Brand mergers: How attitudes influence consumer identity preferences

Abstract:
In the context of a merger, management of corporate brand names and logos assumes a critical role. The purpose of this paper is to provide a better understanding of the corporate brand redeployment decision. This study analyses how consumers' attitudes towards the corporate brands influence their preferences regarding the different branding strategies. Results suggest that the preference for a monolithic alternative is only clearly supported when one of the partners in the merger is a weak partner. When the merger involves two familiar brands, there is a tendency among consumers to combine elements of both brands' identity. Finally, it is concluded that the affective and behavioural dimension of attitude towards the brand have a significant influence on consumers' preferences.

Keywords:

brand identity signs, brand attitude, mergers and acquisitions, corporate brand name and logo changes

Track:

Product and Brand Management

1. Introduction

The creation of a strong corporate identity is crucial for companies to encourage positive attitudes in their different target markets (Van Riel & Balmer, 1997), and may provide an important competitive advantage (Simões *et al*, 2005). Name and logo are the main components of corporate identity, since they are the most pervasive elements in corporate and brand communications, and they play a crucial role in the communication of the organisations characteristics (Henderson & Cote, 1998, Van Riel & Van den Ban, 2001).
The reasons why a corporate brand name or logo might change are numerous but the merger of two or more companies is one of the major ones (Muzellec & Lambkin, 2006). The building of a strong and clear corporate visual identity is critical for the successful implementation of a merger (Balmer & Dinnie, 1999). However, there is a lack of empirical research addressing this important topic 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 brand merger.

2. Literature Review and Research Propositions

2.1 Brand identity signs

Name and logo are generally considered to be the main components of corporate or brand identity (Henderson & Cote, 1993; Pittard *et al*, 2007). Theorists agree that corporate name and logo should be recognizable, evoke positive affect and allow the transmission of a set of shared associations (Henderson & Cote, 1998; Janiszewski & Meyvis, 2001). The development of a strong brand name and logo is particularly relevant for services organizations (Berry, 2000; de Chenatony & Segal-Horn, 2003, Devlin & McKechnie, 2008).

2.2 Brand attitude

Previous research on brand alliances found that consumers' attitudes towards brands influence their response towards the brand alliance (Rodrigue & Biswas, 2004; Simonin & Ruth, 1998), and are also likely to influence their response towards a corporate brands' merger.
According to Chisnal (1995) and also to Engel *et al.* (1995), the traditional view of attitude as being made up of three different dimensions (cognitive, affective and behavioral) has been rejected in contemporary research. Recently brand attitude tends to be regarded as a relatively simple unidimensional construct, related only with the affect attached to a brand. However, cognition can be linked to attitude through a causal relation, and attitude could influence predisposition to behave towards a particular brand (Cohen & Reed, 2006). Consequently, the unidimensional approach does not rule out beliefs and intentions. Rather, it postulates that they are separate from the affective component, brand attitude.
Brand cognition is related to a person's knowledge and beliefs about a particular brand (Engel *et al.*, 1995). In particular, brand signs with a high level of awareness transmit confidence, and tend to be favoured by consumers (Holden & Vanjuele, 1999; Washburn *et al*, 2004). Additionally, brand awareness influences favourably consumers' evaluation of an extension or an alliance (Keller, 1993; Kim & John, 2008). Thus, we may assume that:
P1: There is a positive relationship between brand awareness and consumers' preferences regarding the corporate brand's identity signs.
Brand awareness is related to brand familiarity, but familiarity is typically considered a more demanding cognitive response to the brand. Research on product and brand alliances

(Simonin & Ruth, 1998) has found that brand familiarity has an important impact on consumers' evaluation of the alliance. According do these studies, if both brands are highly familiar they contribute equally to consumers' evaluation of the alliance, whereas if one brand is better known it tends to dominate evaluations. Therefore, we expect that:

P2.1: When two highly familiar brands are paired together, consumers will tend to prefer alternatives that maintain the identity signs of the two brands;

P2.2: When one brand is more familiar than its partner, consumers will tend to prefer alternatives that maintain this brand's identity signs.

Brand affect is related to the emotions or feelings experienced in relation to the brand (Schiffman & Kanuk, 1991), and there is evidence that it is positively related to brand loyalty (Chaudury & Holbrook, 2001). In addition, there is increasing support that brand evaluations are based not only on objective judgements, but also on affective responses to the brand (e.g. feelings and emotions experienced during exposure to brand communications, the aesthetic qualities of the brand's identity signs) (Pham *et a*l, 2001).

Previous research suggests that affect towards individual brands has a positive impact on the evaluation of a brand alliance (Simonin & Ruth, 1998). Also, strong affect is related to purchase and attitudinal loyalty (Chaudury & Holbrook, 2001). Thus, we can anticipate that:

P3: There is a positive relationship between the affect towards the brand and consumers' preferences regarding the brand's identity signs.

