

EFFECT OF COMPLEMENTARY PRODUCT FIT AND BRAND AWARENESS ON BRAND ATTITUDE AFTER M&AS: WORD OF MOUTH AS A MODERATOR

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ABSTRACT

The main purpose of this study was to examine how complementary product fit and awareness influence brand attitude after Mergers and acquisitions (M&As). The study also examined the moderating effect of word of mouth. A survey was conducted with 411 respondents (162 males and 249 females), who completed a questionnaire in Chinese. The results indicated that brand awareness had a positive influence on brand attitude. Regarding the product fit effect, the product fit did not show any significant effect on brand attitude. The results also indicated that WOM had a significant influence on product fit and brand awareness. A few studies have evaluated the effect of brand awareness, product fit and WOM on brand attitude after M&A. The contribution of this research is to help managers understand the potential effects of brand awareness and WOM on the acquirer's image

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INTRODUCTION

As the economic environment becomes increasingly competitive, companies need to grow rapidly, be profitable, and have a dominant market position (Schuler and Jackson, 2001). Mergers and acquisitions (M&As) have become a key element of many companies' growth strategies (Fairfield-Sonn, Ogilvie and DelVecchio, 2002). Aside from in-market M&As, numerous companies employ cross-market M&As to search for more expertise, and complementary brands would be the optimal choice, e.g. Google acquired Youtube and Microsoft acquired NOKIA Mobility. Recent research on brand alliance has proposed that the consumers' perception of "product fit" or how they perceive the compatibility of two product categories, is expected to play a vital role in how consumers' react to brand alliances (Simon and Ruth, 1998). Bluemelhuber et al also found that product fit is positively related to consumer attitude (Bluemelhuber, Carter and Lambe, 2007). However, a little attention has been paid to the impact of complementary product fit on the consumers' evaluation of the acquirer brand after M&As.

Brands that are familiar to consumers are more likely to be preferred by the consumers, which is how brand awareness would affect the consumers' decision-making process (MacDonald and Sharp, 2000; Huang and Sarigöllü, 2012). Many companies seek to tie up with well-known brands to increase their brand image, e.g. HTC acquired Beats Electronics in order to differentiate their handsets and enhance their brand image in an increasingly competitive mobile phone industry (Saroj, 2012). However, does the acquisition of a well-known brand increase the acquirer's brand performance? In 2013, HTC and Beats ended a two-year partnership that had never really met either side's expectations (Brain, 2013). On the other hand, a number

of companies acquired less-known brands for their competitive strengths, such as Google's purchase of Android Inc. According to a report from IDC, Android-based devices accounted for 79% of all smartphones shipped in the second quarter of 2013 (Reed, 2013). From the above-mentioned examples, it becomes apparent that how to take advantage of acquired brand awareness is a critical issue for the managers of the acquirer brands. However, research on brand awareness is scarce (Huang and Sarigöllü, 2012), and especially, the effect of brand awareness after M&As still requires an in-depth study.

According to a Nielsen report in 2013, approximately 84% of respondents said that they trusted recommendations from friends and family (Nielson, 2013), and expertise is also a critical element of word-of-mouth (WOM) (Kempf and Palan, 2006). Therefore, WOM is the most trusted non-commercial source of information to the consumers. Consumers' choices are likely to be influenced by WOM when the product is difficult or even impossible to evaluate before purchase (Senecal and Nantel, 2004). After M&As, consumers are uncertain regarding the future performance of the two brands, thus WOM from experts becomes a key factor in the consumers' decision-making process. However, there has been surprisingly little research on this important topic.

“Brand attitude is a necessary communication effect if brand purchase is to occur (Percy and Rossiter, 1992)”, but a few research studies have examined the change in consumers' attitude after M&As. The present study aims to fill the research gap by focusing on complementary product fit and the effects of brand awareness on customers' perception of the acquirer brand, and how this influences the consumers' brand attitude after M&As. In addition, this study will also evaluate the moderating effect of WOM. The article will conduct an experiment to test our hypotheses. We will manipulate three variables: complementary product fit, brand awareness and WOM valance. The gap between complementary product fit and brand awareness is between subject factors, and the WOM is the moderating factor. The research will use MANOVA to examine the data. Finally, the conclusions and managerial implications of the article are discussed.

