

Strong evidence for the presence of umbrella branding effects in pharmaceutical markets

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Umbrella branding is a practice that is common in markets for experience goods and consists in the marketing of otherwise unrelated products under the same brand name. In theory, umbrella branding

allows firms to make better use of reputation to convince consumers that their products are of high quality.

Empirically, the effect of umbrella branding is difficult to measure, however. One way of measuring it is to look at how advertising for one product influences demand for another product sold under the same brand name. The problem is that the firm will typically advertise both products, so it is hard to isolate the effect of a specific part of its advertising expenditure.

In TILEC Discussion Paper No. 2017-034, TILEC member Moritz Suppliet overcomes this issue by exploiting the fact that in Germany (like in many other countries), advertising is prohibited for [prescription drugs](#) but legal for over-the-counter (OTC) drugs. He finds strong evidence for the presence of umbrella branding effects: advertising for OTC drugs has a positive and significant effect on the sales of chronic disease drugs sold under the same brand name.

Performing a [structural analysis](#) focused on the market for Alzheimer's disease, he shows that the effect of umbrella branding is to increase the sales of drugs for the treatment of Alzheimer's by a sizeable 10 percent.

More information: Moritz Suppliet. Umbrella Branding in Pharmaceutical Markets, *SSRN Electronic Journal* (2018). [DOI: 10.2139/ssrn.3040045](https://doi.org/10.2139/ssrn.3040045)

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