Brand Mergers: Examining Consumer Responses to Name and Logo Design

Joana César Machado, Paulo de Lencastre, Leonor Vacas de Carvalho

Abstract:
It is critical to investigate reactions to the various name and logo redeployment alternatives available in the context of a merger. Yet research on this topic is relatively limited. This study contributes to the literature, by developing a typology of the visual identity structures that may be assumed in the context of a merger, as well as an exploratory study (n = 467) analysing consumers’ preferences regarding the alternative branding strategies. Results suggest that there is a clear preference for figurative logos, and also that the logo may play a role as important as the name, ensuring a connection to the brand’s past. Data also show 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. These results should guide managers in the evaluation and choice of the post-merger branding strategy.

Keywords: branding, brand identity, logos, brand mergers, consumer preferences

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 & Richey, 2006; Merriles & 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, Ewing & Jevons, 2007; Van den Bosch & 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 & Segal-Horn, 2003, Devlin & McKechnie, 2008). Several marketing scholars have underlined the need to link intangible service offers to tangible logos in order to convey appropriate meanings (Miller, Foust & Kilic, 2007).

2.2 Logo design

Prior research recognizes logos play a critical role in brand building, because they act as the primary visual representation of the brand’s meaning and serve as the summary information about the brand’s marketing effort (Henderson & Cote, 1998; MacInnis, Shapiro & Mani, 1999). Yet, there is little systematic research on the effect of logo design on brand evaluation and preference. In one exception, Henderson and Cote (1998) showed that design characteristics influence cognitive and affective reactions to logos, before any promotional activity is implemented. More recently, Piitard et al (2007) examined the universal preference of a specific design characteristic, namely proportion. Thus, marketing managers can benefit considerably from understanding the principles of designing, selecting and modifying logos. Moreover, mergers and acquisitions are the main reasons for companies having to select a new logo (Muzellec and Lambkin, 2006).

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 & 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 & Meyvis, 2001; Klink, 2001 and 2003; Kohli Suri & Thakor, 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 & Cote, 1998; Schecther,
Furthermore, in low involvement settings, the affect attached to the logo is one of the few cues that differentiate the offering (Hoyer & Brown, 1990; Leong, 1993). Prior research suggests that brands with a greater aesthetic appeal not only provide the pleasure of visual gratification, but are also more likely to develop emotional bonds with their customers (Bloch, 1995; Goldman, 2005). As aesthetic appeal and 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

Previous research in logo strategy has underlined the advantages of using pictorial or concrete logos. Schechter (1993) demonstrated that logos suggestive of a recognizable object can add the most value to the brands they represent. Henderson and Cote (1998) also found that logos representative of objects that have familiar and widely held meanings are more effective at producing correct recognition and positive affect than more abstract logos. Concrete forms are defined by the degree to which the form depicts commonly experienced objects. They are comprised of representative and figurative characteristics (Henderson & Cote, 1998). Therefore, concrete forms include inanimate objects (e.g. the Traveller’s umbrella) and living organisms (e.g. Apple’s apple).

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 & Courtés, 1993). Logos depicting characters, places, animals, fruits or any other objects of the sensitive world demand a lower learning effort and are better recognized (Henderson & 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 & Cote, 1998; Hynes, 2009; Van Riel & Van den Ban, 2001).

Thus, from a design perspective, the authors 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 this study presents 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) (Ettenson & Knowles 2006; Rosson & Brooks, 2004; Jaju, Joyner & Reddy, 2006). In between these two approaches, there are several hybrid strategies which combine elements of both brands identities. The seven options typified are illustrated in Table 1 through real cases of brands’ mergers.
Table 1- Typology of the corporate identity structures that may be assumed in the context of a merger

