Managing Brands during Acquisitions
- An Empirical Study of Ford Motor Company and Volvo Car Corporation

Jenny Forberg
Linda Johansson

INTERNATIONAL BUSINESS AND ECONOMICS PROGRAMME

Department of Business Administration and Social Sciences
Division of Industrial Marketing
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Jenny Forberg Linda Johansson
The globalisation has lead to an increasing importance of branding in creating competitive advantages for companies. During the past decade an increasing number of companies have undertaken acquisitions of established brands as an alternative to building new brands. The purpose of this thesis is to gain a better understanding of how brands are managed during acquisitions. Two case studies were conducted, using a qualitative research method, at Ford Motor Company and Volvo Car Corporation in order to study an acquisition from the perspective of the acquiring company as well as the acquired company. The study shows that motives for brand acquisitions are based on the fact that they are more effective than building new brands as well as opportunities to create synergy effects. Furthermore, very few risks were involved due to the strength of the acquired brand. Finally, strong brands do not require rebuilding strategies to the same extent as weak brands. It is also of great importance to manage different brands in a portfolio separately to maintain their distinct identity.
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1 Introduction

This chapter gives an introduction to the topic of our thesis. First, a background to the research problem is given. In the problem discussion, the area of research is circled and discussed. The problem discussion will then land in some specific research questions. Finally, an outline of the study is given.

1.1 Background

Today, many products are indistinguishable from each other and technological developments are rapidly available to all companies acting on the global market place. The globalisation, integration of markets and diminishing product differences make it hard for companies to differentiate their products by their functional benefits such as price or quality. (Urde, 1997) A product is defined as “anything that can be offered to a market for attention, acquisition, use or consumption that might satisfy a need or want” (Keller, 1998, p. 3). Functional benefits are values based on a product attribute that provides functional utility to the consumer. Such benefits are usually related to the functions performed by the product. (Aaker, 1996)

The limitations of functional benefits in differentiating products have lead to a focus on branding and the creation of emotional benefits as the prime differentiator and creators of value for the consumer and the brand owner. (Joy, 1998; Urde, 1997; Aaker, 1996) Emotional benefits add richness and depth to the experience of owning and using a brand (Aaker, 1996). It is argued that brands have the ability to evoke feelings such as happiness, confidence and amusement (Biel, 1992). A brand’s ability to enhance the value of a product to be able to distinguish it is highlighted in two definitions. First, a brand is defined as “a name, symbol, design or mark that enhances the value of a product beyond its functional value” (Cobb-Walgren & Ruble, 1995, p. 26). Furthermore, a brand is a “name, term, sign, symbol, or design, or a combination of them intended to identify the goods and services of one seller or group of sellers and to differentiate them from those of competition” (American Marketing Association cited by Keller, 1998, p. 2).

Consequently, brands are companies’ most valuable assets. They are used to develop, strengthen, defend and manage a business. (Light, 1990) The objective of a brand is to add value and meaning to the physical product to be able to differentiate it. Through differentiation, the brand serves as a risk reduction by indicating quality and trust. (Keller, 1998)

The added value that a brand name gives to a product is referred to as brand equity (Aaker, 1991 cited by Cobb-Walgren & Ruble, 1995). Brand equity can be defined as “the value added to the strategic product concept” (Keller, 1998, p. 42). Brand value is created through endowing a product with meaning (Keller, 1998). Brand meaning refers to the qualities of a brand that create value (Blackston, 1995). The value is added through marketing efforts such as advertising and promotion, and stored in the minds of consumers. Brand equity manifests itself through the differential effect it has on consumer behaviour. (Keller, 1998) It is referred to as the premium a consumer would pay for a branded product or service compared to an identical unbranded version of the same product or service (Biel, 1992).

Brand equity constitutes consumer brand knowledge, which is characterised by brand awareness and brand image. Brand awareness is established through seeing, hearing, feeling, using
and being exposed to the brand, which creates experience. One of the immediate advantages of brand awareness is that it provides potential for creating a brand image. (Keller, 1998) An image is built through creating positive associations for the brand name and the product (Farquhar, 1990). Creating an image enhances the perceived value of the product. Perceived value refers to consumers’ combined perceptions of the brand. (Keller, 1998).

The features of the image should be created and conveyed to consumers through a brand identity. Brand identity is created by the brand strategist (the company) and should represent the desired image for the brand. (Keller, 1998) It should bring forward the personality and true essence of the company and its overall values (Rothman, 1999). The company should strategically use the identity to continuously establish value and perceptions in the minds of consumers. In order to be successful in branding, the image and identity should match; the identity, what the brand manager wants the brand to mean to the consumer should match consumers’ actual perception of the brand. Consumers’ perception of the brand identity is the brand image. If there is a mismatch between these, the brand manager loses control over the brand and what it means to consumers. (Rothman, 1999; Keller, 1998)

The emergence of brand equity and the benefits that can be derived from it has raised the importance of branding in marketing strategies. (Urde, 1997). A strategic use of branding involves brand building and brand management. The brand identity is used to build and create strong brands (Upshaw, 1995). Strong brands are powerful and profitable (Randall, 1997). They consistently exceed the expectations of their prospects and users (Upshaw, 1995). A number of benefits can be achieved through strong brands and effective marketing of them. These are for example brand loyalty, ability to charge a higher price and better margins. Brand loyalty means that consumers have developed a relationship with a specific brand and repeatedly choose and purchase that brand over other brands (Aaker, 1996). Brand loyalty is linked to brand equity since high brand loyalty generally reflects a strong brand. (Keller, 1998)