LITERATURE REVIEW

Brand Attitude

Attitude toward a brand, or brand attitude, is a vital component in the valuation of a brand's equity (Liu, Li, Mizerski and Soh, 2012). Brand attitude is defined as the consumers' overall evaluation of the brand (Wilkie, 1986; Keller, 1993). Many studies have found that user experience and accumulation of brand image is a key determinant toward brand attitude (Wu and Lo, 2009). The brand extension research of Eva and José (2010) discovered that “the more favorable the attitude is to the extension, more favorable is the attitude toward the extended brand”. Previous studies on brand alliance have revealed that consumer's brand attitude influences his/her response toward brand alliance (Simon and Ruth, 1998; Rodrigue and Biswas, 2004). Moreover, in a research on online brand alliance, the results demonstrated that the attitudes toward brand alliance would positively affect the brand's website, brand equity and purchase intention (Delgado-Ballester and Hernández-Espallardo, 2008). Except for brand extension and alliance, brand attitude also likely impacts consumers' response toward a corporate brand's merger (Machado, Lencastre, de Carvalho, Costa, 2011).

Product Fit

The construct of “fit” has been measured by evaluating the connection between the product categories involved in the alliance (Dickinson and Heath, 2008) and the extension (Aaker and Keller, 1990). Furthermore, the extant studies in brand alliance and brand extension demonstrated that perceived fit between partner brands or extension products is a powerful factor that determine the attitude toward brand alliance and brand extension (Aaker and Keller, 1990; Simon and Ruth, 1998; Delgado-Ballester and

Hernández-Espallardo, 2008). Aaker and Keller (1990) identified various bases of fit between two product classes and the bases are (1) complementary, which indicated that consumers view two product classes as complementary if the two products are consumed jointly to satisfy a particular need (Henderson and Quandt, 1989) ; (2) substitute, the extent to which one product can replace the other in satisfying the same need (Park, Milberg and Lawson, 1991); (3) transfer, the degree to which the manufacturing skill that is required for the extension overlaps with an existing skill (Park et al., 1991). According to the above bases, the current manuscript focuses on the complement between the acquirer and acquired, and we propose that complementary product fit is the key determinant in the consumers' overall evaluation of the similarity between the acquirer and the acquired product categories after M&As.

Why is the fit important to brand alliance, brand extension or even to M&As? One reason is that “the transfer of the perceived quality of a brand will be enhanced when the two product classes fit together in some way (Aaker and Keller, 1990)”. Two theoretical perspectives are compatible with the above opinion: Categorization Theory and Information Integration Theory. Categorization Theory has been applied to a number of marketing research studies, such as brand extensions and alliance. Similarity is a critical issue in categorization (Carrilat, Harris and Lafferty, 2010). Individuals usually group similar objects in the same category and place dissimilar objects in other categories (Medin, Goldstone, and Gentner 1993). From the perspective of the categorization theory, one can evaluate co-brand partnerships by transferring quality perception from one partner brand to another. When consumers perceive a “fit” between these partners, more easily they transfer the quality perception of one partner to the other partner's brand (Ahn and Sung, 2011). On the other hand, with category-based processing, consumers transfer quality perception from the original to the new brand extension (Aaker and Keller, 1990). Thus, based on the Categorization Theory, when the consumers perceive a high fit between the acquirer and the acquired brand, more easily they shift quality perception from the acquirer to the acquired brand.

Information Integration Theory proposes that individuals rely on prior experience to comprehend the information received from a stimulus (Anderson, 1981). “According to the information integration theory, attitudes or beliefs are formed and modified as people receive, interpret, evaluate and then integrate stimulus information with existing beliefs or attitude (Simon and Ruth, 1998)”. The Information Integration Theory suggests that the individuals' existing attitude will be integrated with the new information provided by the alliance, thus influencing the individuals' attitude toward brand alliance (Lafferty and Goldsmith, 2003 ; Chan and Cheng, (2012).Buil, de Chernatony and Hem(2009) also demonstrated that brand extension strategy on parent brand equity will be more favorable when the perceived fit is higher between the parent brand and the extension fit and the purchase. Based on the Categorization Theory and the Information Integration Theory, an M&A is more successful if the fit between the acquirer and the acquired product categories is high. The higher the fit of the product categories after M&As, stronger will be the attitude. Based on the above overview, our hypothesis is as follows:

Hypothesis 1: The greater the perceived product fit between the acquirer and the acquired brand, more increase will be in the acquirer's brand attitude.

