

Brand mergers: an analysis of consumer brand identity preferences

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Abstract:

Purpose- The purpose of this study is to investigate reactions to the various name and logo redeployment alternatives available in the context of a merger.

Design/methodology/approach - This study develops a typology of the alternative visual identity structures that may be assumed in the context of a brand merger by drawing on literature review and secondary data, as well as an exploratory study (n = 467) analysing consumers' preferences regarding the alternative brand identity strategies.

Findings – Results suggest that there is a clear preference for figurative brand logos. Furthermore, we found evidence that the brand logo may play a role as important as the name in a merger, ensuring consumers that there will be a connection with the brand's past. Another interesting finding was that the choice of the logo reflects consumers' aesthetic responses, whereas the choice of the name reflects consumers' evaluation of the brand's offer or off the brand's presence in the market.

Originality/value – The paper uses an innovative research design which gives respondents freedom to choose their preferred solution, hence the richness of results is much greater. These results should guide managers in the evaluation and choice of the post-merger branding strategy.

Keywords: brand, brand identity, logos, mergers and acquisitions

1. Introduction

Name and logo are key components of corporate identity, since they are the most pervasive elements in corporate and brand communications, and play a crucial role in the communication of the organisational characteristics (Henderson & Cote, 1998; Van Riel & Van den Ban, 2001).

The reasons for changes in corporate brand name and logo are numerous, nevertheless mergers are one of the main events leading to the necessity for a new name and logo (Muzellec & Lambkin, 2006). Furthermore, the building of a strong and clear visual identity is critical for the successful implementation of a merger (Balmer & Dinnie, 1999; Melewar, 2001). However, relatively little academic attention has been paid to the different name and logo options available to the new corporate entity, and to our knowledge no empirical research has addressed the branding strategies from the perspective of individual consumers. This paper seeks to address this research gap, by developing a model of consumers' brand identity preferences, in the context of a merger. Specifically, it considers the degree to which name and logo characteristics influence consumer responses.

The paper is set out as follows: we begin by reviewing relevant branding and brand identity literature, and discuss specifically the impact of a merger on corporate name and logo. Then, the study is described, the research results are presented and discussed, limitations noted and research directions outlined.

2. Literature Review

2.1 Brand and brand identity

Branding is a central concept in marketing, and the particular importance of corporate branding has been highlighted by a number of writers (Keller and Richey, 2006; Merriles and Miller, 2008). Although this increasing interest in branding, we may say that its incorporation into the conceptual structure of marketing is still not completely consolidated (Stern, 2006).

In the search of an holistic conceptualization, we assume a semiotics based conceptual model for branding, according to which the brand is founded on three fundamental pillars: the identity pillar, which includes the sign or signs that identify the brand (name, logo, slogan, ...identity mix) and the brands associated to it, thus building the corporate identity structure;

the object pillar, which includes the different offers of the brand together with the organization and the marketing activities which support them; the market pillar, which includes the brand's stakeholders and their different responses to the brand at a cognitive, affective and behavioural level (Mollerup, 1997; Lencastre, 1997).

Name and logo are generally considered the main brand identity signs, since they are critical communication cues (Henderson and Cote, 2003; Pittard *et al*, 2007; Van den Bosch and de Jong, 2005). Development of a strong logo is particularly relevant for services organizations, because of the intangible nature of their offerings (Berry, 2000; De Chenatony and Segal-Horn, 2003, Devlin and McKechnie, 2008). Several marketing scholars have underlined the need to link intangible service offers to tangible logos in order to convey appropriate meanings (Miller *et al*, 2007).

2.2 Logo design

As a brand identity sign, a logo can refer to a variety of graphic or typeface elements, ranging from word-driven, word marks or stylized letter marks, through to image-driven, pictorial marks (Henderson and Cote, 1998; Wheeler, 2003). In this study, the word logo refers to the graphic element that a company uses, with or without its name, to identify itself.

Theorists agree that well-designed logos should be recognizable, evoke positive affect and allow the transmission of a set of shared associations (Henderson and Cote, 1998 and 2003; Janiszewski and Meyvis, 2001; Klink, 2001 and 2003; Kohli *et al*, 2002).

