Journal of Business Research xxx (2013) xxx–xxx

Contents lists available at SciVerse ScienceDirect

Journal of Business Research

Cultural influences on global firms' decisions to cut the strategic brand ties that bind: A commentary essay

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ARTICLE INFO

Article history:
Received 1 February 2013
Received in revised form 1 March 2013
Accepted 1 March 2013
Available online xxxx

Keywords:
Trademarks
Brand strategy
Brand management
Cross-cultural
Managerial styles
Intangible assets

ABSTRACT

Today's global firms face increasing pressure to protect their brand identity from encroachments of copycat brands that seek to benefit from associations firms have established in the minds of consumers. This essay is a commentary to the article "Marking your trade: cultural factors in the prolongation of trademarks" by Melnyk, Giarratana and Torres that raises several important issues warranting further attention by researchers. This essay comments on the paper's contributions, limitations, and opportunities contributing to future research about trademark practices and strategies. Furthermore, the essay suggests useful extensions relative to the more general strategic issue of prolongation or abandonment of intangible brand assets in global markets and the dynamic interface between firm-created and consumer-created brand meaning.

1. Introduction

Today's global firms face increasing pressure to protect their brand identity from encroachments of copycat brands. While firms have control over their visualization and promotion of brands, including legal protection from trademark infringement in the 1946 Lanham Act, they have considerably less control over how valuation of these brand identity markers can be harmed by unscrupulous practices of competitors that result in trademark dilution (Morrin & Jacoby, 2000; Peterson, Smith, & Zerrillo, 1999). Trademark dilution, as defined in the 1995 Federal Trademark Dilution Act (FTDA) refers to "a lessening of the capacity of a famous mark to 'identify and distinguish' its goods and services, even when consumers aren't confused as to product origin" (Morrin, Lee, & Allenby, 2006, p. 248). The ability of copycat brands to erode brand associations in the minds of consumers, whether occurrence of trademark dilution can be legally supported or not (Morrin et al., 2006) is a major concern to marketers.

Decisions about whether to retain or relinquish control over intangible brand assets present hard choices for multi-national global firms and especially when the valuation of such brand assets, like trademarks, resides in the minds of consumers. 'Pulling the plug' on a protected asset that represents a firm's identity can be difficult and risky, given firms' substantial financial investments toward cultivating and protecting these visual symbols of their identity that bond them with their consumers (Krasnikov, Mishra, & Orozco, 2009). When these markers of meanings become diluted or lose their unique association through corrosion of the associative links between the brand and its meaning for consumers, it may be time to 'let go.'

A vast body of research in the marketing literature has focused on brand-related topics, including competitive positioning of brands, creating brand name and design elements, building brand equity, and assessing brand performance. A handful of articles have focused on the implications of trademark dilution law from a financial and legal perspective (e.g., Morrin & Jacoby, 2000; Morrin et al., 2006; Peterson et al., 1999). In their article "Marking Your Trade: Cultural Factors in the Prolongation of Trademarks" (in this issue), Melnyk et al. address the topic of evaluating brand performance by examining if and how national culture influences country-of-origin's strategic practices regarding prolongation of trademarks. The study is based on a census sample of all trademarks registered in the software security industry in the United States by 11 countries from 1993 to 2000. The authors present evidence that national culture influences trademark prolongation decisions, primarily through its influence on a firm's risk-taking propensities and perceived need for security. The findings demonstrate that national culture can impact which types of trademarks are most likely to be prolonged. This commentary highlights contributions of the study by Melnyk et al. to theory and practice in the arena of brand identity management and suggests a number of useful extensions that warrant further research attention.

2. Contributions, limitations and opportunities

The terms "brand" and "trademark" are virtually synonymous by definition, as both refer to any sign or symbol, whether visual or verbal or combination thereof, used to identify or distinguish a particular

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http://dx.doi.org/10.1016/j.jbusres.2013.03.035

seller's good or service from those manufactured or offered for sale by others; the main difference being that the term "trademark" is preferred when the focus is the legal protection of these identity markers (Peterson et al., 1999). In their article Melnyk et al. utilize the term "trademark" highlighting the focus on brand identity as a financial (and legal) intangible asset of the firm that must be protected. Brands represent one of the most important intangible assets a firm possesses, thus decisions regarding trademark prolongation or termination represent important strategic decisions that reflect upper level management practices and strategies related to global brand management (Keller & Lehmann, 2006; Krasnikov et al., 2009; Simon & Sullivan, 1993).

A key contribution of the study to trademark practices is the authors' focus on maintain or "let go" decisions, which addresses calls for more research to address valuation of brand performance (Keller & Lehmann, 2006; Krasnikov et al., 2009). In general, not enough attention has been paid in branding literature to the consequences of prolonging ineffective use of resources, especially from a competitive and legal perspective. Marketing managers face increasing pressures to justify large budgets devoted to brand-building strategies (Madden, Fehle, & Fournier, 2006) by presenting objective evidence in support of brand-equity returns for these expenditures (Srivastava, Shervani, & Fahey, 1999). Melnyk et al. shed light on how national culture shapes managers' trademark prolongation practices via their influence on cultural values toward risk-taking propensities and perceived need for security.