Brand Awareness

“Brand awareness is the ability of a potential buyer to recognize or recall that a brand is a member of certain product category (Aaker, 1991)”. “Previous research has verified that extensions of high equity brands enjoy a more positive attitude. The main reason lies in the fact that these extensions have highly perceived quality, positive associations derived from the original brand and more brand awareness and familiarity (Buil et al., 2009) ”. As a result, brand awareness is essential for a successful extension of the brand. Aside from brand extension, brand awareness is vital for the acquirer in M&As because acquisition can exploit prior brand awareness and exclude other brand building efforts and the need for expensive advertising

(Mann and Kohli, 2012). Through the M&A process, companies hope to maintain a balanced relationship between the customers, acquirer and acquired brands, in order to obtain cognitive consistency as advocated by Balance Theory (Heider, 1958).

The Balance Theory proposes that “customers’ value harmony among their thoughts and they are motivated to reconcile incongruent thoughts” (Dean, 2002). If there is an imbalance, people would change their attitudes or behavior to restore the balance. Therefore, people are inclined to like whatever is associated with what they already like, and vice versa (Dalakas and Levin, 2005). Based on the Balance Theory, if a customer has a positive awareness perception of the acquired brand, then they will more likely have a positive perception of the acquirer. On the other hand, Signaling Theory (Nelson, 1974) advocates that companies present a variety of information to buyers; therefore, they need to find different ways of communicating with them (James, Lyman and Foreman, 2006). Furthermore, consumers also look at the sellers for a signal to support them in making their purchase decision (Rodrigue and Biswas, 2004). According to the Signaling Theory, if a reputed and well-known brand in a brand alliance keeps its famous brand name when pairing with an unknown brand, consumers might infer that the brand alliance represents a credible signal (Delgado-Ballester and Hernández-Espallardo, 2008). A growing stream of research supported the notion that an alliance with a well-known, reputable brand can improve the consumers' evaluations of perceived product quality, as well as their attitude toward the brand (Voss and Gammoh, 2004). According to the Balance Theory and the Signaling Theory, an M&A is more successful if the acquired brand is well-known, and higher the awareness of the acquired brand after M&As, stronger will be the attitude. From the above overview, our hypothesis is that:

Hypothesis2: Greater the brand awareness of the acquired brand, more increase will be there in the acquirer’s brand attitude.

Word of Mouth Valance

When consumers' trust on both advertising and the organization decrease, and is accompanied with reduced television viewing, word of mouth (WOM) offers a significant competitive advantage (International Word of Mouth Marketing Conference, 2005; Sweeney, Soutar and Mazzarol, 2008). Consumers tend to prefer informal, personal information sources when making purchase decisions because they find their reference groups and peers to be a credible source of information (Richins, 1983 ; Murry, 1991; Kempf and Palan, 2006).

Previous studies concluded that valance is a vital attribute in WOM (Harrison-Walker, 2001; de Matos and Rossi, 2008). “Valance refers to the nature of the content of WOM which could be positive, negative, neutral or mix (Yang, Kim and Amblee, 2012)”. The present study will focus on the positive and negative WOM. A positive opinion can enhance the target’s evaluation; on the other hand, a negative opinion can harm the target’s evaluation (Khare, Labrecque and Asare, 2011). However, negative WOM messages are thought to have a great influence on the receiver (Arndt, 1967; Sweeney, Soutar and Mazzarol, 2012). Several research studies proposed that consumers perceive negative information as more persuasive and diagnostic than positive information of similar intensity (Sen and Lerman, 2007; Pan and Zhang, 2011). This notion is consistent with the theory of Negativity Bias (Christodoulides, Michaelido and Argyriou, 2012). Negativity Bias proposes that negative information tends to have a greater effect on the evaluation than comparably extreme positive information (Ito, Larsen, Smith and Cacioppo, 1998) because bad experiences or negative input are more memorable and have a more significant influence than positive experiences or input (Fiske, 1980; Baumeister, Bratslavsky, Finkenauer, and Vohs, 2001; Christodoulides et al., 2012).

