

# Measuring the Value of Trademark Distinctiveness: Evidence from the Market for Bordeaux Wine

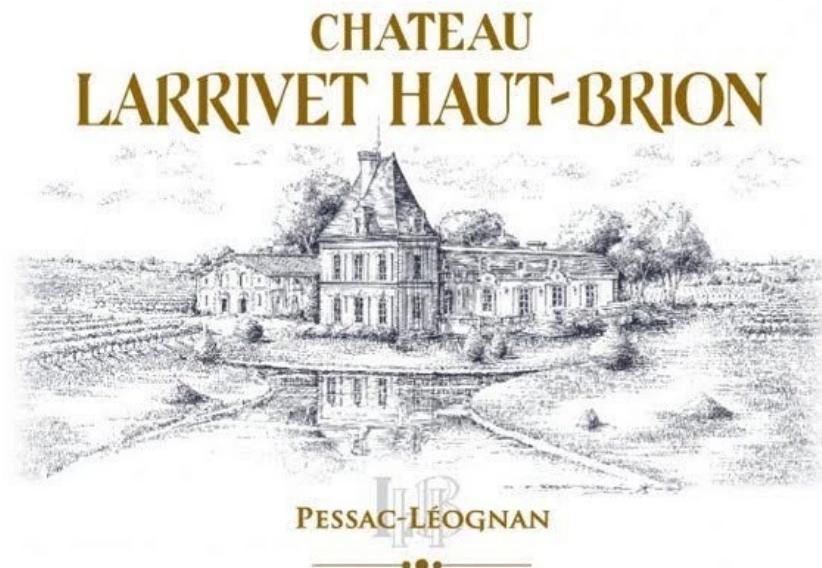
Christopher Buccafusco (Duke University)

Jonathan Masur (University of Chicago)

Ryan Whalen (University of Hong Kong)

# Background

- Everyone agrees that branding is important.
- Having a distinctive brand can be advantageous.
- Having a brand confusingly similar to a well known brand can be advantageous.



# Trademark law and distinctiveness

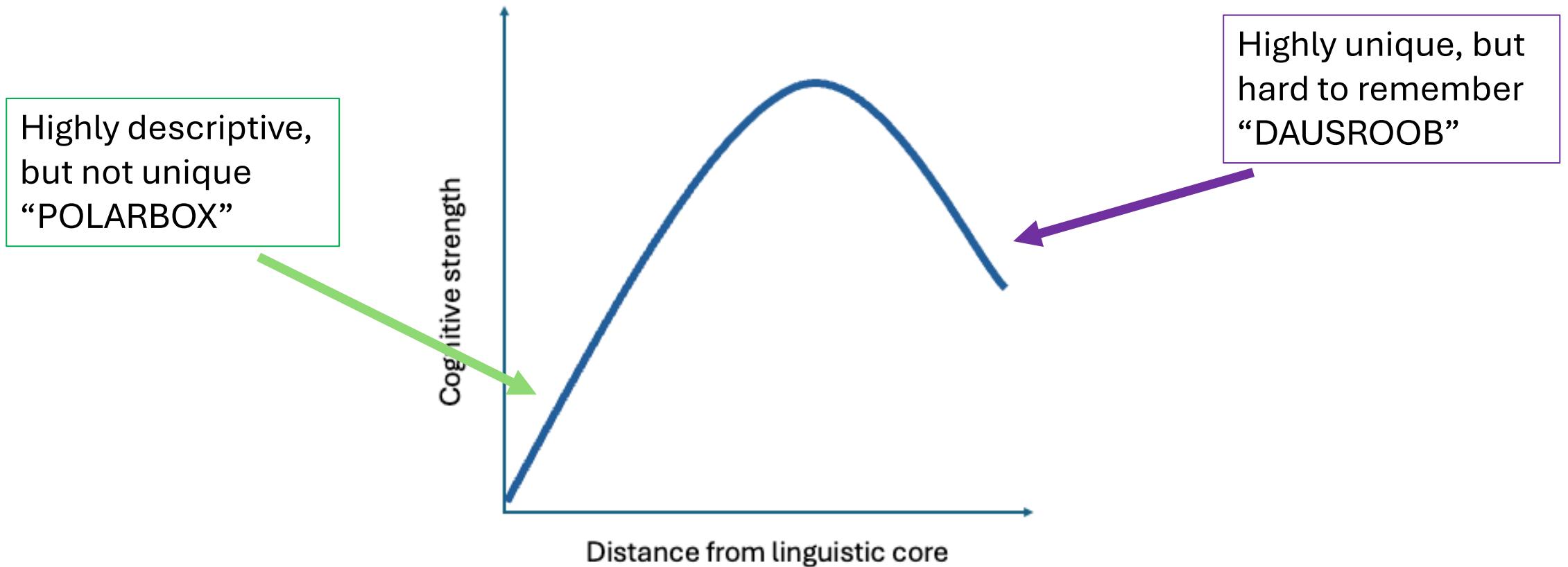
Trademark law protects firm's investments in goodwill and product quality by helping consumers get the products they want.