Since we are going to focus on service brands and service brands are relation-based, the relationship between the brand and consumer should be regarded as a critical factor affecting consumer' response to the brand (de Chernatony & Segal-Horn, 2003). Therefore, we can anticipate that being a brand client will have a significant impact on consumers' preferences regarding the different corporate identity redeployment alternatives. Hence, we assume that:

P4: The brand's clients tend to prefer the alternatives that maintain this brand's identity signs.

2.3 Brand mergers

A study by Jaju *et al* (2006) found that mergers lead to an overall decrease in brand equity, and that the observed loss will be minimized for the dominant redeployment alternatives. Assuming that there is a transfer from individual evaluations of the corporate brand to consumers' preferences, we assume the following proposition:

P5: Redeployment alternatives that maintain the identity signs of one of the two brands are preferable to the alternatives that combine elements of both corporate brands' identities.

3. Method

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

For the present study we selected four Portuguese brands (Caixa, Millennium, BES and BPI), and two international brands (Barclays from UK and Banco Popular from Spain).

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 some preliminary tests. We conducted an exploratory study using the names and logos of European banks that were unknown in Portugal to identify a suitable solution. 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 we administrated a survey questionnaire among consumers to measure their attitude towards the six brands under study and their preferences regarding the different redeployment alternatives. We did this by creating fictional merger scenarios involving the six brands.
Respondents (n=467) were postgraduate students from a major university in Portugal, and were assigned randomly to 1 of the 15 versions of the brand merger (15 possible combinations between the six brands under study). Each independent group of respondents (composed by at least 30 elements) evaluated one corporate brand pair.
Respondents first answered questions regarding their recall and recognition of banking brands, which banks they use and which is their main bank. Then they answered questions regarding their associations, familiarity and affect towards the two brands under the merger scenario. 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 & Ruth, 1998). Affect was evaluated through a seven-point semantic differential scale, which allowed us to access the feelings that the brands inspire (unpleasant/pleasant; uninteresting/interesting; unfavourable/favourable; dislike/like; bad/good; negative/positive) (Henderson & Cote, 1998; Park *et al*, 1996, 2004; Samu *et al*, 1999; Simonin & Ruth, 1998).
In the second part of the questionnaire, 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 preferred.
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 name - 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 redeployment alternative. Respondents had to use at least one card with a name and one card with a logo and could not use more than 4 cards.
The option to give respondents freedom to create their preferred solution allowed us to induce a high level of involvement and compromise with this answer, and contributed to a much greater richness of results (we have found 118 response alternatives).
An internal consistency analysis was performed by determining the Cronbach's coefficient alpha for the familiarity and affect dimensions. Cronbach's alpha scores were found to be reliable or good (Familiarity – BPI – 0.75, BES – .70, Banco Popular - 0.88, Barclays - 0.77, Caixa - 0.74; Millennium - 0.76; Affect – BPI - 0.96; BES - 0.95, Banco Popular - 0.96, Barclays - 0.97, Caixa - 0.96, Millennium - 0.97). For further analysis these two dimensions were computed using the mean method.

4. Results

Our results indicate that almost half of participants preferred monolithic redeployment strategies (47.5%). The predominance of the monolithic redeployment strategies suggests the confirmation of P5. 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. Therefore we cannot support P5 as it was initially formulated.
For each brand, multinominal logistic regression was used to test, the effect of the different intermediate variables in the choice of the brand's identity signs in a merger situation (see Table 4 for the regression model of BES's brand identity signs). This procedure allows us to

analyse the probability of choice of the brand identity signs as a function of top of mind awareness and brand recall (P1), brand familiarity (P2), preference regarding the brand logo and brand affect (P3) and whether a brand's client or not (P4). We also included in the regression two variables regarding the socio-demographic characterization of respondents, namely gender and age.

Table 4: Multinominal logistic regression for the choice of BES's brand identity signs

	Choice of the logo		Choice of the name		Choice of the name and logo	
Independent variables	**Exp (β)**	**Standard Error**	**Exp (β)**	**Standard Error**	**Exp (β)**	**Standard Error**
Top of mind awareness	0.188	1.136	0.563	0.719	0.478	0.710
Recall	0.367	0.984	0.817	0.579	0.680	0.564
Eff. Recognition of the logo	6.257	1.556	0.000	0.000	2.733	1.205
Familiarity	2.292	0.549	1.881 *t*	0.328	2.797 **	0.337
Preference for the logo[a]	1.192	0.260	1.081	0.182	0.910	0.177
Affect	1.555	0.353	2.049 **	0.245	1.705 *	0.233
Main bank[b]	16.552 *t*	1.481	5.291	1.222	8.289 *t*	1.200
Age	0.937	0.049	0.933 *	0.033	0.979	0.029
Gender[c]	0.553	0.812	0.995	0.497	0.667	0.498
N. Observations	152					
χ^2 (d.f.)	60.560 (27)					
Pseudo R^2 (Nagelkerke)	0.356					