The Moderating Effect of WOM Valance

The Balance Theory advocates that “customers’ value harmony among their thoughts and that they are motivated to reconcile incongruent thoughts” (Dean, 2002). If there is any imbalance, people would change their attitudes or behaviors to restore the balance. Therefore, people are inclined to like whatever is associated with what they already like, and vice versa (Dalakas and Levin, 2005). In the present study, the Balance Theory has been applied to a relationship system involving three separate entities: product fit, WOM valance and customers’ brand attitude. Based on the Balance Theory, this system will reach a balanced state if a customer’s brand attitude increases toward the acquirer brand when the product fit between the acquirer and acquired brands is high and WOM is positive. On the other hand, this system will reach a balance state when the product fit is low and WOM is negative, causing the consumers’ brand attitude toward the acquirer to decrease, a case of worst scenario.

There are also two cases of imbalance relationship: one is a high-product fit with negative WOM and the other is a low-product fit with positive MOW. How will the consumers’ brand attitude toward the acquirer change after an M&A? Based on the theory of negative bias, WOM's focus on the valance of the message indicated that a negative WOM message has a significant influence on the evaluation of the product (Arndt, 1967). Previous studies also demonstrated that negative information is considered more important by the receivers of WOM communication than positive information (Sen and Lerman, 2007). Other researchers suggested that greater confidence displayed by consumers in WOM over other sources is due to uncertainty-reduction benefit, informativeness and perceived lack of bias (Hoch and Ha, 1986; Brown and Reingen, 1987; Herr, Kardes and Kim, 1991; Khare et al., 2011). Since the results of M&A are uncertain, the effect of WOM will be greater than the evaluation of the product fit. Thus, the consumers’ brand attitude will be better in a low-product fit with positive WOM than a high-product fit with negative WOM. Based on the previous discussion, we hypothesize that:

Hypothesis 3: WOM valence has a moderating effect on product fit and brand attitude.

Regarding the moderating effect of WOM valance between brand awareness and brand attitude, based on the Balance Theory and the Theory of Negative Bias, the present study proposes the hypothesis that:

Hypothesis 4: WOM valence has a moderating effect on brand awareness and brand attitude

The Effect of Product Fit, Brand Awareness and WOM Valance on Brand Attitude

A number of researchers stated that brands' awareness, quality and brand equity are critical factors in the success or failure of co-branding (Rao, Qu, and Ruekert, 1999; Washburn et al., 2004). Other studies indicated that product fit and brand fit are important drivers of effective co-branding. (Simon and Ruth, 1998; James, 2005). Apart from co-branding, brand awareness and product fit are two vital factors in M&As. Based on the Balance Theory (Heider, 1958), if the acquirer and acquired brands receive the same brand awareness and belong to similar industries, then consumers will acquire a favorable view of connection between the acquirer and the acquired.

WOM is an essential element that influences consumers' attitude toward a brand. According to the assimilative and contrastive effects, “a consumer’s opinion of a WOM target after exposure to a WOM message might align with the direction of the message (assimilate) or diverge from the message’s position (contrast) (Khare et al., 2011)”. “An assimilation effect results as a consequence of the target being perceived to be similar to the context, and this is referred to as a perceptual assimilation effect (Lee and Suk, 2010).” Based on the concepts of assimilative and contrastive effects, when an M&A case similar to the above-mentioned example (a high-awareness brand acquiring another high-awareness brand in a similar industry) generates a positive WOM, the positive WOM message then creates an assimilative effect and

have a higher brand attitude. On the other hand, when a high-awareness brand acquires a brand in a dissimilar industry under the same situation, consumers enter an unbalanced state, thus creating a contrastive effect. The consumers then have a weaker brand attitude. Looking at another situation, if a high-awareness brand acquires a low-awareness brand in a dissimilar industry but obtains a positive WOM, the contrast effect will cause consumers to have a weaker brand attitude than if the high-awareness brand had acquired a similar industry brand and obtained a positive WOM. From the above overview, our hypothesis is that:

Hypothesis 5: There will be significant interaction between product fit, brand awareness and WOM.

