

The effects of mass layoffs on a brand and the role of corporate communication

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Especially in times of economic crisis, companies frequently lay off employees. In the short term, this can reduce costs—but what

consequences does this measure have for a company's brand? A new study by researchers from KLU, Tilburg University and KU Leuven has investigated the phenomenon and provides [clear recommendations](#) on how communication measures should be planned.

The results of the study show that after layoffs are announced, [brand](#) strength drops by an average of 18%. It only recovers after about seven weeks. "This negative effect is strongly influenced by the [corporate communications](#) that take place in parallel," says Alexander Himme, Associate Professor of Management Accounting at KLU. Advertising and social media amplified the negative effect.

"If, on the other hand, companies send out a lot of PR and CSR messages in parallel with the layoff, this average damage to the brand can be significantly contained," Himme explains. An above-average positive brand image also proved to be a helpful "buffer" against brand damage caused by the announcement of mass layoffs.

Consumers differentiate between advertising and PR

How do PR or CSR measures differ from marketing measures? The researchers' study shows that [consumers](#) rate marketing and [social media](#) activities as more entertaining, less trustworthy and, above all, cost-intensive.

"This is then perceived very negatively in the case of layoff announcements," says Himme. PR or CSR measures, on the other hand, are considered trustworthy and informative—as long as they are not pure "greenwashing" and, for example, society benefits from the measures.

Tip: Involve marketing professionals early on

"This may sound surprising, but a company's marketing department should be involved in planning measures such as layoffs from the very beginning," Himme says. "After all, image losses have a direct negative financial impact via falling sales or a low willingness to pay."

The damage to a company's brand can be limited by managing marketing, PR and CSR measures in parallel with the announcement of a mass layoff. "A long-term, coordinated communications strategy makes perfect sense here and protects the company from further image problems," says Himme.

The paper is [published](#) in the *International Journal of Research in Marketing*.

More information: Samuel Stäbler et al, How firm communication affects the impact of layoff announcements on brand strength over time, *International Journal of Research in Marketing* (2023). [DOI: 10.1016/j.ijresmar.2023.06.002](#)

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