Affective reactions to the logo are critical, because affect can transfer from the identity signs to the product or company with little or no processing (Henderson and Cote, 1998; Schecther, 1993). Furthermore, in low involvement settings, the affect attached to the logo is one of the few cues that differentiate the offering (Hoyer and Brown, 1990; Leong, 1993). As design evolves to become an essential component of corporate marketing, it is important to determine the extent to which design elements like figurativeness create a positive affect.

2.3 Figurativeness

Figurative and its opposite endpoint, abstract, captures the extent to which a sign is related to the natural and sensitive world: the sign is abstract when there are no links to the sensitive world; in the opposite situation we say this sign is figurative (Greimas and Courtés, 1993). Logos depicting characters, places, animals, fruits or any other objects of the real world, that have familiar and widely held meanings, demand a lower learning effort and are better recognized (Henderson and Cote, 1998; Lencastre, 1997). Recognition for abstract and meaningless logos may be poor, and abstract designs are more difficult to interpret (Koen, 1969; Nelson, 1971; Seifert, 1992). Empirical research further shows that figurative identity signs can enhance brand memorization and contribute to the formation of brand associations (Henderson and Cote, 1998; Hynes, 2009; Van Riel and Van den Ban, 2001).

Thus, from a design perspective, we decided to focus on this particular logo element, and to examine reactions to figurativeness in the specific context of a brand merger.

3. Typology of the corporate identity structures that may be assumed in the context of a merger

Based on the literature review and on a documental analysis of recent mergers we present a typology of the corporate identity structures that organizations may assume in the context of a merger, and which may closer to a monolithic identity (one single brand) or to differentiated identity (two or more independent brands). Next we describe each one of the alternatives identified, clarifying their main advantages and disadvantages.

One of the corporate brands name and visual identity

According to the results of previous research (Ettenson and Knowles 2006; Rosson and Brooks, 2004), in the majority of the deals, the merged entity adopts immediately the name and visual identity of the lead organization. This is usual in mergers involving organizations

with very a diverse dimension/power, and when the leading organization pursues a monolithic politic and wants to create a strong corporate brand. This alternative allows to communicate explicitly who will be in charge after the merger. The use of one name and one visual identity provides visibility to the brand (Olins, 1990), and enables synergies in what regards the marketing activities (Keller, 1999). Furthermore, customers may benefit from dealing with a more prestigious and larger organization. However, this alternative does not capitalize on the equity of the disappearing brand, and may generate dissatisfaction among the target organization's clients (Ettenson and Knowles, 2006).

Sometimes, the new organization adopts temporarily a hybrid solution, in which the name and visual identity of the lead brand cover the identity of the target brand. Relatively to the former alternative, this solution allows clients to adjust gradually to the new brand while maintaining their relationship to the disappearing brand. Moreover, this alternative permits the equity of the target brand to be absorbed gradually by the lead brand.

Another possibility is for the new organization to adopt the name and the visual identity of the target organization. This may be the case, when the target brand is a leading brand in its market, and has a high level of awareness and a set of strong, favourable and unique associations.

One of the two corporate brands' name and new visual identity

This solution enables the new brand to inherit the history and attributes of the original brand. Moreover, the adoption of a new visual identity can allow the signalling of a brand repositioning, of a fresh beginning.

New name and visual identity

The decision to create an entirely new identity can signal a new beginning, and help communicate the changes in the corporate structure and positioning strategy. Though, this is the most risky strategy, since the loss of equity associated with the two corporate brands is more significant (Jaju, Joyner and Reddy, 2006). Also, this drastic change may generate feelings of uncertainty, insurance and resistance among the different publics (Ettenson and Knowles, 2006).

Combination of the two corporate brands' names and a new visual identity

The solutions that combine elements of both identities can capitalize on the value of the two corporate brands (Keller, 1999). The option to combine the names can enable a connection to the familiar, while the creation of a new visual identity can signal a fresh start (Ettenson and Knowles, 2006). Still, these options may difficult the definition of the new brand's positioning strategy. The simple combination of the two names may not express an attractive promise, and it is fundamental to communicate the idea that the organization resulting from the merger is greater than the parts (Rao and Rukert, 1994). Furthermore, these alternatives may result in a too long name, difficult to pronounce and to memorize.