When segmenting the market, the brand identity can be effectively used as a positioning tool (Urde, 1997). The creation of a brand identity and the positioning of the brand in the market determine the success of the company and the brand. (Haag, 1999) Upshaw (1995) defines a brand’s positioning as “the compass of its identity, pointing it toward the place where it can leverage the most power in the category in which it competes, and establish the most powerful leverage within the lives of its potential users”(Upshaw, 1995, p. 110). Positioning is the way in which the consumer thinks of a brand relative to its competition (Upshaw, 1995). Furthermore, it establishes and secures a position on the market and in the minds of consumers (Urde, 1997). Brands can also be used as a strategic tool in becoming global. A company can choose to serve the entire market using a number of brands, each brand positioned in different target markets. (Melin, 1997)

Strong brands help companies in achieving competitive advantages (Aaker, 1991) Competitive advantage is defined as “a value creating strategy, which is not implemented by current or potential competitors” (Barney, 1991 cited by Urde, 1997, p. 124). Furthermore, the creation, development and protection of the brand in an ongoing interaction with the target market will provide the opportunity to create a sustainable competitive advantage. (Urde, 1997) Sustainable competitive advantage is defined as “a strategy creating a competitive advantage which current or potential competitors have not and are not able to implement” (Barney, 1991 cited by Urde, 1997, p. 124)
So far, it can be concluded that managers have realised the value of a brand as a strategic asset and a primary source of competitive advantage (Aaker, 1996). However, today’s business environment decreases the probability of succeeding in building new brands. Existing brands as well as distributors or retailers make up effective barriers of entry. Furthermore, the high costs associated with building new brands often work as a deterrent. (Urde, 1997) Creating new brands involves building awareness, establishing perceptions of identity and quality and developing a customer base, which is very expensive, especially if the competition includes well-established brands (Aaker, 1996). Decreased differences among products, increased marketing communication costs (media is very important when creating new brands) and an ongoing marketing integration which require better brands also create difficulties and increase the risks of building new brands. (Urde, 1997)

As a response to the difficulties in creating new brands, firms are increasingly undertaking mergers and acquisitions. (Ibid) A merger refers to when two companies consolidate any form of new entity. The agreement between the two parties is not necessarily on equal terms since often one of the two parties gain a dominant position. (Rundquist & Winander, 1998) An acquisition occurs when an organisation acquires sufficient shares to gain control/ownership of another organisation. (Cartwright & Cooper, 1996) Mergers and acquisitions represent alternative ways of overcoming the risks associated with establishing new brands. They also provide opportunities for firms to quickly penetrate new and foreign markets. (Urde, 1997)

1.2 Problem discussion

Due to the increasing trend of using mergers and acquisitions as alternatives to building new brands, we find it interesting to further investigate this area. During the past decade, an increasing number of firms have undertaken acquisitions. (Capron & Hulland, 1999) The global market place is becoming a battlefield where the strategy is to expand through acquisitions and the elimination of competitors (Kapferer, 1997). According to Capron and Hulland (1999), acquisitions are driven by such motives as increased competition, globalisation of product markets, deregulation, increasing convergence of consumer preferences, a desire to access a portfolio of international brands, difficulties in establishing new brands and limits of brand extension. (Capron & Hulland, 1999; Kapferer, 1997)

If a company is facing slow growth in an industry and is not well positioned to introduce new brands, acquiring a well-established brand in a fast growing market segment would be an alternative for that company. It would then be able to leverage the strong brand into parts of the world where the acquiring company did not operate while also achieving cost reductions. (Capron and Hulland, 1999)

The recent trend of mergers and acquisitions has lead to a creation of a business environment where companies own large portfolios of brands. The growth and strength of large companies creates an obstacle for new brands to be established and survive on the market and forces companies to acquire brands in order to grow. (Kapferer, 1997)

Acquisitions are sometimes a strategic imperative. Managers are often tempted to acquire brands and use them to enter attractive markets. Companies chasing growth often find it hard to resist the urge to move into booming premium or value segments. However, mergers and acquisitions can be dangerous. Managers may find themselves facing a situation that presents both an emerging opportunity and a strategic threat. It is therefor argued that managers should
ascertain whether the rewards of an acquisition would be worth the risks before making a move. (Aaker, 1996)

The challenge in an acquisition is to leverage and protect the value of the original brand while taking advantage of the new opportunity (Ibid). When acquisitions involve parties from different countries, factors such as differences in culture, language and business practices may cause strains (Jobber, 1995; Hansson, 2000). There may also arise problems associated with restructuring. Furthermore, many acquisitions may prove hard to integrate with in-house brands, resulting in merging problems regarding co-ordination and styles of management. (Jobber, 1995)

According to a recent report produced by consultants KPMG, only 17% of mergers and acquisitions actually add to shareholder value (Mazur, 2000). One of the major problems in mergers and acquisitions is that brand equity is typically under-emphasised when companies consider joining forces, even though it is crucial to the businesses’ long term success (Fellman, 1998). In a merger or an acquisition, brands are usually unrecognised due to their intangible nature, and the impact of these acquisitions on the financial reporting could be significant. The problem is that most mergers and acquisitions are still based on a business rather than a brand model. Old, financial business models are used to assess whether the merger is relevant. The image and values of the newly combined brand and its visual representation end up as afterthoughts. Only when a merger has not lead to any cost-savings for the company, management is forced to begin to focus on the less tangible elements such as what the company brand stands for and how it can be used. (Mazur, 2000; Hart & Murphy, 1998)

Successful management of a brand after a merger requires co-ordination, building and protection of the brand. The goal should be to maintain and maximise the value of the acquired brand. Brands also need to be managed over time to sustain their equity. (Farquhar, 1990) Managing brands over time involves reinforcing and revitalising the brand. Reinforcing a brand involves increasing the relevance in user and usage imagery to reinforce the meaning of the brand. Revitalising a brand means recapturing lost sources of brand equity or identifying and establishing new sources of brand equity. (Keller, 1998) Managing a brand over time also involves consistency. Brand consistency should be emphasised in order to maintain the strength and favourability of the brand. Consistency of the brand’s image is part of managing the relationship between consumers and the brand. This relationship needs to be analysed, nurtured and reinforced. (Farquhar, 1990)