DATA AND METHODOLOGY

Research Design

In order to test our hypotheses, we conducted an experiment in which three variables were manipulated: The gap between complementary product fit after M&As. Complementary product fit uses two levels: high-complementary product fit and low-complementary product fit. Brand awareness also employs two levels: a high-awareness brand acquires a high-awareness brand, and a high-awareness brand acquires a low-awareness brand. WOM from experts was divided into two levels: positive and negative. Namely, these studies are a 2 (complementary product fit)×2 (brand awareness)×2 (WOM valance) between-subject design. The gap between complementary product fit and brand awareness is between subject factors, and the WOM is the moderating factor. The research was analyzed using MANOVA to examine the data.

Pre-Test

The Institute for Information Industry in Taiwan found that 86.5% of households in Taiwan have at least one computer, and each household had an average of 2.4 computers in 2013; therefore, computers have gained widespread popularity in Taiwan. In addition, consumers in Taiwan have taken computer courses since primary school. As a result, computer users are appropriate subjects for this study. The present study used Google as the acquirer in the experiment because Google is the top-ranked website, based on a combination of global visitors and page views (Alexa, 2013). Based on the points stated previously, this study conducted three pre-tests to assess the consumers' perception.

The present study employed “naming methods” in Pre-test One (Pappu, Questerand Cooksey, 2006; Lee, Lee and Wu, 2011), which sampled a number of customers with experience using computers. The respondents were asked to create a list of product categories where they thought the complementary product category fit with Google is either high or low. Pre-test One entailed sampling 40 consumers with 10.35 years of experience using computers. The results revealed that mobile phone industry has a high product fit compared with television industry, which is a low-fit industry.

Pre-test Two also used “naming methods” to survey customers about their view of high and low-awareness brands in the product categories in step one. Pre-test Two involved sampling 40 consumers with 9.02 years of experience using computers. The results demonstrated that Apple is the high-awareness brand for mobile phones and In focus was considered the mobile phone company with a low-awareness brand. Regarding the television industry, the results indicated that Panasonic is the high-awareness brand, whereas Heran is the low-awareness television brand.

Pre-test Three surveyed consumers' opinions about the product fit and brand awareness from the results of pre-tests one and two. Respondents rated complementary product fit on a five-point bipolar semantic differential scale. Measures for the dimensions of complementary product fit were based on previous

research studies conducted by Aaker and Keller (1990) and Simon and Ruth (1998). Complementary product fit was grounded by “is/ is not consistent” and “is/is not complementary”. Measures for brand awareness were based on the research carried out by Yoo, Donthu and Lee (2000). Brand awareness was grounded by: “I know what brand x looks like”, “I can recognize X among other competing brands”, “I am aware of X”, “some characteristics come to my mind quickly”, “I can quickly recall the symbol or logo of brand x” and “I have difficulty in imagining X in my mind(R)”. Furthermore, this study utilized a T test to verify whether there is a significant difference in perceived product fit and brand awareness between the brands from the product categories. In addition, we performed a paired-sample t test to determine whether there is any significant difference between product fit and brand awareness in Pre-test Two. Pre-test Three involved sampling 53 consumers.

Survey Instrument and Measure

The current study utilized a questionnaire consisting of three sections. Section One contained information about a fictional international M&A. Eight versions of the M&As were created with each questionnaire containing one version. In Section Two, respondents were asked to rate their perceptions of the acquirer brand. The questionnaire contained items measuring brand attitude and complementary product fit, brand awareness and WOM for manipulation check (see Appendix I). The respondents rated their perception of this dimension on a five-point Likert-type scale or bipolar semantic differential scale. Measures for the constructs were based on previous research and literature (Aaker and Keller, 1990; Simon and Ruth,1998; Yoo et al., 2000; Coulter and Punj, 2007; Khare et al., 2011; and Dolbec and Chebat, 2013).Section Three of the questionnaire gathered the respondents' demographics, such as gender, age, and level of education. The questions in Sections Two and Three were identical in all six versions of the questionnaire. The questions in Section One varied depending on the version given. All of the survey items were written in Chinese. Each respondent completed only one version of the questionnaire.