Combination of the two corporate brands' name and visual identities

The combination of the two central brand identity elements may be adequate when one of the corporate brands involved has a distinctive name and the other a symbol rich in meaning. If the symbol communicates the target brand's name visually, its name does not need to be mentioned. On the other hand, the use of a highly symbolic logo can compensate a more abstract name. Also, the inclusion of identity signs of the two brands can be interpreted as a sign of continuity, of respect for the brands' heritage (Ettenson and Knowles, 2006; Spaeth, 1999).

One of the two corporate brands covers the other with its name and visual identity

By covering with its name and identity the acquired corporate brand, the organization expects to benefit from the value of the two corporate brands. The endorsing brand provides credibility and trust to consumers, assuring that the endorsed brand is up to its standards of quality and performance. Furthermore, this alternative can increase consumers' perceptions of

the endorsed brand and preferences for it (Aaker and Joachimstaler, 2000; Saunders and Guoqun, 1997). Another motivation to endorse the target brand is to provide useful associations to the endorsing brand, since a leading brand in its market segment can enhance corporate image (Kumar and Blomqvist, 2004). Though, this option can create some confusion about the meaning of the corporate brand, if it endorses several individual brands and if there is no explicit coherence between them.

Two independent corporate brands

The adoption of a differentiated identity structure enables the organization to position its brands clearly according to their specific benefits and, thus, allows for optimum market coverage (Aaker and Joachimstaler, 2000). Moreover, the multiple brand strategy enables retaining the value associated to the target brand's name and avoids the new offers from acquiring incompatible associations. However, this strategy does not allow taking advantage of scale economies and synergies concerning brands communication. Also, this solution may be extremely costly, because to leverage the brands' equity it is necessary to support them continuously (Olins, 1990).

The seven options typified are illustrated in Table 1 through real cases of brands' mergers (see Attachments –Table 1).

This research focused on the banking sector. This seemed particularly appropriate, since we have witnessed a large number of mergers and acquisitions between banking brands. Additionally, there is a growing body of literature relating brand identity and services or banking brands (Devlin and McKennie, 2008; De Chernatony and Segal-Horn, 2003; Berry, 2000).

4. Research method

In the first phase of the study, qualitative research was used to gain an in-depth understanding of the different behaviours in terms of corporate identity that organisations may assume, in the context of a merger. The evidence collected included published document, communication material and in-depth interviews. Background information on the identity signs (corporate names, logos/symbols) of the corporate brands prior and after the merger was also gathered. The in-depth interviews with senior/management executives helped to understand how the process of corporate identity change was managed, and provided insight into the alternative corporate identity structures that were considered by those who participate in the corporate branding decision.

In the second phase of the study, an experimental study was used to evaluate consumers' preferences concerning the different corporate identity redeployment alternatives available. This method is commonly used in experimental aesthetics and was previously adopted in studies on the selection and modification of logos (e.g. Henderson and Cote, 1998 and 2003). For the present study four Portuguese banking brands (Caixa, Millennium, BES and BPI), and two international brands (Barclays from UK and Banco Popular from Spain) were selected.

Since we wanted to give respondents the option to choose a new name and/or a new logo, when choosing the preferred redeployment alternative, we did a pre-test to identify a suitable solution. Therefore, we conducted an exploratory study, using names and logos of European banks that were unknown in Portugal, to identify a solution that reunited a high level of preferences. The results showed that the name and logo of UniCredit Banca were preferred by the majority of the respondents, and thus we decided to use this brand's identity signs in our study.

In the main study a survey questionnaire was administrated to measure consumer's attitude towards the corporate brands being studied and their preferences regarding the different corporate identity redeployment alternatives. This research used fictional scenarios involving the six real banking brands.

Respondents (n=467) were postgraduate students from a major university, and were assigned randomly to 1 of the 15 versions of the brand merger. Each independent group of respondents (composed by at least 30 elements) evaluated one corporate brand pair.

Respondents first answered a series of questions regarding their cognitive answer towards the banking brands and their identities signs. Then they were asked to rank the logos under study from one through to seven, where one was the respondents “most pleasing” and seven the “least pleasing”.

