Corporate identity – the management of the process of change in the name/logo in the context of brands' merger

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Keywords: brands, brands' identity, corporate identity, corporate image, mergers and acquisitions

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Abstract:

There has been little attention paid to the management of corporate identity, including visual identity, as part of the merger and acquisition process. The aim of this study is to provide a better understanding of the corporate branding decisions. Specifically, the authors present the definition of a model, which aims at defining, firstly the conception of a typology of corporate identity structures that organisations may assume in the case of brands' merger, and secondly the conception of an experimental study to evaluate the preferences of one important stakeholder group – consumers - to the alternative typologies identified.

The results of this study should guide the choice of the corporate identity structure subsequent to a brand merger, according to the impact that consumers' attitudes towards the corporate brand have on their preferences regarding the different redeployment alternatives.

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Introduction

The creation of strong corporate identity, including identity signs, is crucial for companies to encourage positive attitudes in its different target publics (Dowling, 1993; Van Riel and Balmer, 1997), and may provide an important competitive advantage (Simões, Dibb and Fisk, 2005). The corporate name and logo are two essential components of the corporate identity construct, since they are the most pervasive elements in corporate and brand communications (Henderson and Cote, 1998; Schechter, 1993), and play a crucial role in the communication of the desired positioning strategy (Van Riel and Van den Ban, 2001). Moreover, the development of corporate symbols assumes an even more critical role for service brands, due to the intangibility of the offering (De Chernatony, 1999, Olins, 1990). The present research should contribute to the management of the process of change in the corporate identity signs (name and logo) in the particular case of the banking sector.

The reasons for changes in the brand identity signs are numerous, nevertheless mergers are one of the main events leading to a new name and logo (Kapferer, 1997; Stuart and Muzellec, 2004). Furthermore, the building of a strong and clear corporate visual identity is critical for the successful implementation of a merger (Balmer and Dinnie, 1999; Melewar, 2001).

On the other hand, we should notice that the majority of the brand mergers do not succeed in creating value for the companies involved (Rosson and Brooks, 2004). According to recent studies, this failure rate may be attributable to the lack of attention given to the management of corporate identity (Ettenson and Knowles, 2006; Balmer and Dinnie, 1999).

The aim of this study is therefore to give an answer to the following research questions:

1. In a merger situation, what type of behaviours can organisations assume in terms of corporate identity, in particular, in respect to the identity signs (name and logo)?
2. How do consumers' attitudes towards the corporate brands influence their preferences regarding the different corporate identity change options?

Conceptual background

In the first part of the conceptual background we define the brand, departing from the Peircean conception of a sign as a concept established in three columns: the sign column (name, logo), the object column (product, organisation) and the interpretative column (the image in the different target publics of the brand) (Mollerup, 1997; Lencastre, 1997).

Next we present the most relevant theoretical perspectives on the name and logo, the key elements of the brand identity mix, given their generalised use and legal protection, and explain how these identity signs may contribute to the creation of brand awareness and the formation of brand associations.

In the third part, we explore the most relevant perspectives on corporate identity, and present an holistic view of the construct, which may include corporate symbols, communications and behaviour (Balmer, 2001; Hatch and Schultz, 1997; Van Riel and Balmer, 1997), but also the mission, philosophy and values (Abratt, 1989; Balmer, 1994; Simões, Dibb and Fisk, 2005), or organisational culture (Baker and Balmer, 1997; Melewar and Jenkins, 2002; Stuart, 1998). Our focus is on one of the dimensions of the corporate identity construct, namely the main identity signs – names and logos – that the organisation uses to identify itself, to communicate its mission and values and delineate the relations with its audiences (Alessandrini, 2001; Henderson and Cote, 1998; Van Riel and Van den Ban, 2001).

In the fourth part we present a conceptual framing of corporate image, and suggest that corporate identity and corporate image are closely interrelated, because perceptions among various audiences often build on overall communication instruments used by organisations (including names, logos/symbols, etc.) (Dacin and Brown, 2002; Zinkhan et al, 2001).