Sampling

We employed convenience sampling, with students from two universities in northern Taiwan in May, 2015 as the unit of analysis. There were 411 respondents (162 males and 249 females) who completed a questionnaire in Chinese (Table 1). The profiles of the respondents are shown in Table 2.

Table 1: Description of the Respondents

Item	Description	Frequency	Percentage
Gender	Male	162	39.4%
	Female	249	60.6%
Age	<20	145	35.3%
	21-30	252	61.3%
	31-40	9	2.2%
	41-50	3	0.7%
	>50	2	0.4%

This table shows the description of the respondents. We use two demographics variables one is gender and the other is age. And the results shows that most of the respondents are female and located in 21-30. In addition, because we collect the sample from university, thus the age above age 41 are not very much.

Table 2: Research Design

Brand Fit	Product Fit	WOM	Sample
High	High	Positive	46
	High	Negative	43
	Low	Positive	55
	Low	Negative	60
Low	High	Positive	57
	High	Negative	57
	Low	Positive	45
	Low	Negative	48

This table shows the sample size in each cell of the research design. Brand fit divided into group: high and low fit and product also divided into two group: high and low fit. Word of mouth divided into two group: positive and negative. And the sample size is 43 ~ 60 in each cell.

RESULTS AND DISCUSSION

Reliability and Manipulation

The scales for the construct were analyzed using Cronbach’s α to determine whether they possessed acceptable levels of reliability or not (Nunnally, 1978). The Cronbach’s α of the acquirer’s brand attitude was 0.93 and higher than 0.7, indicating that the construct had an acceptable reliability. Manipulation checks were performed to confirm that the manipulations were successful. The t-test results displayed a significant difference between the brand awareness, product fit and WOM. The results revealed the following: high brand awareness fit versus low brand awareness fit, $p = 0.00$; high product fit versus low product fit, $p = 0.00$ and positive WOM versus negative WOM, $p=0.00$. The results indicated that the manipulations of the brand awareness fit, product fit and WOM functioned as intended. Main Effect ANOVA was employed to test the main effect in order to analyze the effect of each variable in detail. Table 3 lists the mean and standard deviations for the brand awareness, product fit and WOM.

Table 3: Means and Standard Deviations

Construct	Brand Awareness		Product Fit		WOM	
	High	Low	High	Low	Positive	Negative
Brand Attitude	3.78(0.05)	3.54(0.05)	3.66(0.5)	3.64(0.5)	3.80(0.5)	3.50(0.5)

This table shows the means and standard deviations of brand attitude for brand awareness, product fit and word of mouth. Of all the cell, positive WOM has the best brand attitude and negative WOM has the worse brand attitude. In addition, high and low brand awareness get the highest difference in brand attitude.

ANOVA was conducted to test the hypotheses, in order to analyze the effect of each variable in detail. Table 4 lists a summary of the ANOVA results, demonstrating that various levels of brand awareness after M&A have a significant effect on brand attitude, thereby supporting H2. However, product fit did not show any significant effect on brand attitude; therefore, the results did not support H1. In addition, the results revealed that brand attitude had a significant two-way and three-way interaction between brand awareness, product fit and WOM. Since an interaction effect emerged for brand attitude, we conducted a simple main effect test for each brand awareness, product fit and WOM to examine the differences in greater detail.

The ANOVA results for positive WOM indicated a significant interaction effect between brand awareness and product fit. From Figure 1, the results demonstrated that when WOM was positive for a high-awareness brand that had acquired a high-awareness brand in the similar industry (high product fit), it will have a higher brand attitude after M&A compared with the acquisition of a brand in a dissimilar industry (low product fit). However, if a brand acquires a low-awareness brand in a dissimilar industry (low product fit), under same conditions, it will have a higher brand attitude after M&A than if it had acquired a brand in a similar industry (high product fit). These results support H5. In addition, based on Table 4, we also found that interaction between brand awareness and WOM was significant, the results thereby supporting H4. The

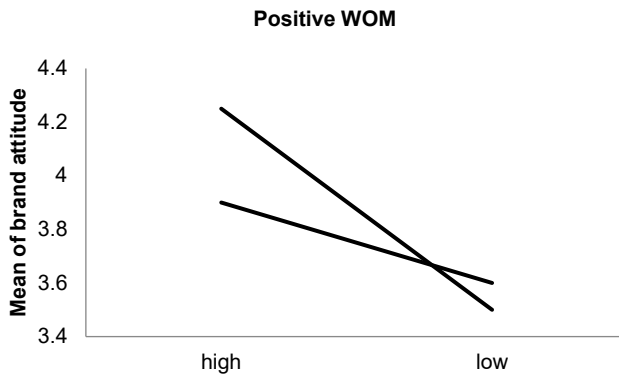
results also show that the interaction effect between product fit and WOM was not important, thereby not supporting H3.