In the following part of the questionnaire a series of questions were included to evaluate the cognitive (familiarity), affective and behavioural response towards the two brands under study¹.

Finally, respondents were presented with the target stimulus depicting the corporate brands’ merger scenario, and then answered questions concerning the corporate identity redeployment alternative that they prefer.

Participants were given three cards depicting the different alternatives in terms of the new brand’s name – name of Brand A, name of Brand B or a new name² - and three cards depicting the different alternatives in terms of the new brand’s logo - logo of Brand A, of Brand B, or a new logo - and were asked to form on the presented booklet their preferred corporate identity redeployment alternative (see Attachments - Figure 1).

The option to give respondents freedom to create their preferred solution allowed to induce a high level of involvement and compromise with this answer, and contributed to a much greater richness of results (118 response alternatives were found).

5. Results

5.1 Revision of the typology of identity options

The analysis of consumers’ preferences led to a revision of the typology of corporate identity redeployment alternatives previously developed, since we have found new monolithic and combined redeployment alternatives.

In respect to the monolithic alternatives, four different response typologies were identified, instead of the three options initially typified (see Attachments - Table 2). The option to choose the logo of one of the two brands and a new name was not previewed in the literature and is not usual in the practice. This new monolithic option transforms the brand’s logo in the stability element whenever there is a rupture with the past in terms of name.

In regard to the redeployment alternatives that combine elements of both brands’ identities, a wide range of response typologies was found besides the three options previously typified (see Attachments -Table 3). The option to combine the two brands’ logos with a new name is a variation of the alternative to combine both brands’ names with a new logo, and contributes again to underlining the importance of the logo as the stability element in a merger context. In respect to the option of choosing the logos of the two brands associated to the name of one of the brands, it can be considered as an example of an endorsement solution, and it confers the logo the endorsement role that is typically attributed to the name.

¹ Familiarity with the brand was measured through a seven-point semantic differential scale assessing the degree to which the respondent was familiar/unfamiliar, recognized/did not recognize, and has heard/has not heard of the brand before (Simonin and Ruth, 1998). Affect was evaluated through a seven-point semantic differential scale, which allowed to access the feelings that the brands inspire (unpleasant/pleasant; uninteresting/interesting; unfavourable/favourable; dislike/like; bad/good; negative/positive) (Henderson and Cote, 1998; Grossman and Till, 1998; Kim, Allen and Kardes, 1996; Park, Jun and Schocker, 1996; Milberg, Park and McCarthy, 1997; Rodrigue and Biswas, 2004; Samu, Krishnan and Smith, 1999; Simonin and Ruth, 1998). Behavioral response was measured by asking respondents to identify with which banking brands they work and which is their main bank.

² The names were written in the original lettering to reinforce the maintenance option (or the change option in the case of the new name), when the name is chosen.

Results indicate that almost half of participants preferred monolithic redeployment strategies (47.5%). However, the analysis of the different monolithic response typologies shows that the creation of a new brand outperforms the preservation of the brands involved in the merger. Moreover, redeployment alternatives that combine elements of both brands identities are also very often chosen. On the other hand, differentiated alternatives are very rarely selected.

We have decided to call “dictators” to the respondents that prefer the creation of a monolithic structure, “ethicals” to the ones that always choose a combination of both brands’ identities, and “reluctants” to the ones that consider that, despite of the merger, the two brands should remain completely independent.

5.2 Relation between the typology of identity options and the brand pillars

The different response typologies (dictators, ethicals, reluctants) were crossed with the response to the three brand pillars (identity, object, market) suggested by the analysis of the justifications of the respondents choices. The dictators and the ethicals tend to justify the corporate identity alternative chosen with the actual brands’ image or with the impact that this alternative might have on the image of the newly formed organization (response to the market). On the other hand, the ones that are reluctant, explain their resistance to the merger essentially with the personal appropriation they make about the brands offerings (response to the object) (see Attachments - Table 4).