Having confusingly similar brands to one's own diminishes a firm's opportunity to recover its investments in quality.

But trademark law doesn't want too many brands cluttering up the core linguistic space of a market.

# Distinctiveness and Cognitive Strength

i.e., How to choose a brand name



# Our Question:

To what extent do distinctive brand names help generate price premiums?

The challenge is that, in many markets, we don't see much congestion around the semantic core.

Moreover, trademark law keeps firms from clumping around similar marks.

# The Market for Bordeaux Wines

More than 5000 unique wineries covering 250,000 acres of vineyards and producing more than 150 million gallons of wine annually.

Largely homogeneous products: red wine blends of Cabernet and Merlot

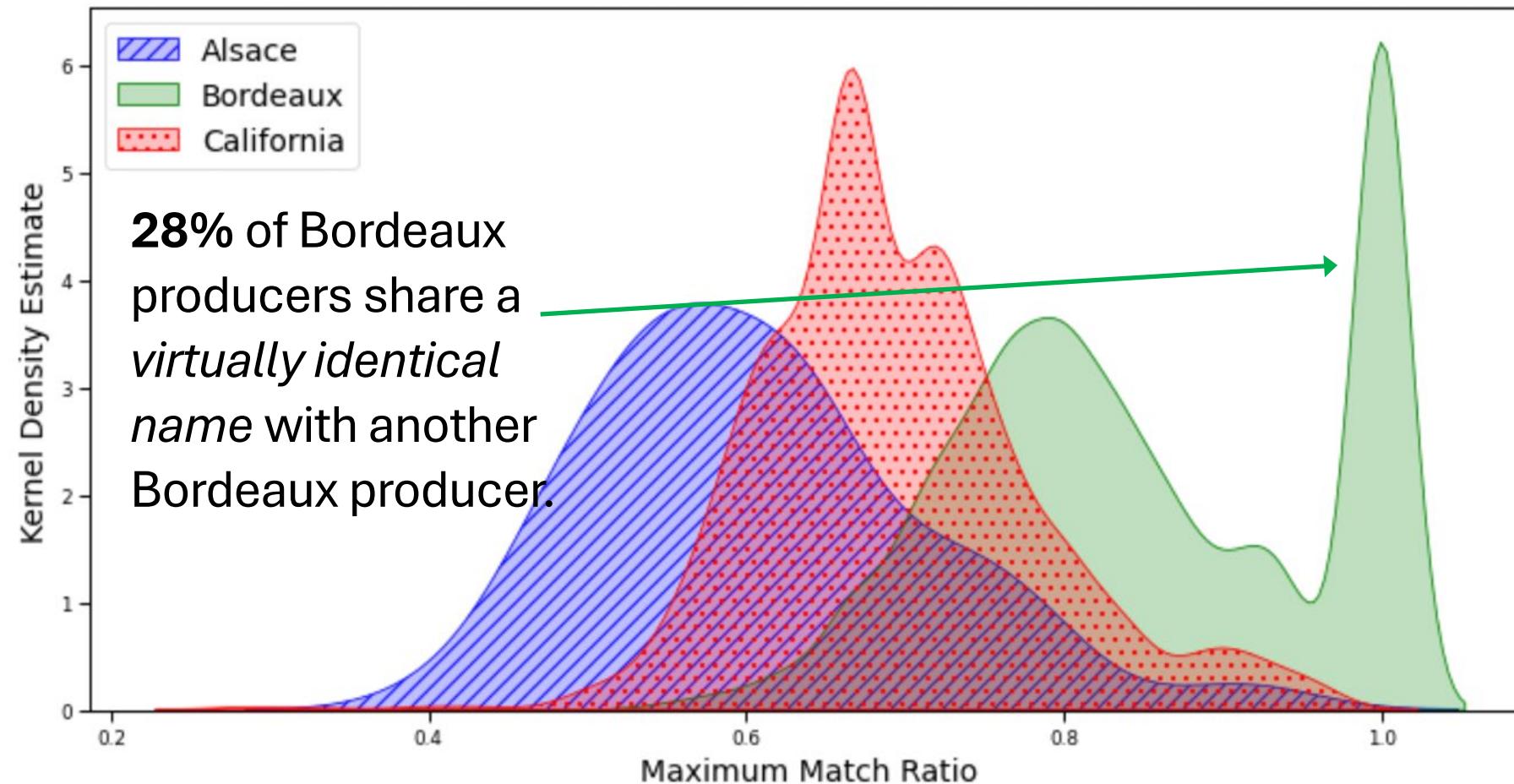
Most “branding” choices were made more than a century ago.

