

Collective Reputation Effects: An Empirical Appraisal

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This paper is an attempt to shed some empirical light on image linkages existing between a collective umbrella brand and its related individual components.

To tackle this issue we estimate a simple model of interaction in which a single collective reputation both determines and is determined by a series of individual reputations à la Tirole (1996). From an application to Bordeaux wines using detailed survey data ; which allow in particular to control for the natural endogeneity of collective reputation in this simultaneous setup, we get positive and significant spillover effects from the umbrella's reputation for 8 wines out of 9. The magnitude of these spillovers appears to vary according to the individual reputation level of these wines as follows: highly-reputed wines enjoy larger umbrella impacts than non-reputed wines but lower impacts than average-reputed wines which enjoy the highest returns from the umbrella's reputation.

Not controlling for the endogeneity pitfall results in seriously biased estimated impacts. Indeed, an inappropriate econometric approach fails to detect that the marginal impact from the group image first decreases to 0 and then becomes negative above a given individual reputation threshold (the basic approach yields to an increasing marginal impact). This has some implications in terms of economic interpretation, in particular for those individuals who are high-up in the pecking order.

Key Words: Individual Reputation, Collective Reputation, Bordeaux wines.

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