In a merger or acquisition, the identity is usually changed to some degree to fit the desired image of the acquiring firm or a changing environment. Occasionally, repositioning the brand is necessary. However, companies should avoid major changes in brand identity since they could confuse or create opposition among consumers and thereby damage the established equity of the acquired brand. (von Koch, Dagens Industri, 1999)

Aspects of integration should be considered before the merger and should not be only an afterthought. While hard business issues, such as market dominance and geographical fit tend to be the pragmatic drivers of mergers; it is vital that the prospective partners formulate a joint vision of what they stand for as a brand. Furthermore, managing corporate identity through branding should be an ongoing process. Especially in big mergers, these activities have to be lived on a daily basis. (Mazur, 2000)
When a company acquires another brand that is well known in certain target markets the brand name is usually kept or used together with the acquiring company’s brand name in order to draw benefits from the equity built into the name (Davidsson, 2000). It is important to understand the significance of a brand name and the dangers that may be encountered when changing it (Bergstrom & Coyle, 1999). A situation when the most appropriate tactic would be to come up with a new brand name is when the involved companies’ brands have poor, wrong, weak or unfavourable associations. However, a problem in changing brand name is that new names are often “empty” and enjoy no brand equity. (Davidsson, 2000)

From this discussion, we find it interesting to elucidate the motives for brand acquisitions and the risks involved in such an operation. Furthermore, we wish to gain a better understanding of the management of the brand after the acquisition in terms of the reinforcement and revitalisation of the brand. This leads to an overall purpose and specific research questions in the next section.

1.3 Purpose

The purpose of this report is to gain a better understanding of how brands are managed during acquisitions.

1.3.1 Research questions

The following research questions will help us reach the purpose stated above:

- How can the motives for acquisitions of brands be described?
- How can the risks involved in acquisitions of brands be described?
- How is brand equity reinforced and revitalised after acquisitions?

1 In this thesis during is defined as also involving pre and post stages of an acquisition.
1.4 Outline of the Study

This thesis consists of six chapters (see Figure 1.1). In chapter one, a relative broad description is given in the beginning, providing the reader with a background and discussion of issues related to the problem area. This discussion lands in a specific research problem, which has been broken down into research questions. Chapter two gives a presentation of theories relevant for the research problem. Continuously, a description and justification of the methodological approaches chosen in this thesis is given in chapter three. In chapter four the received empirical data is presented. Chapter five contains an analysis of the collected data against the theory. Finally, conclusions and implications are presented in chapter six.

![Disposition of the Thesis](image-url)
2 Review of Literature

In this chapter theories relevant to the chosen research questions will be presented. As stated in chapter one, the research questions are:

- How can the motives for acquisitions of brands be described?
- How can the risks involved in acquisitions of brands be described?
- How is brand equity reinforced and revitalised after acquisitions?

This chapter will begin with describing motives for acquisitions of brands. The next section will present theory on risks involved in acquisitions of brands. Regarding research question three, the concept of brand equity is first described since theory on how to reinforce and revitalise a brand is based on this model. Finally, theory on how to reinforce and revitalise the brand is presented.

2.1 Motives for Brand Acquisitions

Acquisitions provide opportunities for companies to reposition, leverage, or capture marketing resources (Capron & Hulland, 1999). Resources are defined as "stocks of knowledge, physical assets, human capital and other tangible and intangible factors that a business owns or controls (Amit & Schoemaker, 1993; Grant, 1991 cited by Capron & Hulland, 1999, p. 43), which enable the company to produce, efficiently and/or effectively, marketing offerings that have value for some market segments" (Barney, 19991; Hunt & Morgan, 1996; Srivastava, Shervani & Fahey, 1998 cited by Capron & Hulland, 1999, p. 43). A valuable resource is one that enables the firm to develop and/or implement strategies that improve its efficiency and effectiveness. Rare resources are those that are not possessed by a large number of other companies (both current and potential competitors). (Capron & Hulland, 1999) It is thereby assumed that competitive advantage originates within the firm, and specifically in the resources, such as brands, owned by the company (Barney, 1991; Conner, 1991; Peteraf, 1993; Teece, Pisano & Shuen, 1997 cited by Capron & Hulland, 1999, p. 6).

Firms often turn to the market to acquire or sell brands, since brands often represent valuable firm resources, in particular when extended to new product variants or product categories (e. g., Bergen, Dutta & Shugan, 1996; Dacin & Smith, 1994; Park & Srinivasan, 1994 cited by Capron & Hulland, 1999, p. 15). Acquired brands are organised into a brand portfolio under the umbrella of a corporate brand. (Laverick, 1998) Brand portfolios are used to manage groups of brands. Managing several brands in a portfolio involves decisions such as where, and with what brands, a company competes and how resources should be deployed. (Jobber, 1995) Umbrella branding implies that equity transfuses either downwards from the corporate brand into other brands in the portfolio or upwards from the brands in the portfolio into the corporate brand through the transference of brand associations. (Laverick, 1998)

Acquisitions provide opportunities for companies to capture new marketing resources and exchange firm specific resources such as brands that are hard to develop internally. Furthermore, companies can leverage their superior marketing resources in new markets. This may in turn contribute to an enhancement and more effective use of current marketing capabilities and resources. (Capron & Hulland, 1999) According to Keller (1998), the primary reason for acquisitions relates to market coverage. Multiple brands allow the company to pursue multiple
market segments. Different market segments can be based on price, channels of distribution or geographical boundaries. (Keller, 1998) Companies can expand market shares by acquiring and leveraging strong brands into markets and segments where the acquiring firm did not operate. Acquisitions of valuable and rare resources such as brands provide companies with a source of competitive advantage through providing opportunities to build and create a strong company that will function as an entry barrier in the markets where it operates. Furthermore, increases in sales and profits, economies of scale and synergies will also contribute to a competitive advantage. (Capron & Hulland, 1999)

In the case of an acquisition of a brand, it is the expectation of its generation of future cash flow that commands a premium over the cost of developing the plant and infrastructure required to bring a new, competing brand to the market. (Biel, 1992) Furthermore, in some cases companies turn to acquisitions due to lack of sufficient resources or incapability of management to build a new brand. (Keller, 1998)

When joining forces, companies avoid costly marketing battles. Furthermore, purchasing, production, financial, marketing and R&D synergies may be gained. Companies may also gain access to knowledge, resources, contacts and distribution channels. (Jobber, 1995; Keller, 1998)

In some industries the market is mature, which makes it hard for companies within these industries to find new markets as a building strategy. Instead, they have to find new strategies to gain market share and achieve growth. (Keller, 1998) In mature markets, acquisitions of brands may be the only feasible way of establishing a presence in those markets (Kapferer, 1997).