5.3 Relation between logo design and the identity options

The two figurative logos, BPI’s orange flower and Barclays’s eagle, are the ones most often chosen, although they don’t belong to leading banks. On the contrary, Caixa’s abstract logo or Millennium’s and BES’s abstract monograms are considerably less chosen, even though they are the identity signs of the three biggest banks.

In regard to the choice of the logo, we may conclude that the distinction between abstract and figurative has a significant influence in consumer preferences in a merger situation, and can be even more important than brand’s antiquity or brand’s position in the market. Thus, the choice of the logo tends to reflect consumers’ evaluation of its aesthetic qualities, and to confirm previous findings in the logo strategy literature (see Attachments - Table 5).

In respect to the choice of the brand’s name, very close results were obtained for the four biggest brands studied. Furthermore, the preference ranking for the brands’ names reflects clearly the market share ranking. Therefore, it may be conclude that the qualities of the different names do not have a determinant influence on consumers’ preferences in a merger situation. Hence, the choice of the name tends to reflect consumers’ evaluation of the brand’s offer or of the brand’s presence in the market.

6 Discussion and conclusions

Managers should be aware that in a merger situation, the creation of an entirely new identity may be preferred by consumers. In fact, within the monolithic response typologies, the solution most often chosen was the creation of a new name and a new logo. This solution can send a very strong message to the market, signalling that the merger is an important corporate transformation with a new vision and direction. However, these findings should be analyzed with some caution.

Overall results confirm that monolithic redeployment strategies are favoured by consumers subsequent to a brand merger, but there is not a significant discrepancy between the monolithic redeployment alternatives and those that combine elements of both brands’ identities.

On the other hand, preliminary findings indicate that the preference for a monolithic redeployment strategy, suggested in the study developed by Jaju *et al* (2006), is only clearly supported when one of the partners in the merger is a weak partner. Whenever the corporate

brands involved in a merger are two highly familiar brands, there is a tendency among respondents to preserve elements of both brands' identities (combined identity).

Results suggest that in a merger involving two notorious and very familiar brands, respondents feel that elements of the two brands' identities should be preserved. This reflects a tendency to consider that in a merger "elements of both brands should be kept".

Finally, there is evidence that the brand's logo may play a role as important as the name (or even more important) in a brand merger, ensuring consumers that there will be a connection with the brand's past.

Another interesting finding was that the choice of the logo reflects consumers' evaluation of the brand's identity – and in particular figurativeness, and the choice of the name reflects consumers' response to the brand's object or to the market. Thus, results suggest that when the consumer does not want to assume a monolithic behaviour, he will tend to choose a figurative symbol and the name(s) of the brand(s) that is more highly valued by himself or by the market. Managers should be conscious of the advantages associated to a figurative brand logo.

Finally, this research presents a strong case for the need to create a genuine and affective relationship with the brand's clients, in order to ensure stronger loyalty behaviours towards the brand and its identity signs in a merger situation.

7 Limitations and directions for further research

The findings regarding consumer logo preferences should be analysed more thoroughly in a confirmatory study that addresses the research gaps. First, this study used real brand logos which were familiar to our subjects. In future research novel logos will be used, so that it is possible to assess the effects of initial design on responses and thereby minimize the effects of usage variables. Additionally, logos will be designed in black and white to minimize the presence of colour.

Previous research has demonstrated the universal preference for divine proportion³ in figurative logo designs. Preference for more abstract logos tends to favour the 1:1 ratio (Pittard *et al*, 2007). Based on these results, it is recommended that future research includes abstract and figurative logos which conform to the preferred ratios.

This research focused on a very specific product category, namely banking services, thus the generalisability of the findings may be questionable. However it should be noted, that the financial service context has been used with success to investigate branding issues. Nevertheless, future research should explore similar matters in other product markets, to prove that the findings of this study are pertinent in a broad range of contexts.

The fact that this study used a student sample may also limit the degree of generalisability of the results. However, using student respondents to test brand identity or aesthetic preference is consistent with prior research (Henderson *et al*, 2003; Pittard *et al*, 2007). Additional studies on consumer brand identity preferences will be designed to address these limitations.

