strategies when facing higher competitive pressure from their foreign rivals.

Dissemination

I will finish the first draft of the paper towards the end of 2018. I will then present the working paper in workshops of several universities in Hong Kong, Singapore, the UK and the US in 2019. The ultimate expected outcome of this project is published journal articles in top-tier finance or economics journals, such as Quarterly Journal of Economics, and Journal of Finance.

Outputs

Research paper is not available yet.

Major Difficulties and Any Other Issues

So far, there are no major difficulties. Just need to find the time to wrap up the paper.

Web Links

No web links

Additional Information

As I have left Cambridge and CERF, I can no longer use the grant to fund the project. Will certainly acknowledge CERF's generous support in the working paper and the future publications.