Acquisitions can also be used as an alternative entry strategy in new markets, as they offer the fastest method of penetrating markets and in developing global brands. Acquisitions of brands slowly move demand from the local brands to global brands. (Keller, 1998; Jobber, 1995)

Another motive for acquisitions is to improve the overall level of performance by increasing market share and profitability. Enhancing the perceived product value and sales volume increases market shares and profitability. One way of enhancing customer value is through filling out product lines and improving the overall product quality. (Capron & Hulland, 1999)

Acquisitions also provide opportunities to achieve superior (and sustainable) financial performance relative to world-wide competitors (Hunt & Morgan, 1995; Porter, 1991 cited by Capron & Hulland, 1999, p 17). Through acquisitions, companies seek to yield economies of scale in advertising, sales and physical distribution (Keller, 1998). The acquiring and leveraging of intangible market based assets can lower costs and/or attain price premiums. Furthermore, acquisitions of resources should increase efficiency (through cost-based synergies), and effectiveness (through revenue based synergies), which increases productivity and results in the lowering of costs and enhancement of revenues. (Chatterjee, 1986 cited by Capron & Hulland, 1999, p. 45) Obtaining superior relationships with both channel members and end consumers through acquisitions might also lower costs (Srivastava, Shervani & Fahey, 1998 cited by Capron & Hulland, 1999, p. 46).

Motives for acquisitions of brands may in some cases be based on the benefits of having a multi-brand or portfolio. Several brands are necessary in achieving market growth. (Kapferer, 1997) Multiple brands or models are acquired and/or introduced by a company since any one
brand is never viewed equally favourable by all different segments. Also, multiple brands/models attract consumers seeking variety and make them switch within the company rather than to another brand owned by another company. (Keller, 1998) A multi-brand/model portfolio also allows for best market-coverage as well as a tactical flexibility, which enables the company to limit a competitor’s field of extension or even to stop any new competitors from entering a market. A multi-brand/model strategy policy is also used to cover sectors of the market representing different price ranges without affecting the reputation of each brand. Furthermore, it can be used to protect the brand image. Companies approach this strategy in order to spread the risk. Finally, creating a multi-brand/model portfolio is crucial in order to avoid diluting the strengths of the different brands. (Kapferer, 1997)

The process of brand bonding involves the coming together of a corporate brand and acquired brands with the intention of enhancing brand strength for the company (Mihailovic & de Chernatony, 1994 cited in Laverick, 1998). Sometimes, companies acquire brands in order to add prestige and value to the whole portfolio. The purpose of the acquired brand is then to serve as a class carrier. (Keller, 1998) Companies acquire brands for their future potential, with the objective to draw use of the acquired knowledge and benefits, and to further strengthen the brand. (Randall, 1997)

2.2 Risks of Brand Acquisitions

One risk or disadvantage of creating a multi-brand portfolio through acquisitions is that cannibalisation of the corporate brand or other brands in the portfolio may occur. Cannibalisation refers to a situation where a new brand gains sales at the expense of another existing brand. The risk of cannibalisation is greatest when very little distinguishes the acquired brand from the other brands. (Aaker, 1996) There is also the risk that bad publicity or failure of one brand in the portfolio affects the reputation and image of the other brands or the corporate brand (Keller, 1998; Aaker & Keller, 1990). An acquired brand could stimulate negative and undesirable attribute associations, which will be transferred to other brands or the corporate brand and damage the perceived quality of those brands. An acquired brand could also weaken existing associations. (Aaker & Keller, 1990)

When acquiring a brand, companies must assess the risk of a decline in the brands' rate of market share. Furthermore, the risk of having to face dominant competitors in the brands' market should also be considered as well as potential exit barriers in the market. (Keller, 1998)

In an article by Fellman (1998), it is argued that combinations such as mergers and acquisitions could jeopardise the brand equity. Companies are faced with meeting consumers’ expectations of existing brands, while pulling together corporate philosophies with new and existing product lines under one umbrella. In some cases, this results in confusion among consumers or distributors, causing damage to the brand equity. (Fellman, 1998) This can be a great danger in terms of the effect on market share (Kapferer, 1997). Opposition could also arise among loyal consumers when there is a switch in owner (Fellman, 1998). Acquisitions may also cause problems associated with restructuring and integration with in-house brands, resulting in merging problems regarding co-ordination and styles of management. Problems could also arise due to differences in culture, language or business practices. (Jobber, 1995)
Another factor to consider in a merger or acquisition is that “one bad apple could spoil the whole bunch” (Laverick, 1998, p. 1), which refers to the dangers in explicitly bonding different brands. Brand bonding is no easy business according to Laverick (1998). The role of marketing communications in uniting a presumed umbrella brand with brands in the portfolio runs the risk of diluting the equity of the brands if done insensitively (Laverick, 1998). Also, if the acquired brand is a poor fit with other brands, this may result in damage of equity among existing brands or the acquired brand (Aaker & Keller, 1990). Differences in price or performance could involve risks of losing the stature of the brand (Aaker, 1996).