The measurement of national-cultural differences in the article relies upon the Inglehart framework (Inglehart & Baker, 2000; Inglehart & Welzel, 2005) which has two bi-polar dimensions reflecting "tradition" (*traditional* versus *secular-rational*) and "security" (*survival* versus *self-expression*) values. The use of simple frameworks to contrast cultural values and managerial styles has been criticized by some as a conceptual (Cayla & Arnould, 2008) and methodological (Fiske, 2002; Holt, 2002) shortcoming of cross-cultural research, and yet the Inglehart framework seems well-suited to explore cultural influences on trademark practices. Protection (or lack thereof) of a valuable asset lies at the root of the trademark prolongation or termination decision. The assumption that "letting go" of a brand identifier might be more difficult because it requires change, despite objective evidence that the identifier is underperforming, may seem reasonable in the case of tradition-bound cultures. This assumption is reflected in H1 that predicts a main effect of the *traditional* versus *secular-rational* cultural value on trademark prolongation but the hypothesis is not supported. The study authors do not offer an explanation for these results although a likely culprit may be their failure to include an objective measure of trademark performance in their hazard model. Future studies might include brand equity performance measures.

The more interesting and significant findings revealed by this study arise from the interaction between national culture and trademark type. Competitors can erode the meaning, and therefore value, of trademarks with relative ease by blurring unique meanings of trademarks in the minds of consumers (Morrin et al., 2006; Warlop, Ratneshwar, & van Osselaer, 2005). This study contributes to an understanding of how national culture influences firms' strategic approach to trademark management. Trademark types, either brand-associations or brand-identification (Krasnikov et al., 2009) can reflect a firm's attitudes and strategies toward brand management. The study reveals that country of origin firms rooted in tradition (H2) or self-expression values (H4) are more likely to prolong trademarks promoting brand-association, and that country of origin firms with higher self-expression values are quicker to abandon trademarks in general (H3). Here again, future research that incorporates measures of brand equity could reveal more directly *how* national culture influences strategic brand decisions and contributes to the effectiveness of trademark practices of firms operating in global markets.

Last, a methodological strength of this study is that it tracks a census of firms from diverse nations/cultures operating in a particular industry, the software security industry (SSI), all of whom sell to a single target country, the U.S., across nearly a decade when this industry was particularly active, evolving, and for which countries/cultures registered diverse trademark types. A weakness is perhaps the study's reliance upon the SSI industry that by nature may tend to attract firms with a high tolerance for risk and need for self-expressiveness. Global firms operating in this rapidly evolving industry may be non-representative of the cultural values typically associated with their respective country of origin. Future research might investigate these issues across multiple brand lines targeted toward a single country or across single brand lines targeted toward multiple countries.

3. Future research extensions

While it is useful to understand how national culture can influence strategic decisions regarding the prolongation or abandonment of intangible brand assets in global markets, deeper insights could be gained by examining trademarks as an interface between firm-created and consumer-created brand meaning. Constructing visual representations of brands in the form of trademark symbols represents boundary-spanning marketing activities that intersect firms' internal and external customer value-creating processes. This study demonstrates that trademark decisions reflect marketing practices and decision-making styles within the firm. Decisions related to trademark strategies should also consider how consumers actively assimilate and incorporate brand meaning communicated by these unique identifiers in terms of the strength of the associations they form with brands, including the ability of competitors to erode meaning or capitalize on sunk costs associated with abandoned trademarks. An integrated perspective toward trademark decisions that includes consumer-based and company-based measures of brand equity could address major gaps that currently exist in the brand management literature (Keller & Lehmann, 2006).

The authors note that investments into trademarks are costly and markers of "success" from a brand equity perspective may differ from one market to another. Heavy investment needed to support a brand-association trademark strategy may not make sense in firms operating in global markets where national cultures and competition dynamics vary greatly and especially in emerging markets where regulations are loose and competition is great. Future research might explore more deeply the characteristics of trademark types from the perspective of brand-building decisions in and across local, emerging, and global markets. For instance, a nimble approach to trademark management might consider a multi-staged approach, starting with brand identification trademarks that promote unique associations based on newer types of trademarks (e.g., motion, shape) that are distinctive, yet more easily adaptable to dynamic competitive milieus and emergent consumer markets within these countries. More costly brand-association trademark strategies could be implemented as efforts to support the brand are justified by objective brand performance criteria. More is needed to identify appropriate implementation of brand management strategies from a financial and legal perspective for firms operating in multiple markets in which the brand is in different stages of brand development and faces different competitive challenges.

Last, a new generation of consumers is increasingly creative in the way they interpret and assimilate brand meanings constructed by firms. These consumers assimilate meaning from symbols originally conceived by firms, but reconstruct these meanings in a de-commoditized space in which product meaning is recreated within existing shared cultural understandings (Herd, Pew, & Warren, 2009). Trademarks are visual symbols of brands and brand meaning. More research is needed to understand how consumers, especially those from different cultures, assimilate meaning from visual representations of brands and brand elements (Joy, Sherry, & Deschenes, 2009; Schroeder, 2002). Such research streams could inform managerial decisions by determining how firm's branding efforts in the form of trademarks are re-interpreted by

Please cite this article as: Roster, C.A., Cultural influences on global firms' decisions to cut the strategic brand ties that bind: A commentary essay, *Journal of Business Research* (2013), http://dx.doi.org/10.1016/j.jbusres.2013.03.035

consumers from the perspective of cultural symbols that can be re-created according to shared meanings within culturally-defined social spaces.

4. Conclusion

Branding decisions, including whether to maintain or abandon trademarks, present difficult but important strategic decisions for global firms. The choice to "stay the course" or cut ties with previous brand strategies poses financial and brand image risks to a firm. Despite considerable emphasis on brand management and brand positioning topics in the marketing literature over the past few decades, major gaps exist in our knowledge about how to effectively integrate firm and consumer value in these decisions, especially for firms operating in global markets. The notion of brand types in the context of managerial decisions about trademark strategies warrants further consideration as these relate to brand-building strategies. Finally, useful extensions of this study could involve an examination of consumer-created interpretations of brand symbols in different cultures as a means of leveraging the brand associations firms create, but which consumers define in an increasingly competitive milieu where brands compete for consumers' shared meanings in culturally-defined spaces.

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