A company's good reputation can be a bad thing

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Consumers expect a lot from high-equity brands such as Disney or Apple. When such brands fail us – perhaps by providing a product that doesn't work or service that is sub-par – we may be especially disappointed. Our evaluations of formerly high-stature brands may even dip below those of low-equity brands. However, a new study from the Journal of Consumer Research finds that this drop in esteem may not always be inevitable after a failure. The study also reveals that, surprisingly, a high-equity brand fares better when the failure is severe.

Michelle L. Roehm (Wake Forest University) and Michael K. Brady (Florida State University) look at how failure affects high-equity brands – brands that are well-known, with loyal customers and a good reputation. They find that immediately after the consumer learns about a problem, the high equity brand is at a disadvantage.

"Perhaps the most provocative message arising from our data is the idea that despite its many advantages, higher brand equity can sometimes be a burden," the researchers write.

However, if the problem is severe, the high equity brand may actually fare better, the researchers found. In a severe failure situation, customers focus on how they're going to deal with the problem and what they need to do to get on with their plans for the day, rather than re-evaluating the quality of the brand they chose. The authors describe this as a reduction in cognitive resources and believe that this explains some of the protection offered to the high equity brand in cases of more severe

failures.

“Put simply, the rush of questions and plans that is brought on by a recognition of the failure appears to occupy available mind space that could otherwise be spent by consumers assigning blame and re-evaluating the perpetrating brand in ways that may be detrimental to its equity,” Roehm and Brady explain. “In short, the need to grapple with a substantial problem may provide a temporary buffer that protects a focal brand.”

Providing a distraction after the customer hears about the failure, such as enjoyable music or an entertaining show, can also take up the cognitive resources the customer might otherwise have devoted to re-evaluating the brand in light of the failure.

“The lesson for managers is that, after serious lapses in performance, there may be a brief window of time in which a failed brand remains relatively unharmed,” the researchers conclude. “Strong marketers will use this temporary reprieve wisely, rectifying whatever has gone wrong before damaging re-evaluation can proceed.”

Citation: Michelle L. Roehm and Michael K. Brady, “Consumer Responses to Performance Failures by High Equity Brands.” *Journal of Consumer Research*: December 2007.

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