Australian Government
IP Australia

TRADE MARKS & EXPORTS

Australian manufacturers expand their exports after filing trade marks

Growing and diversifying Australia's exports is crucial to ensuring our future. A new study by IP Australia shows that after filing trade marks in export markets, Australian manufacturers expand their exports. They also become more resilient to shocks.

IP Australia has conducted research to guide how the Australian Government can support businesses to navigate trade barriers and expand their exports.

The study looked at 9 000 Australian manufacturers. It focused on their product exports to 12 markets – the US, UK, Canada and 9 Eurozone countries – over 2005-2017.

Key points

After filing trade marks in an export market, Australian manufacturers:

- Are nearly **3 times more likely to enter** that market. Their entry likelihood increases from 0.06% (the average entry rate) to 0.16%.
- Will **earn 30% more export revenue** if they are long-term exporters. On average, this amounts to $416 000 a year after filing.
- Will **expand their exports more when tariffs fall**, using trade marks to deter rivals or market new products under familiar brands.
- Are more likely to **expand their exports when the Australian dollar rises** against the market, likely taking advantage of lower marketing costs abroad.

Trade marks can help exporters respond to shocks

Trade marks can help businesses expand their exports when trade barriers fall

To open access to new markets, the Australian Government is aiming for international agreements to cover 90% of 2-way trade.

When a trading partner reduces its tariff on a relevant product by 10%, Australian manufacturers are 50% more likely to export it to the market. Looking at long-term exporters, a 10% tariff reduction results in a 32% increase in export revenue.

After filing trade marks in an export market, a manufacturer will grow its exports even more in response to the same 10% tariff reduction:

- It's likelihood of export entry increases to nearly 4 times the average entry rate.
- It's export revenue will increase by 71% (compared to a 32% increase before filing).

Tariff reductions can increase the intensity of competition that exporters face from rivals. Exporters can use trade marks to differentiate from rivals' products and secure their position in overseas markets.

Trade marks can help businesses manage foreign exchange risk

The real exchange rate measures the price of domestic goods relative to the price of foreign goods. Shifts in the exchange rate can create risk for Australian exporters. When the Australian dollar is high, foreign buyers may select cheaper local goods over Australian varieties. An exporter's foreign assets would be left underutilised.

Manufacturers tend to export less to a market when the real exchange rate rises. But how they respond differs after they file a trade mark in the market. Given a 10% exchange rate rise:

- Their likelihood of entry remains stable (compared to a 17% drop before filing).
- Their export revenue will increase by 1% (compared to a 6% drop before filing).

A rise in the real exchange rate reduces advertising and marketing costs in the export market. Exporters with trade marks are well-positioned to develop their foreign customer base as a result.

Trade marks can help businesses overcome barriers to export diversification

Manufacturers tend to reduce the range of products they export to a market when tariffs there fall. Narrowing their product range is one way exporters can focus their resources to compete against rivals. Manufacturers also tend to export fewer products when the Australian dollar rises.

Trade marks allow for product diversification where businesses extend brands across product categories. This encourages customers to trial new products marketed under the same brand.

After an exporter has built a portfolio of trade marks in a market, tariff reductions may lead the business to expand its product range depending on the number of trade marks it has filed abroad.

Further, after a business has filed trade marks in a market, it is more likely to diversify its products when the exchange rate rises. Exporters with trade marks can take advantage of a high Australian dollar to expand their existing brands.

Conclusions

For Australian manufacturers, developing foreign marketing capabilities and assets including trade marks can help boost their exports. This can also help them increase their resilience to exchange rate shocks and overcome barriers to product diversification. IP Australia offers a range of services and practical guidance to help businesses take their IP global.

Lower tariffs can open access to export markets for Australian businesses. Enhanced access to brand protection overseas for our exporters may complement such lower trade barriers.

This study uses TM-LINK, IP Australia's global database of trade marks, and shows IP data:

- can improve economic modelling of international trade
- inform government advice to industry, and
- target export assistance.

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