The levels of statistical significance are the following: ** $p < 0.01$; * $p < 0.05$; *t* $p < 0.1$; [a] Respondents ordered the 7 logos from 1 to 7, attributing number 1 to the preferred symbol, 2 to the second, etc., therefore a decrease in the preference ranking corresponds to an increase in the preference for the brand's logo; [b] The reference category for main bank is "this is not my main bank" (No – 0 and Yes – 1); [c] The reference category for gender is female (Female – 0 and Male 1)

The model explained between 21.4% and 38.6% of the variance in the choice of brand's name and logo (Barclays - R^2 adj = 0.386; χ^2 (27; 146) = 64.713; p <0.000; BES - R^2 adj = 0.356; χ^2 (27; 152) = 60.560; p <0.000; BPI - R^2 adj = 0.214; χ^2 (27; 160) = 35.571; p <0.125; Caixa - R^2 adj = 0.258; χ^2 (27; 150) = 41.022 p <0.004; Millennium - R^2 adj = 0.336; χ^2 (27; 157) = 58.443; p <0.000).

The analysis of the preliminary results showed that familiarity had just in one case a significant and positive effect on the choice of the brand's identity signs (BES - β = 1.029; Exp (β) = 2.797; $p < 0.002$), thus P2.2 was supported in this particular case. Brand recall had a significant, but negative effect on the choice of the identity signs only in the case of one brand (Millennium - β = -2.86; Exp (β) = 0.063; $p < 0.013$), contradicting P1. These results may be explained by the associations attached to the brand, which is perceived as a very "well known" brand, but also as an "unpleasant" and "insecure" brand, "without prestige".

Affect towards the brand or towards the brand's logo (e.g. Millennium - β = -0.414; Exp (β) = 0.056; $p < 0.031$) had a significant and positive effect on the choice of brand's identity signs for the majority of the brands under study (Barclays – β = 1.018; Exp (β) = 2.768; $p < 0.009$; BES - β = 0.534; Exp (β) = 1.705; $p < 0.022$; Caixa - β = 0.709; Exp (β) = 2.032; $p < 0.002$), hence supporting P3.

Being a brand's client was marginally significant (for $p < 0.1$) in two cases (BES - β = 2.115; Exp (β) = 8.289; $p < 0.078$ and Millennium - β = 3.021; Exp (β) = 20.517; $p < 0.061$). Therefore, for this level of significance we can confirm that, in these two cases, clients tend to give priority to their brand's identity signs in the context of a merger (P4). Namely, in the controversial case of Millennium there was a strong relationship between being a brand client and the esteem towards the brand's signs.

5. Discussion and implications

Managers should be aware that in the context of a merger, the creation of an entirely new identity may be preferred by consumers. In fact, within the monolithic 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, signalising that the merger is an important corporate transformation with a new vision and direction. However, these findings should be analysed with some caution.

Overall our results confirm the proposition that monolithic strategies are favoured by consumers, 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, our 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 strong brands, there is a tendency among respondents to preserve elements of both brands' identities (combined identity).

In respect to the effect of the cognitive response towards the brand on the choice of the brand's identity signs, our findings suggest that brand recall is generally not a significant variable, and when it is significant it has a negative influence on consumers' preferences. When awareness is related to a set of unfavourable associations towards the brand, an increase in brand awareness does not imply an increase in the tendency to choose the brand's identity signs. Moreover, for the majority of the brands studied we could not establish a direct association between familiarity and the choice of the brand's identity signs, as it was anticipated from the literature. Once again, we confirm that familiar brands may not induce loyalty behaviours to their identity signs in a merger context.

In regards to the affective dimension of attitude, the results suggest a significant and positive association between brand affect and the choice of the brand's identity sign, in a merger situation, as is consistent with previous brand alliance research. This means that when a brand has a high level of affect, consumers will tend to choose alternatives that maintain this brand's identity signs.

In respect to the behavioural dimension of attitude, the results suggest that the brand's clients tend to prefer the redeployment alternatives that maintain this brand's identity signs. However, when the behavioural dimension of attitude is not accompanied by a positive affective relationship, being a brand's client does not mean a higher loyalty to the brand's identity signs in a merger context. Therefore, we have presented 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.

An interesting opportunity for further research is to analyse more thoroughly the different response typologies within typologies that combine elements of both brand's identities. We want to understand if familiarity, affect or a being brand's client induce respondents to highlight the brand's signs when choosing a combined redeployment alternative. In future research, we also want to unravel if consumers use all the factors considered in our model. It is likely that consumers use a simplified decision rule to decide whether to maintain one of the brands, create a new brand, or combine elements of both brands' identities. The lack of interest of consumers to banking brands in general may lead to the reduce importance of variables like brand familiarity. Using a post-graduate student sample may also have contributed to the reduce importance of being a brand's client in the present study. Certainly, personal involvement with a bank will be strengthened through life and thus future research should address these gaps.

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