Corporate identity and brand mergers

The reasons for corporate identity changes are numerous, but mergers are one of the main events leading to a new name and/or logo (Kapferer, 1997; Aaker and Joachimsthaler, 2000; Stuart and Muzellec, 2004). When two organizations merge, they are creating a new entity, and have a unique opportunity to develop a distinctive and attractive positioning strategy (Balmer and Dinnie, 1999). However, during the merger process, managers become overly focused on financial and legal issues, and overlook the management of corporate identity and corporate image (Melewar and Harold, 2000; Kumar and Blomquvist, 2004).

Typology of the corporate identity structures

Next, we present a typology of the corporate identity structures that organizations may assume in the context of a merger, based on the literature review and on a documental analysis of recent mergers (see also Table 1 and Figure 1).

1. 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.

2. 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.

3. 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 et al, 2006). Also, this drastic change may generate feelings of uncertainty, insurance and resistance among the different publics (Ettenson and Knowles, 2006).

4. Combination of the two corporate brands' names and a new visual identity – Dual - branding

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.

5. **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).

6. **One of the two corporate brands covers the other with its name and visual identity – Endorser- branding**

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.

7. **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 Joachimsthaler, 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).

Model

Through this research we want to understand how consumers react to changes in corporate identity signs (namely, name and logo), in the context of a brand merger.

The approach to this model implies two studies. The first one's aim is the definition of a typology of corporate identities structures that may be adopted in the case of brand mergers, and the second one will analyse how consumers' attitudes towards the corporate brands influence their preferences regarding the corporate identity alternatives available (see Figure 2).

Previous research on brand alliances found that attitudes toward individual brands are positively related to attitudes towards a brand alliance (Rodrigue and Biswas, 2004; Simonin and Ruth, 1998), and should presumably also influence attitudes towards a brand merger.

For some authors attitudes are considered as instances of affect (Cohen and Areni, 1991), some other authors adopt a narrower view and define attitudes as evaluative judgments. Still other researchers propose that attitudes have two distinct dimensions: affective and cognitive. This perspective has a significant empirical support (Bagozzi, Gopinath and Nyer, 1999; Beckler and Wiggins, 1989; Eagly, Mladinic and Stacey, 1994). On the other hand, other researchers show a direct relation between attitude and behaviour (Cohen and Reed, 2006; Eagly and Chaiken, 1993). According to Eagly and Chaiken (1993), people only form an attitude towards an object, after having evaluated this object, and this evaluation may be cognitive, affective or behavioural.

In this research we will measure the cognitive dimension of attitude trough recognition, recall and familiarity. The affective dimension of attitude will be measured using a multi-item scale (Grossman and Till, 1998; Simonin and Ruth, 1998), and the behavioural dimension will be measured asking respondents if they are or are not a brand client.

Recognition and recall can affect favourably consumers' attitude towards the brand and consumers' response to the marketing of the brand (Keller, 1990; Thornston, 1990). Furthermore research on product and brand alliances (Levin and Levin, 2000; Simonin and Ruth, 1998) has found that brand familiarity has an important impact on consumers' evaluation of the alliance.

Affective reactions are critical at the level of the brand identity signs, because consumers can transfer this affect to the product or the company, with little or no processing (Henderson e Cote, 1998; Schechter, 1993). The extent of affect transfer depends on the nature of the affect (positive or negative), on how intense the affective reactions are and on how closely the signs are associated to the products or companies. Affect can develop over time with increased

exposures, but can also be evoked by the initial design of the identity signs (Henderson and Cote, 1998).
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 consumers' response to the brand (De Chernatony and Segal-Horn, 2003).
The concept of brand fit has been thoroughly researched in the branding literature. Previous research on brand alliances demonstrated that perceived fit is directly related to consumers' evaluation of a brand alliance (Aaker and Keller, 1990; Park, Milberg and Lawson, 1991; Simonin and Ruth, 1998) Perceived fit is the overall evaluation that consumers make about the consistency between the two brands' images. A poor fit in terms of brand images can trigger undesirable beliefs and judgements (Simonin and Ruth, 1998). Besides the similarity component, perceived fit has another key component, namely complementarity between the two brands (Park, Milberg and Lawson, 1991; Simonin and Ruth, 1998).