Enormous price heterogeneity:

Median price: \$15/bottle



# The Market for Bordeaux Wines



# Hypotheses

- H1: Distinctively named wines will command higher prices.
- H2: Distinctively named wines will command higher prices even after controlling for wine quality.
- H3: The price differential between linguistically distinct and linguistically similar wines will be greater for higher-quality wineries than for lower-quality wineries.

# Data & Methods

- Data from WineSearcher.com's records for Bordeaux wines, includes:
  - First offered price
  - 100-point rating
  - Vintage (subset to 2010—2021)
  - Producer name
  - Wine name
  - $n = 5775$

# Data & Methods

- Clean names to remove extremely common terms (e.g. la, de, des, chateau, etc.)
- Compute pairwise similarity scores between each wine name and every other wine name.
  - Similarity is measured by **Nearest Ten** neighbors.
- Robustness checks with uncleaned similarity scoring.

# Results

- H1: Distinctively named wines will command higher prices.
  - Highly **similar** wines (0.9): Expected price = \$13.44
  - Highly **dissimilar** wines (0.1): Expected price = \$27.39
- Difference = \$13.94

# Results

H2: Distinctively named wines will command higher prices even after controlling for wine quality.

- Assume a rating of 90.
- Highly **similar** (0.83) wines: Expected price = \$21.68
- Highly **dissimilar** wines (0.53): Expected price = \$25.02

15% premium for dissimilarly named wines.

H3: The price differential between linguistically distinct and linguistically similar wines will be greater for higher-quality wineries than for lower-quality wineries.

- An interaction term between similarity and rating is negative and significant.

	<b>Low Name Similarity (0.53)</b>	<b>High Name Similarity (0.83)</b>	<b>Difference (Low Sim - High Sim)</b>
Low Rating (82 points)	<b>\$4.81</b>	<b>\$2.60</b>	<b>\$2.21</b>
High Rating (93 points)	<b>\$19.43</b>	<b>\$9.84</b>	<b>\$9.59</b>

# Implications

We don't detect any meaningful "distance costs" – i.e., being too unique  
Or at least those costs are swamped by the benefits of distant neighbors.

We detect no price benefit for low-priced wines that might have gotten a boost from similarity to their high-priced neighbors.

*So why don't they switch???*

Congestion *is* a problem and trademark law should continue to push brands away from the linguistic core.

# Future Work

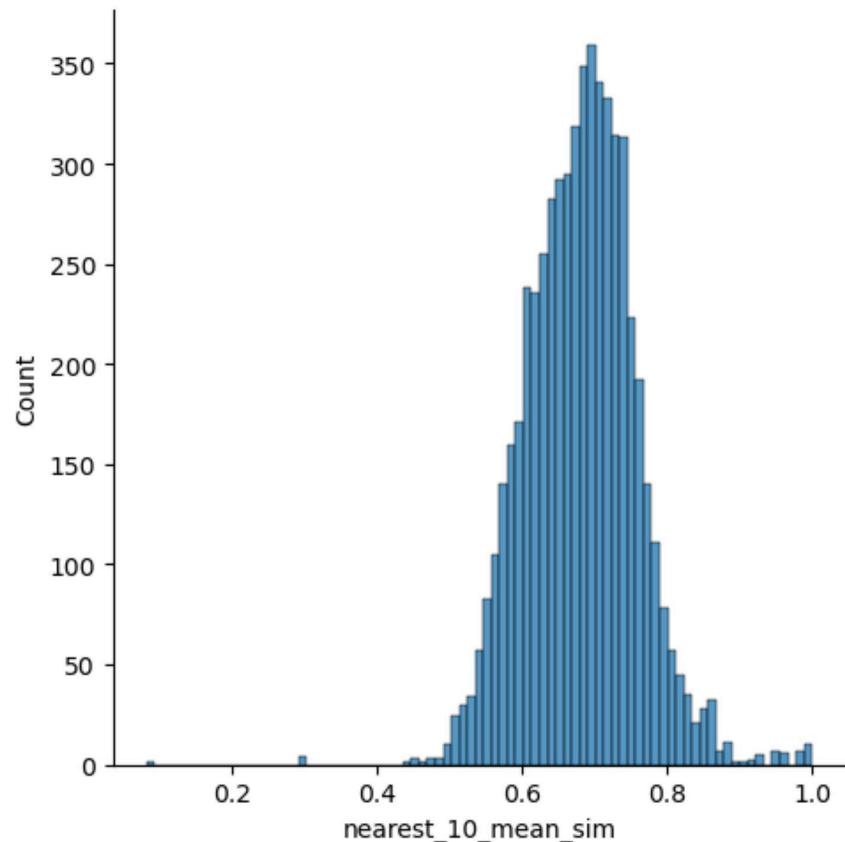
- Do investments in quality have a larger effect on the performance of distinctively named wineries than on non-distinctively named wineries?
- Have Chinese and other foreign investments in Bordeaux wineries tended to choose names that are similar to high profile chateaux?