2.3 Reinforcement and Revitalisation of Brand Equity

In this section, sources of brand equity will be presented, followed by reinforcement and revitalisation strategies.

2.3.1 Sources of Brand Equity

Brand equity is the value added to the physical product. The value is added through marketing efforts such as pricing and promotion. Brands are reinforced and revitalised across sources of brand equity. Therefore, to be able to describe reinforcement and revitalisation strategies the sources of brand equity have to be explained. Brand equity consists of customers’ knowledge about the product. As indicated in Figure 2.1, brand knowledge consists of brand awareness and brand image. Awareness is created through experience of, and exposure to the brand. (Keller, 1998)

Brand awareness can be characterised by depth and breadth. Furthermore, depth is characterised by recall and recognition. According to Keller (1998, p. 88) recall can be defined as “consumers’ ability to retrieve the brand from the memory when given the product category”. Recognition on the other hand “relates to consumers’ ability to confirm prior to exposure to the brand when given the brand as a cue” (Ibid). The breadth of brand awareness is the extent of purchase and usage situations (Keller, 1998).

Brand image consists of perceptions and associations that consumers have in their memory of a brand, as a result of the identity projected by the marketers. The image is characterised by strength, favourability and uniqueness that constitute a brand. The strength of image can be characterised by two things. First, the relevance of the information received about a brand. Second, the consistency and frequency of the information conveyed by a brand. Image favourability is derived from desirability and deliverability of the information about a brand, or how effective the brand is marketed. Uniqueness consists of points-of-difference and points-of-parity. Points-of-difference are the elements that differentiate the brand from other brands, or its distinct brand elements. Points-of-parity are associations that are not unique for one brand; these elements are shared by other brands. (Ibid)
2.3.2 Brand Reinforcement

As mentioned earlier, brand equity should be reinforced over time. Reinforcing a brand involves increasing the relevance in user and user imagery to reinforce the meaning of the brand. Brand equity is reinforced through marketing actions that consistently convey the meaning of the brand to consumers in terms of what products the brand represents, what core benefits it supplies, what needs it satisfies, and how the brand makes the products superior. The goal is to create strong, favourable, and unique brand associations in the minds of consumers. The most important consideration in reinforcing brands is to maintain the consistency of the marketing support that the brand receives. Brands need consistency in both the amount and the type of marketing support. Consistency is crucial for brands to maintain brand associations in terms of strength and favourability. If brands receive inadequate support regarding...
things such as decreasing research and development or marketing communication budget, it runs the risk of becoming technologically disadvantaged or even out-of-date. (Aaker, 1996; Kapferer, 1997; Keller, 1998; Keller, 1999)

According to Keller (1999), being consistent in managing brand equity does not mean that marketers should not make any changes in the marketing program. Instead, consistency means that the management of brand equity may require numerous tactical shifts and changes to maintain the right strategic movement and objective of the brand. Brand awareness and brand image can be maintained in many ways through carefully designed marketing programs. (Ibid)

Consistency should be viewed as a strategic direction and not essentially the certain tactics employed by the supporting marketing program for the brand at any occasion. Unless there is some changes in consumers, competition, or the company that somehow makes the strategic position of the brand less powerful, there is likely to be little need to deviate from current successful positioning. A top priority is to preserve and defend those sources of brand equity that already exist. Meanwhile, brands should always look for potentially powerful new sources of brand equity. (Keller, 1999) The challenge for many brands is to respond to a changing environment and/or to contemporise a brand identity without moving away from the existing identity, which is usually the key elements of brand equity (Aaker, 1996). Key sources of brand equity would ideally be of enduring value and these brand associations should be guarded and retained carefully (Keller, 1999).

When a company has more than one brand in one product field, each brand need to be managed separately, however co-ordination is also necessary to avoid sub-optimisation. Acquired brands in the product portfolio should be kept as separate partners, each brand with its own territory and its own clear meaning. (Fellman, 1998; Randall, 1997) The different brands should be managed through maintaining their distinct identities. A merger should combine and utilise each partner’s strengths. (Fellman, 1998) The character of the brand strategy adopted should be determined in relation to how different product brands within the portfolio might transfuse with one another and with the corporate brand to maximise total brand equity. (Laverick, 1998)

There are a number of ways to enhance brand awareness and create strong, favourable, and unique brand associations in the minds of consumers to build customer-based brand equity (Keller, 1999). According to Keller (1999, p. 102) customer-based brand equity can be defined as "the differential effect that consumer knowledge about a brand has on the customer's response to marketing activity". When managing brand equity it is important to be aware of the trade-offs between those marketing activities that seek to fortify and further contribute to brand equity versus those marketing activities that seek to leverage or capitalise on existing brand equity to retain some financial benefits. (Keller, 1999)

Certain tactics and supporting marketing programs for the brand are more likely to change than the basic positioning and strategic direction for the brand. However, brand tactics should only be changed when there is evidence that they are no longer delivering the desired contributions to maintain or strengthen brand equity. Reinforcing brand meaning may depend on the nature of brand associations involved. Several specific considerations play an important role in reinforcing brand meaning. When reinforcing brand meaning in terms of product-related and/or non-product-related associations several specific considerations are of importance. (Ibid)
• **Product-Related Associations**
For brands whose core associations are primarily product-related attributes and/or functional benefits, innovation in product design, manufacturing, and merchandising are particularly critical to maintaining or enhancing brand equity. It is important to focus on product-related associations when the equity of the brand is primarily based on the product attributes. This is done through fortifying product associations by improving them. In these circumstances it is important that the consumer thinks that the product is improved through either product innovation or product improvement. (Keller, 1998)

• **Non-Product-Related Associations**
When brand associations are primarily symbolic or experiential it is important to focus on fortifying non-product-related attributes. This can be done by making the associations more relevant or by creating stronger fortification. Relevance is created through refining the associations, i.e. improving the product and adding more associations. It is important to remember not to make too drastic changes. (Ibid)