Research propositions

A study by Jaju, Joyner and Ready (2006) found that mergers lead to an overall decrease in consumer-based brand equity, and that the observed loss will be minimized for the dominant redeployment alternatives (acquirer or target-dominant). Assuming that there is a transfer from individual evaluations of the corporate brand to consumers' preferences, we assume the following proposition:
P1: Redeployment alternatives that maintain the identity signs of one of the two corporate brands are more preferred than the alternatives that combine elements of both corporate brands' identities.
Brand identity signs with a high level of awareness tend to be favoured by consumers who may evaluate a brand exclusively on brand familiarity (Holden and Vanjuelle, 1999). Research on brand extensions and brand alliances has found that brand awareness has a positive effect on consumers' evaluation of an extension or an alliance (Keller, 1993 and 2002; Kim and John, 2008; Simonin and Ruth, 1998). Thus, we assume as a proposition that:
P2: There is a correspondence between brand awareness and consumers' preferences regarding the corporate brand's identity signs.
Research on brand alliances (Levin and Levin, 2000; Simonin and Ruth, 1998) found that 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:

P3.1: When two high familiar brands are paired together, consumers will tend to prefer alternatives that maintain the identity signs of the two brands;

P3.2: When one brand is more familiar than its partner, consumers will tend to prefer alternatives that maintain this brand's identity signs.

Previous research suggests that affect towards individual brands has a positive impact on the evaluation of a brand alliance (Bouten, Hultink and Snelders, 2006; Rodrigue and Biswas, 2004; Simonin and Ruth, 1998). Also, strong affect is related to purchase loyalty and to attitudinal loyalty (Chaudury and Holbrook, 2001). We can anticipate that:

P4: There is a correspondence between the affect towards the corporate brand and consumers' preferences regarding the corporate brand's identity signs.

Due to the specific characteristics of the banking brands, and of the service brands in general, the relationship between the brand and the consumer should be regarded as key aspect affecting consumers' response to the brand (De Chernatony and 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. Thus, we assume as a proposition that:

P5: The brand's clients tend to prefer the alternatives that maintain this brand's identity signs.

Considering previous research in brand alliances (Park, Jun and Schocker, 1996; Simonin and Ruth, 1998), when there is an overall perception of fit between the images of the two corporate brands, the alliance will be evaluated more favourably than in conditions where the two brands are incompatible or inconsistent. Therefore, we can assume that consumers' perceptions about the merger will be directly influenced by perceived fit between the two corporate brands. Assuming that there is a transfer from consumers' evaluations of the brand merger to their preferences regarding the corporate identity redeployment alternatives, we can expect that:

P6: When corporate brand fit is high, consumers tend to prefer redeployment alternatives that maintain elements of both corporate brands' identities.

Method

This research we focused on the banking sector and thus we considered companies in which there is a considerable focus on corporate branding. We used the four most important Portuguese banking brands (BES, BPI, Caixa and Millennium BCP) and two International brands (Barclays and Banco Popular).

In the first phase of the study, we used qualitative research 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. We gathered background information on the identity signs (corporate names, logos/symbols) of the corporate brands prior and after the merger. 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 participated in the corporate branding decision.

In the second phase, we analysed consumers' preferences concerning the different alternatives typified. Therefore, we created fictional scenarios evolving a merger between two real brands. It was important to use fictional scenarios, so that the impact of external issues, related to marketing activities of the brands was minimized.

Since we wanted to give respondents the option to choose a new name and/or a new visual identity, when choosing the preferred redeployment alternative, we needed to do a pre-test to identify a suitable solution. Therefore, we have conducted an exploratory study, using names and visual identities of European banks that were unknown in Portugal, to identify a solution that reunited a high level of preferences.