Thank you!

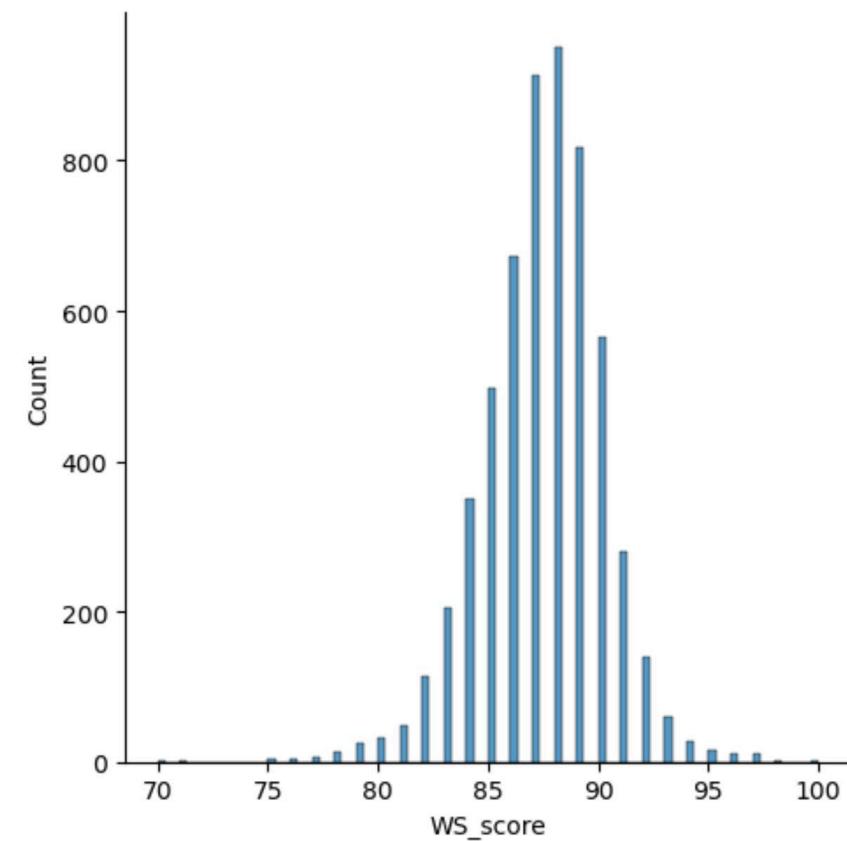
# Results table

	MODEL 1	MODEL 2	MODEL 3
<b>SIMILARITY</b>	-0.8894****	-0.4771****	-0.2751*
<b>RATING</b>		0.1317****	0.1358****
<b>RATING * SIMILARITY</b>			-0.0191****
<b>R<sup>2</sup></b>	0.008	0.252	0.255
<b>* P &lt; 0.05</b>			
<b>**** P &lt; 0.0001</b>			
<b>OBSERVATIONS = 5775</b>			
<b>DV = NATURAL LOG OF FIRST-OFFERED PRICE FOR 750ML BOTTLE.</b>			

## Linguistic Similarity



## Wine Searcher Score



# Descriptives

	FIRST PRICE	RATING	NEAREST 10 MEAN SIMILARITY
MEAN	28.10	87.32	0.68
MEDIAN	15.13	87	0.68
STD.	131.08	2.78	0.08

# Interaction plot