<table>
<thead>
<tr>
<th>Tipology</th>
<th>Brand 1</th>
<th>Brand 2</th>
<th>Merger</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Monolithic Identity</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. One of the brands’ name and logo</td>
<td><img src="image" alt="vodafone" /></td>
<td><img src="image" alt="telecel" /></td>
<td><img src="image" alt="vodafone" /></td>
</tr>
<tr>
<td>2. One of the brands’ name and a new logo</td>
<td><img src="image" alt="BP" /></td>
<td><img src="image" alt="amoco" /></td>
<td><img src="image" alt="bp" /></td>
</tr>
<tr>
<td>3. New name and logo</td>
<td><img src="image" alt="guinness" /></td>
<td><img src="image" alt="grand metropolitan" /></td>
<td><img src="image" alt="diageo" /></td>
</tr>
<tr>
<td><strong>Combined Identity</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. Combination of the two brands’ names and a new logo</td>
<td><img src="image" alt="BNP" /></td>
<td><img src="image" alt="paribas" /></td>
<td><img src="image" alt="BNP PARIBAS" /></td>
</tr>
<tr>
<td>5. Combination of the two brands’ name and logo</td>
<td><img src="image" alt="UBS" /></td>
<td><img src="image" alt="Swiss Bank Corporation" /></td>
<td><img src="image" alt="UBS" /></td>
</tr>
<tr>
<td>6. One of the brands endorses the other with its name and logo</td>
<td><img src="image" alt="HSBC" /></td>
<td><img src="image" alt="first direct" /></td>
<td><img src="image" alt="HSBC" /></td>
</tr>
<tr>
<td><strong>Differentiated Identities</strong></td>
<td><img src="image" alt="P&amp;G" /></td>
<td><img src="image" alt="Gillette" /></td>
<td><img src="image" alt="P&amp;G" /></td>
</tr>
<tr>
<td>7. Two independent brands</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

4. Research method

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 & McKennie, 2008; De Chernatony & Segal-Horn, 2003; Berry, 2000).

For the main 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 it was fundamental to give respondents the option to choose a new name and/or a new logo, when choosing the preferred redeployment alternative, a pre-test was done to identify a suitable solution. Therefore, researchers 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. Results showed that the name and logo of UniCredit Banca were preferred by the majority of the respondents, and thus it was decided to use this brand’s identity signs in the study.

In the main study the authors administered a survey questionnaire among consumers to measure their attitude towards the corporate brands being studied and their preferences regarding the different corporate identity redeployment alternatives. This was done through creating fictional scenarios involving the six real 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 (recall and recognition) 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 study.

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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 & 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 & Cote, 1998; Grossman & Till, 1998; Kim, Allen & Kardes, 1996; Park, Jun & Schocker, 1996; Milberg, Park & McCarthy, 1997; Rodrigue & Biswas, 2004; Samu, Krishnan & Smith, 1999; Simonin & Ruth, 1998). Behavioral response was measured by asking respondents to identify with which banking brands they work and which is their main bank.
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 name\(^2\) - 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 Figure 1).

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

![Example of questionnaire cards](image)

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).

\(^2\) 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.
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 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.

<table>
<thead>
<tr>
<th>Options presented in the Literature Review and Documental Analysis</th>
<th>Variants resulting from the Experimental Study</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. One of the brands’ name and logo</td>
<td></td>
</tr>
<tr>
<td>2.1 One of the brands’ name and a new logo</td>
<td>2.2 One of the brands’ logo and a new name</td>
</tr>
<tr>
<td>3. New name and logo</td>
<td></td>
</tr>
</tbody>
</table>

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 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.

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

<table>
<thead>
<tr>
<th>Options presented in the Literature Review and Documental Analysis</th>
<th>Variants resulting from the Experimental Study</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.1 Combination of the two brands’ names and a new logo</td>
<td>4.2 Combination of the two brands’ logos and a new name</td>
</tr>
<tr>
<td>BPI BARCLAYS</td>
<td>UniCredit Banca</td>
</tr>
<tr>
<td>5.1 Combination of two brands’ name and logo</td>
<td>5.2 Combination of the two brands’ names and logos</td>
</tr>
<tr>
<td>BARCLAYS</td>
<td>BPI BARCLAYS</td>
</tr>
<tr>
<td>6.1 One of the brands endorses the other with its name</td>
<td>6.2 1 One of the brands endorses the other with its logo</td>
</tr>
<tr>
<td>BPI BARCLAYS</td>
<td>BPI BARCLAYS</td>
</tr>
</tbody>
</table>

Results indicate that almost half of participants prefer 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. The authors 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 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, results suggest 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 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 concluded 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.