### 2.3.3 Brand Revitalisation

According to Keller (1999), revitalising a brand requires either that lost sources of brand equity be recaptured or that new sources of brand equity are identified and established. It is important to accurately and completely characterise the breadth and the depth of brand awareness as well as the strength, favourability, and uniqueness of brand associations held in the minds of consumers. Further, the extent to which key brand associations are still properly positioning the brand is of great importance. A brand audit is often conducted in order to determine this. (Keller, 1999) A brand audit is a comprehensive examination of the health of a brand in terms of its sources of brand equity from the perspective of the firm and the consumer. This provides the company with guidance for long-term strategic decisions, and from it decisions can be made as to whether or not to retain the same positioning or reposition the brand. Positioning considerations relate to desirability and deliverability of different possible brand associations based on company and competitor considerations. (Keller, 1998)

According to the brand equity framework two general approaches are possible:

- expanding the depth and/or breadth of brand awareness by improving brand recall and recognition during purchase or consumption, and
- improving the strength, favourability, and uniqueness of brand associations which characterises the brand image. (Keller, 1999)

➢ **Expanding Brand Awareness**

As just mentioned, in order to expand the brand awareness two general approaches are possible; expanding the depth and/or expanding the breadth of brand awareness by improving brand recall and recognition during purchase and consumption (see Figure 2.2). A fading brand is usually still recognised or recalled by consumers in certain situations, which means that it is the breadth of brand awareness that need improvements. Breadth of brand awareness is increased to make sure that consumers do not overlook the brand and think of purchasing it in those situations where the brand can satisfy their needs and wants. (Keller, 1999)
A brand that has a reasonable level of awareness and a positive brand image should be revitalised through creating new sources of brand equity to increase breadth. Sources of brand equity can be created through employing tactics that increase usage. Usage can be increased by either:

- increasing the level or quantity of consumption (how much the brand is used) or
- increasing the frequency of consumption (how often the brand is used). (Keller, 1999)

**Identifying New and Completely Different Ways to Use the Brand**

There are a number of ways to identify and communicate new usage situations in order to increase the level or quality of consumption. A starting point for generating potential expansion opportunities is brainstorming meetings or focus groups involving loyal or heavy users and less loyal or light users. Contrasting the preferences and behaviours of the two groups can yield insight into potential barriers in perceptions and usage that must be overcome, as well as opportunities for further growth. Additionally, perceptions of potentially related products and situations should be uncovered through cluster analysis or other multivariate statistical approaches. (Keller, 1999)

**Identifying Additional or New Usage Opportunities**

According to Keller (1999) there are three ways to increase frequency of use. First, in order to identify additional or new opportunities for consumers to use the brand more, however still in the same basic way, a marketing program should be designed to include both:

- communications to consumers as to the appropriateness and advantages of using the brand more frequently in existing situations or in new situations, and
- reminders to consumers to actually use the brand in those situations. (Keller, 1999)

Another way to increase frequency of usage is when consumers’ perceptions of their usage differ from the reality of their usage. To speed up product replacement, which is of particular importance for products with reactively short life spans, a strategy would be to tie the act of replacing the product to a certain holiday, event, or time of year. Another strategy might be to provide consumers with better information as to either when the product was first used (or need to be replaced) or the current level of product performance. (Ibid)
Finally, another way to increase usage is when actual usage of a product is less than the optimal or recommended usage. In these circumstances, consumers must be persuaded of the merits of more regular usage, and any potential barriers to increase usage must be overcome. Through product designs and packaging the product can be made more convenient and easier to use. (Ibid)

- **Improving Brand Image**

  Often more fundamental changes are necessary than changes in brand awareness in order to create new sources of brand equity. A new marketing program may be necessary to improve the strength, favourability, and uniqueness of brand associations making up the image (see Figure 2.3). Repositioning or recommitment to the existing positioning may involve any positive associations that have faded. Furthermore, negative associations that have been created may have to be neutralised, and additional positive associations may have to be created. (Kapferer 1998; Keller, 1998)

![Figure 2.3: Brand Image](image)

Repositioning the brand may require establishing more compelling points-of-difference to better differentiate the brand. It might also be necessary to reposition the brand to establish a point-of-parity on some key image dimensions. Repositioning the brand involves making mature brands more contemporary by creating relevant usage situations, a more contemporary user profile, or a more modern personality. Updating a brand may involve a combination of new products, new advertising, new promotions and new packaging. (Keller, 1998)

Positioning decisions require a specification of the target market and the nature of competition. The target market for a brand typically does not constitute all possible segments that potentially make up the entire market. Some firms have other brands that target these remaining market segments. Other firms have these market segments representing the potential growth for the brand. (Ibid)

Effectively targeting these other segments typically requires some changes or variations in the marketing program, especially in advertising and other communications, and the decision as
to whether or not to target these segments ultimately depends on a cost-benefit analysis. (Ibid) Keller (1999) recognises three strategic segment options for brand revitalising:

- **Retaining Vulnerable or Recapturing Lost Customers**
  Retaining existing customers whom would eventually move away from the brand or re-capturing lost customers who no longer use the brand can be a means to increase sales. Other attempts may be to make the product’s enduring appeal still relevant for users today.

- **Identifying Neglected Segments**
  One viable brand revitalisation option is to segment on the basis of demographic variables and identifying neglected segments such as different racial groups, age groups, and income groups. In order to make the brand grow, firms can reach out to new customer groups to build brand equity.

- **Attract New Customers**
  Another strategic option for revitalising a brand involves simply abandoning the consumer group that supported the brand in the past and targeting completely new market segments.

**Balancing New and Old Target Markets**
In order to increase sales firms may choose to target several market segments. The marketing challenge in acquiring new customers lies in making a brand seem relevant to customers from sometimes different generations and lifestyles. (Keller, 1998)

According to Keller (1999) there are three approaches to attract new customers:

- **Multiple Marketing Communication Programs**
  One approach to attracting new market segments for a brand while satisfying current segments is to create separate advertising campaigns and communication programs for each segment.