Table 4: ANOVA Results: Significance of Multivariate Tests

Source	df	F	P vale
intercept	1	10606.46	0.00
Brand awareness	1	9.82	0.02**
Product fit	1	0.09	0.75
WOM	1	18.02	0.00**
Brand awareness*Product fit	1	0.15	0.69
Brand awareness*WOM	1	19.24	0.00**
Product fit*WOM	1	1.75	0.18
Brand awareness*Product fit*WOM	1	5.84	0.01**

This table shows the ANOVA results. The first four rows show the results of direct effect on brand attitude and the last four row show the results of interaction effect on attitude. ***, ** and * indicate significance at the 1, 5 and 10 percent levels respectively.

Figure 1: Relation Between Product Fit and Brand Awareness



This figure shows the relation between product and brand awareness. The results show that when WOM was positive for a high-awareness brand that had acquired a high-awareness brand in the similar industry (high product fit) will have a higher brand attitude. But if acquire a low brand awareness brand, the low product fit will get more attitude than high product fit.

CONCLUSIONS

M&A have recently become more common than before, but the outcomes failed to match expectations (Nelsestuen, 2008; Yang, Davis & Robertson, 2012). In fact, the failure rate of mergers and acquisitions lies somewhere between 70% and 90% (Christensen, Alton, Rising, and Waldeck, 2011). How to maintain the acquirer’s brand value is a crucial issue for manager, but studies on brand management after M&A have been surprisingly rare. In addition, there are many M&A case are crossover such as Foxcon acquired Sharp and even some less famous brands acquired more famous brand such as Gilly motor acquired Volvo. Consumers will decrease their faith in these kinds of M&A and how to decrease the uncertainty from consumers is a very important thing for acquirer. Thus our study will find out how to increase consumers’ confident and the present study is one of the few to examine how brand awareness and product fit affect brand attitude after M&A.

The present study collected 411 respondents (162 males and 249 females) from two universities in northern Taiwan. We used experimental design and ANOVA method was used to test the hypothesis. We tested H1 and H2 to determine the fit between complementary product and brand awareness with the consumer’s attitude after M&A. Table 4 presents a summary of the ANOVA results and also demonstrates that different levels of variance between two brand awareness after M&A have a significant effect on brand attitude. According to Balance Theory, a stronger attitude toward the original target results in a greater likelihood of the attitude impacting an association with the target in a similar manner (Dalakas & Levin, 2005). Table

4 indicates that after acquiring a brand with a high awareness, the resulting higher perception scores among respondents were comparable to a brand with a low awareness.

The results revealed that H1 was not supported. Although the results were not in agreement with those presented by other studies on product fit (Simon and Ruth, 1998; Hamzaoui and Merunka, 2006), we discovered another fact based on the results. The fictional scenario in the questionnaire was the acquisition of a company in the TV industry by Google as part of its strategy to develop a plan for a smart home. Numerous experts stated that future hub of a smart home could simply be incorporated into a smart TV, such as Apple TV, which continued to evolve as a smart home hub (Tilley, 2014; McGrath, 2015). Therefore, although the TV industry has a low product fit with Google, it is a critical element in Google's strategy to map out the next step in the development of a smart home. Thus, consumers might believe that acquiring a TV company might be a low product fit, but it can result in a crucial complementary product fit because it enhances diversification of Google. The characteristics of the TV industry also can explain why the results did not support H3.

