

Discussion of

“The Benefit of Collective Reputation”

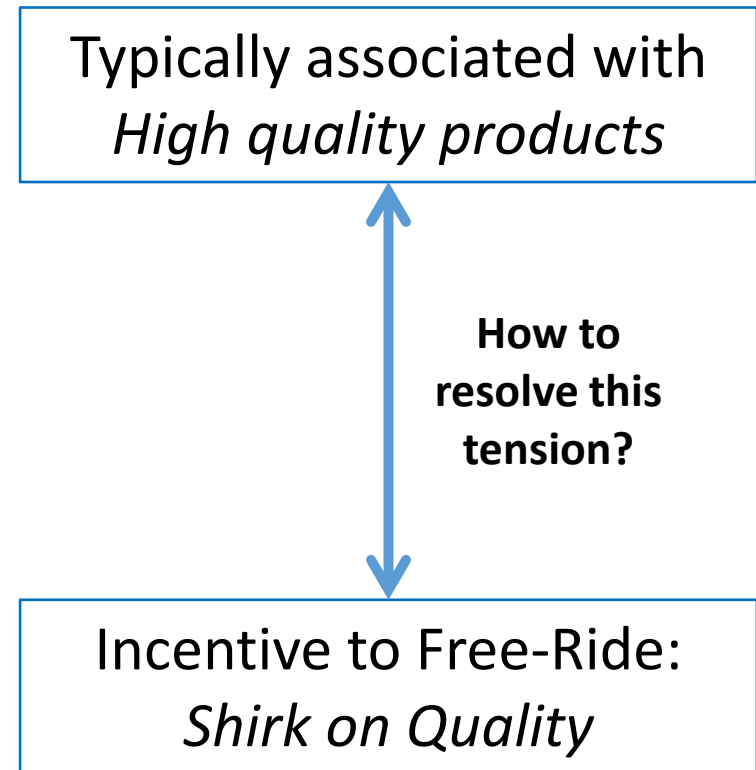
by Neeman, Öry, & Yu

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Research Objective

- Common Phenomenon
 - Country of Origin (Watches/CH)
 - Region of Origin (Wine/Champagne, FR)
 - Franchises (Hotels/Holiday Inn)
 - Sharing Economy (Drivers/Uber)
- Collective Reputation
 - How does a collective reputation form?
 - When does it lead to higher quality?



