

New Products*

Abhiroop Mukherjee

Tomas Thornquist

Alminas Žaldokas

February 2022

Abstract

We introduce a new measure of innovation based on important product launches by public firms. Our measure is based on stock-market reactions to media articles – classified by a convolutional neural network approach as referring to new product introductions – and has two distinct advantages. First, it covers the entire spectrum of industries and is not limited to products sold by retail firms. Second, we rely on collective wisdom about product value expressed through financial markets; this lends a forward-looking aspect to our measure, and helps avoid issues associated with valuing new types of output in a changing economy. Using our measure, we derive a few stylized facts. We show that product innovations often come from firms that neither file patents or trademarks, nor disclose any RD expense. They are also highly persistent, both at the firm- and at the industry-level. Firms that launch more new products are larger, and they typically operate in industries that are more competitive. New product introductions correlate with productivity measures at the aggregate level.

Keywords: New Products, Innovation, Competition, Productivity

JEL Classification: D24, E01, E24, O31

*Mukherjee and Žaldokas: Hong Kong University of Science and Technology; Thornquist: Shell Street Labs. Emails: amukherjee@ust.hk; tomas@thornquist.io; alminas@ust.hk. We thank Jonathan Eaton, Chad Jones, Sam Kortum, Hanno Lustig, Elvira Sojli, James Stock, Leo Sveikauskas, Philip Valta, Lei Xu, Constantine Yannelis, and participants at Brookings Institution Productivity Measurement Initiative Authors' Conference, European Economic Association Meeting, International Industrial Organization Conference, SGF Conference, Corporate Finance Day, HKUST Interdisciplinary Research Seminar, Baltic Economic Association Meeting, American Economic Association Poster Session, and Lithuanian Conference on Economic Research for comments, and Benas Žurauskas for excellent research assistance.