The findings regarding consumer logo preferences will be analysed more thoroughly in a confirmatory study that addresses specifically the influence of the figurativeness of logo design. 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 (Henderson & Cote, 1998). Additionally, logos will be designed in black and white to minimize the presence of colour, one of the major aspects of logo’s characteristics besides design (Hynes, 2009).

Previous research has demonstrated the universal preference for divine proportion in figurative logo designs. Preference for more abstract logos tends to favour the 1:1 ratio

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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.
(Pittard et al, 2007). Based on these results, it is recommended that the confirmatory study includes abstract and figurative logos which conform to the preferred ratios.

The confirmatory study will investigate the influence of figurativeness on consumer logo preferences for product and service brands, to prove that the appeal for figurative designs is not confined to banking brands.

<table>
<thead>
<tr>
<th>Market Share</th>
<th>Names Ranking</th>
<th>Logos Ranking</th>
</tr>
</thead>
<tbody>
<tr>
<td>23,4%</td>
<td>Millennium</td>
<td>20,8%</td>
</tr>
<tr>
<td>22,2%</td>
<td>Caixa</td>
<td>15,8%</td>
</tr>
<tr>
<td>16,0%</td>
<td>BES</td>
<td>14,6%</td>
</tr>
<tr>
<td>9,3%</td>
<td>BPI</td>
<td>13,7%</td>
</tr>
<tr>
<td>2,2%</td>
<td>BARCLAYS</td>
<td>13,7%</td>
</tr>
<tr>
<td>2,3%</td>
<td>BANCO POPULAR</td>
<td>4,9%</td>
</tr>
</tbody>
</table>

6 Discussion

This study contributes to the literature by increasing our understanding of the alternative redeployment strategies that may be assumed subsequent to a brand merger. This study makes additional contributions by clarifying the influence of name and logo characteristics on
consumer preferences in a merger situation. Methodologically, it uses an innovative research design which gives respondents freedom to choose their preferred solution.

The results of this study suggest that: (1) within the monolithic redeployment alternatives consumers prefer the creation of an entirely new identity; (2) in a merger involving two strong brands, consumers prefer alternatives that preserve elements of both brand identities; (3) the brand logo is often chosen as the stability element in a merger context and (4) the logo preferences reflect consumer evaluations of its aesthetic qualities. Thus the findings expand on the conclusions of previous studies in the literature.

First, it emerged from the results that within the monolithic response typologies, the solution most often chosen is the creation of a new name and a new logo. This solution can send a very strong message to the market, signalising that the merger is an important corporate transformation with a new vision and direction (Ettenson & Knowles, 2006). 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”.
Our next finding relates to the fundamental role that the logo plays in a merger context. Contrary to previous studies and to what is usual in practice, we find evidence that the brand logo may play a role as important as the name (or even more important) in a merger, ensuring consumers that there will be a connection with the brand’s past, and respect for the brand’s heritage (Ettenson & Knowles, 2006; Spaeth, 1999).

Another important finding concerns the relation between logo design and the identity options. We find that the choice of the logo reflects consumers’ evaluation of the brand’s identity – and in particular figurativeness. On the contrary, 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 dictatorial behaviour (monolithic identity), he or she will tend to choose a figurative logo and the name(s) of the brand(s) that is more highly valued by himself or by the market. Thus results underscore the advantages associated to a figurative brand logo.

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. Additionally, logos will be designed in black and white to minimize the presence of colour.

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.
References