Regarding H5, the present study intended to examine the interaction effect of brand awareness, product fit and WOM on the consumer's attitude after M&A. It was surprising to discover that when WOM was positive, low brand awareness and low product fit displayed a higher score than low brand awareness and high product fit. A possible reason may be the expectation that the mobile phone industry will experience limited growth in the future (IDC, 2015), while the smart home is the next major business opportunity. Among all of the smart home devices, smart TV is the first step of the consumers to build a smart home. Thus, even though the product fit was low, the consumers' attitude was more than the high product fit based on the low brand awareness and positive WOM. From the above, we can find that brand awareness had a positive influence on brand attitude. Regarding the product fit effect, the product fit did not show any significant effect on brand attitude. The results also indicated that WOM had a significant influence on product fit and brand awareness.

Managerial Implications

“Global M&A rose by 38 per cent than the previous year to \$2.18tn in the first half, the highest since 2007, according to Thomson Reuters data. (Fontanella-Khan, Massoudi and Rennison, 2015)”. An upsurge in M & A activity was viewed as a positive indicator for both economy and economic growth (Hayes, 2015). When a company endeavors to enter a new market or increase its market share, M&A is generally the easiest, fastest, and most valuable strategy. Furthermore, using M&A, an acquirer can secure all of the assets of the acquired company, including tangible and intangible assets (Lee et al., 2011). Thus, how to evaluate a suitable target is a vital question for the managers of the acquirer company.

When an acquirer selects a target for M&A, brand awareness and reputation should be the first considerations. The current research results revealed that a higher fit of the brand awareness after an M&A results in a stronger brand attitude. Thus, acquisition of a high-awareness brand increases both the consumers' perception of the acquirer and the money they are willing to pay for the brand's products/services after M&A, and decreases the consumers' intention to switch to a rival brand. While selection of a suitable target is important for the acquirer, management of WOM effect is another critical challenge for the acquirer. Nielsen's Global Trust in Advertising reports from the last few years have highlighted a trend— people have lost faith in advertising, and prefer to rely on recommendations from friends and consumer opinions found online (Chaney, 2012). When the acquirers want to use WOM as a marketing strategy, they must pay attention to the source who comment on the M&A that can make consumers more willing to believe this issue. A source will be perceived as more credible when it (1) possesses greater expertise and (2) is less prone to bias (Brown, Broderick and Lee, 2007).

Limitations and Future Research

We employed only extraneous factors to investigate how brand awareness and product fit affect the consumers’ perception of an acquirer. However, numerous internal factors of a brand, such as brand personality, can also influence the consumers’ evaluation of two such brands after an M&A. Future studies can take internal brand factors into account to analyze the effect on two brands after an M&A. Although the country of origin is an important factor that can impact the consumers’ attitude toward an acquirer (Lee and Lee, 2011), several studies have suggested that intention to purchase is no longer determined simply by the level of economic development of the country of origin. Instead, ethnocentric attitudes and beliefs affect consumption choices (Klein, 2002; Huang, Phal and Lin, 2010). Given the increasing frequency of cross-border M&As, companies based in countries with historical animosity toward each other will be forced to work together. Therefore, the factors, viz. ethnocentrism and animosity must be considered, since these factors will undoubtedly influence the consumers’ perception of M&A. Future studies can employ these two factors to analyze the effect on two brands after an M&A.

The sample used in this study all are students, so the results maybe can’t represent the all the consumers. The future research can collect more different type of consumers to make the results more consistent to the real world. The present study use eight fictional international M&A cases to survey respondents’ attitude, but respondents maybe not have any feelings about this case because they are not real. The future studies can use some real cases that can make respondents reveal more feeling about the acquirer or acquired brands.

Appendix I: Questionnaire Elements

	indicator	Sources
Brand attitude	Like/dislike	Coulter and Punj (2007); Dolbec and Chebat, 2013
	Good/bad	
Complementary Product fit	Positive/negative	Aaker and Keller (1990); Simon and Ruth(1998)
	Favorable/unfavorable	
Brand awareness	is/ is not consistent	Yoo et al.(2000)
	is/is not complementary	
WOM	I know what brand x looks like	Dolbec and Chebat (2013)
	I can recognize X among other competing brands	
	I am aware of X	
	some characteristics come to my mind quickly	
	I can quickly recall the symbol or logo of brand x	
	I have difficulty in imagining X in my mind(R)	
	The expert’s evaluation of the M&As was (1=very negative, 5= very positive)	
	The expert’s opinions about the M&As was (1= unfavorable, 5=favorable)	

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