- **Brand Extensions and Sub-Brands**
  Another approach to attract new customers to a brand and keep the brand modern and up-to-date is to introduce a line extension or establish a new sub-brand.

- **New Distribution Outlets**
  Attracting a new market segment may involve making the product more available to that group.
2.4 Conceptualisation

After having reviewed the literature within the field of study we have conceptualised the theory to explain the main dimensions, factors or variables of our research questions that will be studied, as suggested by Miles & Huberman (1994).

2.4.1 Motives for Brand Acquisitions

There are not many studies done in this specific area, therefore it is not possible to use a single study to explain the first research question. Based on our literature review, a combination of previous research will be used. Furthermore, depending on the nature of the motives, some of them are only applicable for the acquiring company. The major motives for acquisitions of brands have been lifted out and are as follows:

Motives applicable for both the acquiring and the acquired company:

- Synergy effects; production, financing, marketing, purchasing, and/or research and development (Jobber, 1995; Keller, 1998).
- Access to knowledge, resources, contacts and/or distribution channels (Jobber, 1995; Keller, 1998).
- Increasing market shares through reaching new segments (Keller, 1998).
- Multiple brand/model portfolio (Keller, 1998; Kapferer, 1997).
- Leverage and a more efficient use of capabilities (Capron and Hulland, 1999).
- Competitive advantages; growth, increasing sales volume, profits and/or value, decreasing costs, creating synergies, and economies of scale (Capron & Hulland, 1999).

Motives applicable for only the acquiring company:

- Acquire brands for their future potential (Randall, 1997).
- Entry strategy when entering new segments (Keller, 1998).
- Gain market shares in mature markets or segments (Keller, 1998; Kapferer, 1997).
- Add value and prestige to the whole company and improve its image (Keller, 1998).
2.4.2 Risks of Brand Acquisitions

Risks involved in brand acquisitions is also an area in which not very many studies have been conducted. Therefore, the approach to conceptualising this research question will be the same as above. Also, some of the risks, as with the motives are only applicable for the acquiring company. The risks involved in acquisitions of brands are as follows:

*Risks applicable for both the acquiring and the acquired company:*

- Cannibalisation (Aaker, 1997).
- Too many brands or models (Fellman, 1998).
- Dominant competitors (Keller, 1998).
- Consumers opposition (Fellman, 1998).
- Problems with restructuring, co-ordination and styles of management (Jobber, 1995).
- Problems with culture clashes, language and differing business practices (Jobber, 1995).
- Problems with integration of the brand into the portfolio (Laverick, 1998; Jobber, 1995).
- Meet shareholders’ expectations (Fellman, 1998).
- Hurtful changes in the management of the brand (Fellman, 1998).

*Risks applicable for only the acquiring company:*

- The acquired brand will fail or cause bad publicity (Keller, 1998; Aaker, 1990).
- The acquired brand is experiencing a decline in market shares (Keller, 1998).

2.4.3 Reinforcement and Revitalisation of Brand Equity

In order to describe how brands are reinforced and revitalised after an acquisition we will rely on a study by Keller (1999). The reason for choosing to use this particular study is that it is the best-suited and most extensive study done in the area of reinforcement and revitalisation of brands among the studies that we have found. In addition this study covers the areas which we wish to investigate in order to answer our third research question.

**Brand reinforcement**

- Consistency in type and amount of marketing efforts.
• Potentially powerful new sources of brand equity; product-related associations and non-product-related associations.

• Separate management of the brands in the portfolio.

**Brand revitalisation**

• Expanding awareness; increase the amount and/or quality of consumption and increase frequency of consumption.

• Improving image;
  - Improve strength, uniqueness and favourability; retain vulnerable or recapture lost customers, identify neglected segments and attract new segments.
  - Balance new and old target markets; multiple marketing programs, keep the brand modern and up to date, and new distribution outlets to increase availability.

With the above conceptual framework lifting out and presenting the main things to be studied we now turn to how this will be done, i.e. how data will be collected, in our methodology chapter.
3 Methodology

In this part the methodology practised for our thesis is presented. Throughout the chapter the different methodological perspectives are explained, together with justifications of the choices made. The methodological approaches chosen for our research are presented in Figure 3.1. Finally, a discussion regarding validity and reliability is provided.

Figure 3.1: Research Methodology
3.1 Research Purpose

Reynolds (1971) notes that most research can be classified into one of the following three different purposes: exploratory, descriptive and explanatory research. The author further states that these three classifications can be founded on how much knowledge the researcher has about the problem before starting the investigation and additionally, the type of information needed in order to deal with the purpose of the thesis.

Exploratory research is applied when a problem is difficult to limit and when you know little about the area in the field of the study. It is, therefore, possible to gain as much information as possible within the specific problem area. (Wiedersheim-Paul & Eriksson, 1997) Furthermore, this kind of research is appropriate to generate interesting questions for future investigation, and can therefore be seen as a pre-study to a more detailed study (Patel & Tebelius, 1998).

Research is considered to be descriptive when studying a problem area with already existing information (Reynolds, 1971). The objective of this research is to be able to describe how something is without explaining why it is in a certain way. Descriptive research is most appropriate to gather information when investigating a total or random sample. (Patel & Tebelius, 1998)

Explanatory research is employed when the researcher is looking for a cause and effect relationship (Wiedersheim-Paul & Eriksson, 1997). This type of research is used when the aim is to describe the relationship between different variables and also to show that one phenomenon causes or determines the values of other phenomena that can be explained by for example hypothesis (Patel & Tebelius, 1998)

In chapter one we stated the following research problem, which also is the purpose of this study: The purpose of this report is to gain a better understanding of how brands are managed during acquisitions.

