Study looks at stock market performance of polarizing brands

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Michael Wiles, assistant professor in the W. P. Carey School of Business, says brands with a lot of lovers and haters tend to be less risky stock-market investments.

Are you a big fan of Apple or Nike, or a hater of McDonald's? A new study from the W. P. Carey School of Business at Arizona State University shows love-it or hate-it brands probably won't perform exceptionally well in the stock market, but they also offer investors less risk because you know just what to expect – the good and the bad. It's something to consider in our volatile stock climate.

"Investors and company officials need to better understand the impact of brand dispersion – when consumers are polarized both for and against a certain brand," explains Michael Wiles, assistant professor in the W. P. Carey School and one of the study's authors. "Increasing brand dispersion may mean less amazing company returns overall, but it also means less volatile returns because some customers are super loyal and some haters will never buy the brand's products, no matter what."

Wiles and his co-authors, professor Xueming Luo of Temple University and assistant professor Sascha Raithel of Ludwig Maximilian University of Munich, looked at data from more than 3 million users of more than 2,600 brands in the United States, the United Kingdom and Germany. They considered people's perceptions of brand quality, value and satisfaction, as well as whether they would recommend the brand, feel good about using its products or feel good about working for the company. The results of their study were published in the academic *Journal of Marketing Research* and the *Harvard Business Review*.

"Dispersion can affect investors' confidence in a brand, such as when there's a lot of negative chatter on social media," says Wiles. "Downside dispersion has a stronger pull on returns in the short term."

Walmart, Fox News Channel and AT&T are some brands that have high dispersion. Intel and Amazon are low-dispersion brands. Wiles says brand managers should pay close attention to brand dispersion and engage, even with the haters, when appropriate. They should either placate the haters or amplify the polarizing issue to rally and interest loyal fans.

Wiles weighs in on recent examples in the news that illustrate the importance of considering brand dispersion:

- General Motors is under scrutiny right now for its handling of faulty ignition switches. The negative information may lead

GM's more marginal customers to become brand haters and less likely to purchase the company's stock. Wiles says the issue will probably lead to lower stock returns going forward, but the stock will also become less risky.
- Sochi was a problem for the normally low-dispersion brand of the Olympics. Wiles says holding the Winter Games at a "subtropical beach resort with palm trees" was inconsistent with the brand, and there were security questions and other logistical issues, as well. Consequences? Attendance was relatively low and television viewership right away was down 8 percent in comparison to the opening ceremony of the Vancouver Olympics.
- Coca-Cola, a high-dispersion brand, decided to embrace a recent controversy over its multilingual "America the Beautiful" ad that ran during the Super Bowl. The lovers and haters brought in 8.4 million YouTube views for the ad, delivering both positive and negative reviews on social media. The company decided to air an even longer version of the ad during the opening ceremony of the Olympics with an added "E Pluribus Unum" disclaimer.
- Taco Bell, another brand with lots of lovers and haters, recently launched a new breakfast menu with a brazen ad campaign that pokes at McDonald's. Several real people named Ronald McDonald sing the praises of the new breakfast items. Those who already liked underdog Taco Bell appreciated this needling, and it drew a response and social-media postings from McDonald's lovers and Taco Bell haters, increasing buzz and ad awareness.

More information: The full study on brand dispersion can be found online at journals.ama.org/doi/abs/10.1509/jmr.12.0188

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