In the main study we administrated a survey questionnaire to measure consumers' attitude towards the corporate brands under study and their preferences regarding the different corporate identity redeployment alternatives.

Respondents (n = 467) were Master and MBA students of a major University in Portugal. Respondents were divided in 15 groups (15 possible combinations between brands) with at least 30 elements.

At the beginning of the questionnaire, we evaluated the cognitive answer towards the brands and their identity signs. To evaluate recall we asked respondents to indicate the first banking brand they remember and then to mention four other banking brands that they know. Next, we evaluated correct recognition of the brands' symbols and recognition of the brands' names. In the first part of the questionnaire, we also included a question to evaluate preferences regarding the brands' symbols.

Next, we asked respondents to indicate with which brands they work and which is their main bank.

In the second part of the questionnaire, respondents answered questions about the associations they hold towards the two corporate brands under study, and also about their affect towards and familiarity with the brands.

Familiarity with the brand was measured through a seven-point semantic differential scale assessing the degree to which the respondent was unfamiliar/very familiar, did not recognize/recognized well, and has not heard/has heard of the brand before (Rodrigue and Biswas, 2004; Simonin and Ruth, 1998).

Affect was evaluated based on a seven point semantic differential scale, which allowed us to assess the feelings inspired by the brands (unpleasant/pleasant; uninteresting/interesting; unfavourable/favourable; dislike/like; bad/good; negative/positive) (Henderson and Cote, 1998; Grossman and Till, 1998; Kim et al, 1996; Park et al, 1996; Milberg et al, 1997; Samu et al, 1999; Simonin and Ruth, 1998).

Finally, to evaluate the degree of fit between the two corporate brands, we asked respondents to classify their level of agreement with a set of statements (1 = "don't agree at all" and 7 = "totally agree") (Park et al, 1996; Rodrigue and Biswas, 2004; Simonin and Ruth, 1998).

In the third part of the questionnaire, respondents were presented with the target stimulus depicting the corporate brands' merger and they answered questions concerning the corporate identity redeployment alternative that they prefer.

Participants were given 3 cards depicting the different alternatives in terms of the new brand's name – the new corporate name is either Brand A, Brand B or a new name - and 3 cards depicting the different alternatives in terms of the new brand's visual identity - the new corporate visual identity is either the visual identity of Brand A, of Brand B, or a new visual identity - and were asked to form on the presented booklet the corporate identity redeployment alternative that they prefer. Respondents had to use at least one card with a name and one card with a symbol and could not use more than 4 cards. The corporate identity redeployment alternative chosen was then justified in an open answer.

The final part of the questionnaire, included questions that allowed the socio-demographic characterization of the respondents.

Contributions and further research

At the level of fundamental investigation, the study intends to improve the knowledge about the management of brand identity signs, within the context of brand management and communication, and in particular corporate identity. The analysis of consumer reactions to changes in the corporate brand's name and logo will have a significant contribution for the development of the research in the domain of corporate identity signs and corporate image.

At the level of practical application, the investigation aims at demonstrating the importance of the corporate identity decisions in the merger process, and presenting the different corporate identity structures that organisations may assume. On the other hand, this study intends to analyse how consumers' attitude towards the corporate brands influence their preferences regarding the different alternatives, thus guiding the process of choice of the corporate identity structure.

The results of this study will always be limited to the studied sector. In future, this research should be applied to other contexts. Also, this investigation will focus on the management of the process of change in names and logos, when there are other dimensions relevant in the management of corporate identity. Additional research should fill these gaps.

