

Collective Reputation is often viewed as creating free-riding and impeding quality provision. It is however a widespread and often deliberate choice of producers. We provide new explanations for this based on group incentives. Heterogeneous producers whose costs are imperfectly known need to provide effort to produce high quality. The demand side a priori does not observe the true quality, but high quality can be detected with some probability, reflecting e.g. expert inspections, awards, labeling and the regulatory framework. Unidentified products are otherwise pooled together according to the collective reputation structure, i.e. grouping of producers. In the unique equilibrium, each group is subject to internal free-riding by their higher-cost members. We find however that grouping producers can also increase incentives and yield higher quality and welfare than individual reputation, because free-riding under collective reputation might be less severe than own-reputation milking under individual reputations. We also show that admission thresholds with a small elite always improves upon full collective reputation. Despite potentially higher producers' surplus, any group with collective reputation however unravels in absence of transfers. Nevertheless, we exhibit simple type-independent and budget-balanced contracts under collective reputation that implement the first best.