

Multi-brand Firms and Brand Acquisition: The Impact of Trade Liberalization on Reallocation of Brand Equity

Meeryung La*

Korea Institute for International Economic Policy

Jee-Hyeong Park†

Seoul National University

September 2020

Abstract

This paper develops a general equilibrium model of multi-brand firms, which allows brand transaction among heterogeneous firms. In the presence of within-brand cannibalization, the analysis shows that trade liberalization induces more productive firms to expand their product scope by acquiring other firms' brands, instead of expanding the product variety within their existing brands. This reallocation of brand equity from less productive to more productive firms reveals a new channel of intra-industry resource reallocation, namely, cross-firm transaction of intangible assets. The empirical study based on the trademark transaction data of the US Patent and Trademark Office provides supportive evidence for our theoretical prediction on how trade liberalization affects the cross-firm transaction of brand equity.

Keywords: Trade liberalization, Brand Acquisition, Within-brand cannibalization, Multi-brand firm, Trademark assignment

* Corresponding author; Research Fellow, Korea Institute of International Economic Policy (mrra@kiep.go.kr)

† Professor of Economics, Seoul National University (j-hpark@snu.ac.kr)