8 Managerial implications

This study should guide managers in the evaluation and choice of post-merger branding strategy. Brand managers should be aware that the brand logo may play a role as important as the name in a merger, ensuring consumers that there will be a connection with the brand's past. Moreover, this study confirms that logo design characteristics influence significantly consumer responses. For maximum positive affect and increased brand strength it is suggested that figurative logos be chosen over more abstract designs.

³ The "divine proportion hypothesis" states that a visual form is most aesthetically pleasing when the ratio of its larger to smaller dimensions is 1.618.

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Attachments

Table 1- Typology of the corporate identity structures that may be assumed in the context of a merger





















	Typology	Brand 1	Brand 2	Merger	
Monolithic Identity	1. One of the brands' name and logo				
	2. One of the brands' name and a new logo				
	3. New name and logo		GRAND METROPOLITAN		
Combined Identity	4. Combination of the two brands' names and a new logo				
	5. Combination of the two brands' name and logo				
	6. One of the brands endorses the other with its name and logo	HSBC 	first direct		
Differentiated Identities	7. Two independent brands				

Figure 1 – Example of questionnaire cards in the merger scenario between BPI and Barclays

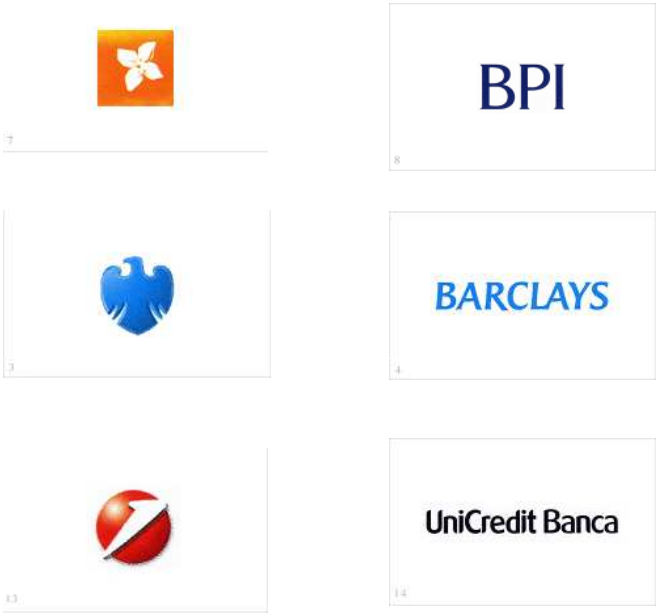


Table 2 – Monolithic redeployment options





Options presented in the Literature Review and Documental Analysis	Variants resulting from the Experimental Study
<p>1. One of the brands' name and logo</p> 	
<p>2.1 One of the brands' name and a new logo</p> 	<p>2.2 One of the brands' logo and a new name</p> 
<p>3. New name and logo</p> 	

Table 3 – Redeployment options that combine elements of both brands’ identities










Options presented in the Literature Review and Documental Analysis	Variants resulting from the Experimental Study
<p>4.1 Combination of the two brands’ names and a new logo</p> 	<p>4.2 Combination of the two brands’ logos and a new name</p> 
<p>5.1 Combination of two brands’ name and logo</p> 	<p>5.2 Combination of the two brands’ names and logos</p>  <p>5.3 Combination of the two brands’ names</p> 
<p>6.1 One of the brands endorses the other with its name</p> 	<p>6.2 1 One of the brands endorses the other with its logo</p> 

Table 4 *The dictators, the ethicals and the reluctants and their response to the brand’s pillars*

Responses to the Merger	Responses to the Brand’s Pillars				Total
	Response to the Identity	Response to the Object	Response to the Market	Others	
Dictators	31,5%	17,1%	41,4%	9,9%	47,5%
Ethicals	38,0%	4,8%	48,1%	9,2%	44,5%
Reluctants	0,0%	64,9%	29,7%	5,4%	7,9%
Total	31,9%	15,4%	43,5%	9,2%	100%

Table 5 *The choice of the identity signs*

Market Share	Names Ranking	Logos Ranking
23,4%	 22,9%	 20,8%
22,2%	 20,8%	 15,8%
16,0%	 20,8%	 14,6%
9,3%	 20,1%	 13,7%
2,2%	 18,8%	 13,7%
2,3%	 10,5%	 4,9%