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Attachments

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

1. One of the two corporate brands' name and visual identity (DHL and AIRBONE EXPRESS - DHL; VODAFONE and TELECEL - VODAFONE; ALLIEDSIGNAL and HONEYWELL – HONEYWELL)
2. One of the two corporate brands' name and a new visual identity (BP and AMOCO)
3. A new identity (GUINESS E GRAND METROPOLITAN – DIAGEO)
4. Dual - branding - Combination of the two corporate brands' names and a new visual identity (BNP and PARIBAS - BNPPARIBAS)
5. Combination of the two corporate brands' names and visual identities (SWISS BANK CORPORATION and UNION BANK OF SWITZERLAND- UBS and the symbol of SWISS BANK CORPORATION)
6. Endorser- branding - One of the two corporate brands covers the other with its name and visual identity (NESTLÉ and LONGAVIDA; HSBC and FIRST DIRECT; ACCOR and RED ROOF INNS)
7. Two independent corporate brands (PROCTER&GAMBLE and GILLETTE; SANTANDER and TOTTA+CPP; BPI and BFB)

Figure 1 – Effect of a merger on the brands' identity signs

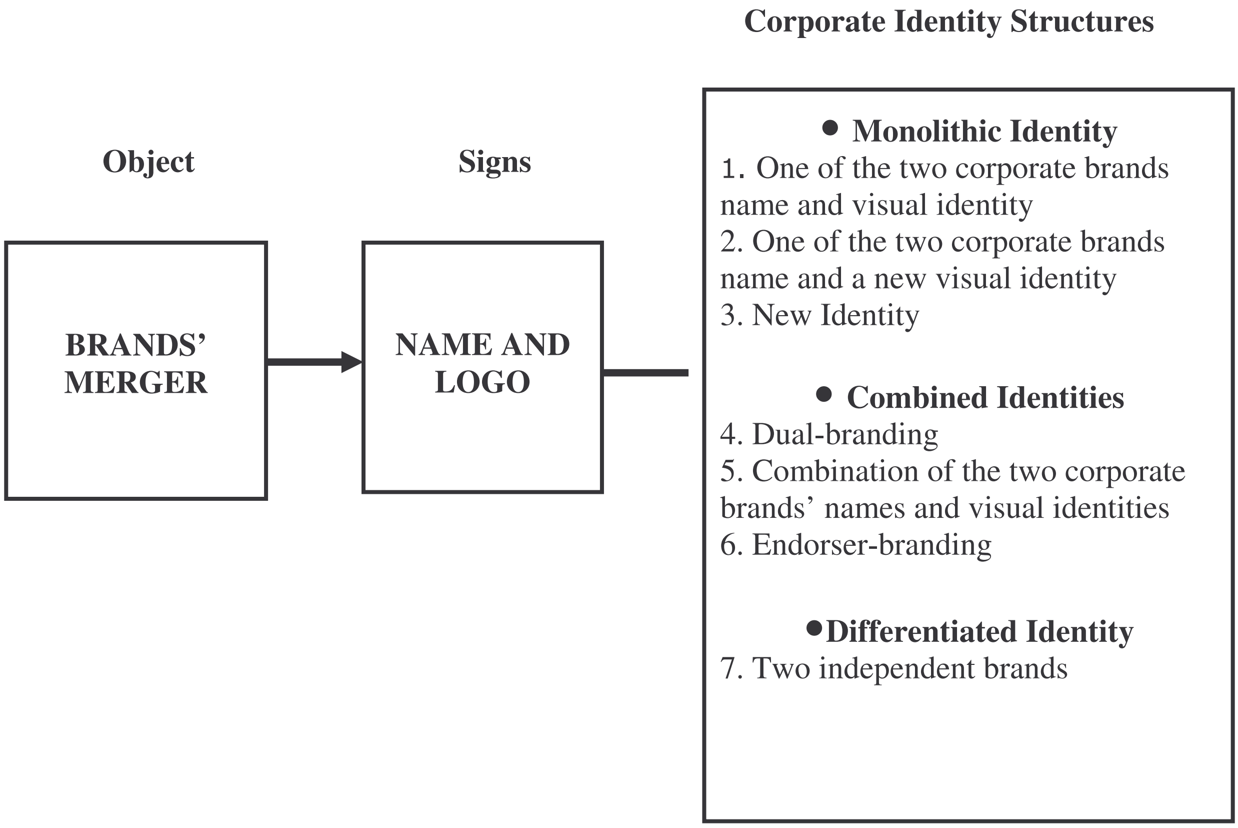

Figure 2 – Research Model