

Toyota recalls made no dent on their brand: study

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A study from North Carolina State University shows that Toyota's safety-related recalls that began in 2009 made little to no impact on how consumers perceived the brand.

"These findings highlight the importance of establishing and maintaining a [reputation](#) for quality," says Dr. Robert Hammond, an assistant professor of economics at NC State and lead author of a paper describing the study. "Not only will it help you sell cars in the first place, but it will help you weather public scrutiny in the event of a recall."

Hammond launched the study because he wanted to see how [consumers](#) respond to recalls. "I wanted to look at how a [product recall](#) for safety would affect what a consumer is willing to pay for that product," Hammond says. He looked at [Toyota](#) models that were subject to recall in 2009-2010 as a result of highly publicized concerns over "sudden unintended acceleration." Those recalls applied to over 9 million vehicles worldwide.

In order to focus on [consumer perception](#) of the brand, Hammond looked at used-car markets. Sales of new vehicles can make it difficult to assess the impact of a recall, because there are multiple confounding variables – such as promotions, marketing campaigns and new models that weren't subject to the relevant recall.

But by looking at the average prices for specific models in the used-car market, researchers can determine how much Toyota owners were

willing to accept when selling their vehicles – and how much used-car buyers were willing to pay for them.

Hammond found that, despite the high-profile media coverage of the Toyota recalls, there was very little effect on what consumers were willing to pay for a Toyota. Specifically, Hammond found that the average price of affected vehicles declined by approximately 2 percent relative to comparable, unaffected vehicles (such as similar Honda models). That 2 percent decline is within the statistical margin-of-error for the study.

And the effect did not last long. The first Toyota recall was in November 2009, and the apparent decline in [vehicle](#) price had leveled out by January 2010.

Hammond did a similar analysis of Audi vehicles that were recalled due to similar acceleration concerns in 1986. The impact there was more significant. Audi showed an average price slide of over 16 percent relative to similar, unaffected vehicles over the course of six months. "Comparing the Toyota and Audi experiences highlights the value of a well-established reputation," Hammond says.

More information: The paper, "Sudden Unintended Used-Price Deceleration? The 2009-2010 Toyota Recalls," is forthcoming from the *Journal of Economics and Management Strategy*.

Provided by North Carolina State University

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