Theoretical Model

Key Features

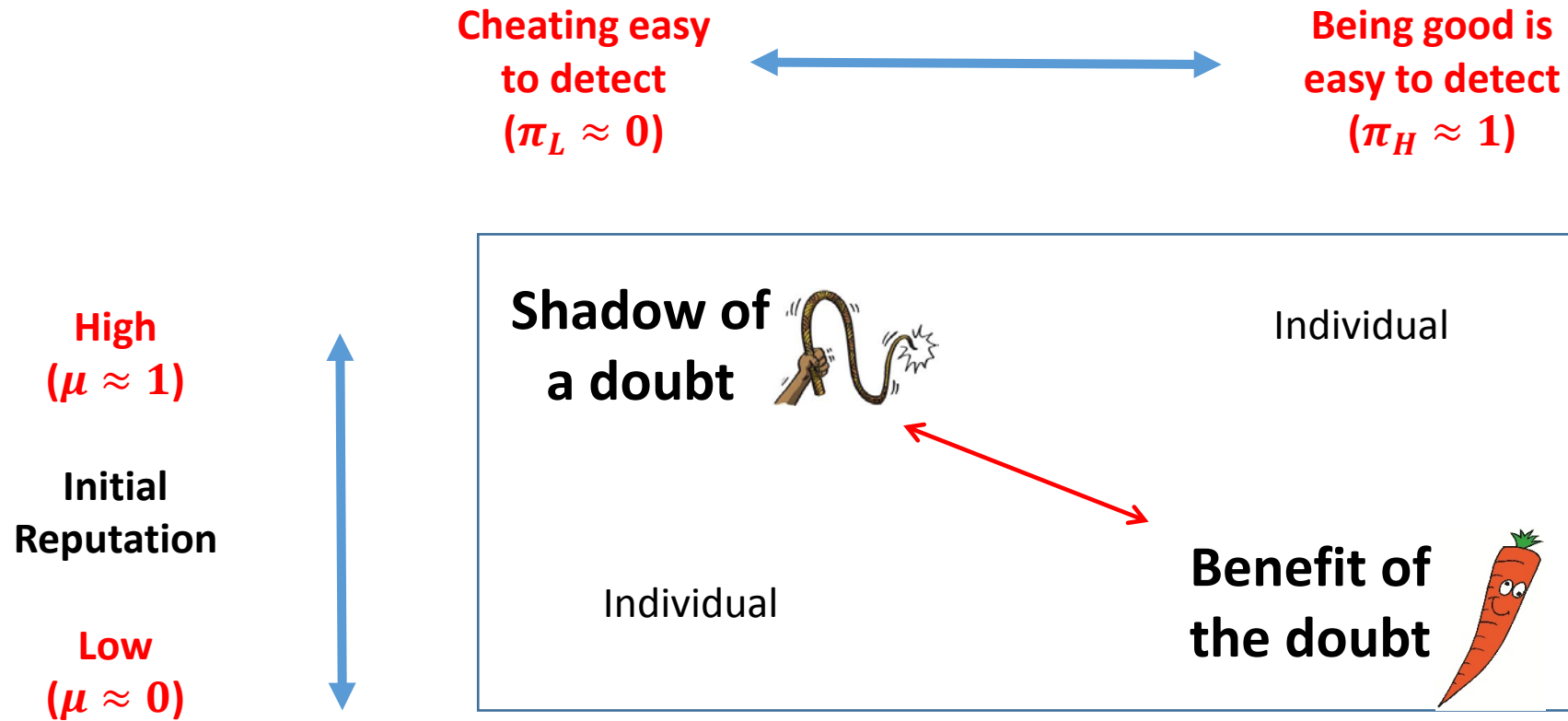
- Dynamics:
 - Short-run ($t+1$) versus long-run ($t+2$) benefits.
 - Meaningful histories ($t-1$, $t-2$) for consumer inferences (posterior beliefs).
- Random Consumer Match
 - No competition
 - WTP generated only by posterior beliefs/past outcomes
- (In)Competence:
 - Meaningful consumer inference
 - Rational consumer cannot perfectly anticipate quality
- Others:
 - No Monitoring
 - Each firm knows other's type

Analysis & Results

- Analysis
 - Reputational Equilibrium
 - Compare minimal conditions on investment costs
 - Individual reputation
 - Collective reputation
- Basic Results

	Exclusive Knowledge: $\pi_L \approx 0$ (Proposition 1)	Quality Control: $\pi_H \approx 1$ (Proposition 2)
High base reputation ($\mu \approx 1$)	Collective (Swiss Watches)	Individual (German Automobiles)
Low base reputation ($\mu \approx 0$)	Individual (Samsung Electronics)	Collective ("Made in China")

Analysis & Results



Additional Results

- Arbitrarily Long Memory
 - Good for collectives
 - Help explains strength of older COO's
- Brand Formation
 - Collective branding attractive when $\mu \approx 1$
 - Sometimes include an incompetent firm!



Critical Comments

Contribution

- Literature on “collective branding”

- Co-branding
- Umbrella branding
- Guild branding



*Reputations are
already established*

- Point of Departure

- How do reputations form?
- Careful treatment of reputation formation



*Reputations as
consumer beliefs*

- Relevance

- Marketing: Should firms join?
- Regulation: Does collective branding imply better quality?

Critical Comments

Positives

- Meaningful & relevant research
- Carefully constructed model
- Deep conceptualization of collective reputation
- Novel insights

Critical Comments

Going Forward: Period $t+1$

- Tedious reading (but worth it)
- Brand formation and profits
 - Nice start
 - Firm's decision to form/join collective: potentially informative?
 - Safer: COO labeling regulation avoids selection issue
- Positioning as an applied theory (subtle/more thought)

Critical Comments

Going Forward: Period $t+2$

- Permeable reputations
 - Napa grapes in TX
 - Single malts from Bangalore
- Heterogeneous priors (CA wine in Europe)