Considering our stated research purpose we can define our study as being exploratory, descriptive, as well as somewhat explanatory. We started with an exploratory phase since we had limited knowledge about the area in the field of the research. We wanted to gain as much information as possible within our specific problem area. Further, the exploratory phase is more of a pre-study where we aimed at exploring the area of brand acquisitions and management of brands in relation to brand acquisitions, which is where we came up with the research questions.

However, our study is mainly descriptive since we study an area with already existing information. Additionally, our aim is to describe how the companies in the research manage brands during acquisitions.

When we are answering our research questions in our findings we are beginning to explain the relationship between different variables. With this in mind, our study can also be classified as partly explanatory.
3.2 Research Method

The researcher has to decide which method to employ between the two approaches *deduction* or *induction*. The latter one means to begin with research and then construct a theory. The first one implies beginning with a theory or model and then conduct research. (Wiedersheim-Paul & Eriksson, 1997) Also, type of method, qualitative or quantitative has to be decided. The choice of research method depends on the type of data needed in order to deal with the purpose and the research questions in the thesis. (Holme & Salvang, 1991)

### 3.2.1 Deduction versus Induction

According to Wiedersheim-Paul & Eriksson (1997), there are two ways of conducting research, the *inductive* and the *deductive* approach. Using an *inductive* method means to begin with research, through observations, and then develop theory. This means that the researcher can study an object without first establishing the study in existing theory. (Ibid)

When using a *deductive* approach, on the other hand, the researcher starts in the general, in already existing models or theories. This method is utilised to create a framework to a process and then study an empirical situation to see if the theory is valid. The models or theories determine what information to gather and then through empirical studies the author creates logical conclusions. (Thurén, 1991)

A *deductive* approach was chosen in our study since we would reach our purpose more efficiently by using already established theories. Furthermore, we based our empirical studies on theories and models, having them constitute a foundation for how to analyse the collected empirical data. This makes the results in the study founded on existing theories and models in the area of the research. Additionally, the deductive way made it simpler to narrow our study down and at the same time aid us in gaining certain understanding and knowledge. Further, we saw no need to take on an inductive approach, as there are previous studies done in the area of our research that we can rely on. In addition, it would not have been possible to use the inductive method due to time constraints.

### 3.2.2 Qualitative versus Quantitative

A *qualitative* research refers to studies when the researcher gathers and analyses detailed data of ideas, feelings and attitudes. It is mostly used when trying to receive thorough information, which enables the researcher to obtain a deep understanding of a single case study or a limited number of companies. The empirical data received can not easily be transformed into numbers, but rather be described in words. (Gummesson, 1988; Yin 1994)

In a *quantitative* study the researcher gathers and analyses statistical data. A quantitative approach is mostly used when trying to gain a broad understanding of the problem of the study. The aim is to be able to draw generalised conclusions based on the collected information, and the findings can be presented in form of numbers. (Holme & Solvang, 1991; Yin 1994)

A *qualitative* approach was chosen in this study in order to be able to deal with the research problem and research questions stated for this thesis. It is suitable to chose this method as we need to obtain thorough, i.e. deeper information from a small sample about motives and risks
of brand acquisitions, as well as how to reinforce and revitalise the brand after acquisitions. Our main objective is to gain a deep understanding of the studied sample in the area of the research, without transforming any generalisations into numerical data. As the collected data can only be expressed in words, and after conceiving the complexity of the problem at hand, we do not regard a quantitative approach to be suitable for this thesis.

3.3 Research Strategy

According to Yin (1994) there are five major research strategies in social science. These five are experiments, surveys, archival analyses, histories, and case studies. An overview of the five research strategies with their strength and capacity for different situations is shown in table 3.1 Each method has advantages and disadvantages, depending on following three conditions: (Ibid)

- The type of research question posed
- The extent of control an investigator requires over behavioural events
- The degree of focus on contemporary events

<table>
<thead>
<tr>
<th>Strategy</th>
<th>Form of research question</th>
<th>Requires control over behavioural events</th>
<th>Focuses on contemporary events</th>
</tr>
</thead>
<tbody>
<tr>
<td>Experiment</td>
<td>how, why</td>
<td>yes</td>
<td>yes</td>
</tr>
<tr>
<td>Survey</td>
<td>who, what, where, how many, how much</td>
<td>no</td>
<td>yes</td>
</tr>
<tr>
<td>Archival analysis</td>
<td>who, what, where, how many, how much</td>
<td>no</td>
<td>yes/no</td>
</tr>
<tr>
<td>History</td>
<td>how, why</td>
<td>no</td>
<td>no</td>
</tr>
<tr>
<td>Case study</td>
<td>how, why</td>
<td>no</td>
<td>yes</td>
</tr>
</tbody>
</table>

Table 3.1: Relevant Situations for Different Research Strategies

Source: Adapted from Yin, 1994, p. 6.

Since our study does not require control over behavioural events, an experimental strategy is not appropriate. Furthermore, it focuses on contemporary events and therefore archival analysis as well as history is not suitable either.

When conducting a survey, a target population is asked to respond to a series of questions most often about contemporary events (Ibid). A survey is appropriate when the researcher wants to gather standardised information. This type of research relies on statistical generalisations and provides a good basis for a quantitative research. (Wiedersheim-Paul & Eriksson, 1997) However, the objective with this study, as discussed previously, is to gain a deep understanding without generalising the data. This in combination with the fact that we have used a qualitative method makes the use of a survey not suitable.
According to Wiedersheim-Paul and Eriksson (1997), when conducting a case study the researcher investigates a few objects in a wide number of perspectives. The authors further state that the objective is to gain thorough and in-depth understanding of a few objects where it is not possible to draw statistical generalisations. However, analytic generalisations can be made of the participating objects. Further, case studies often focus on contemporary events, and do not require direct and systematic control over behavioural events. Commonly used research questions when collecting qualitative empirical data are “how” and/or “why”. (Yin, 1994)

We consider case studies to be the most appropriate alternative in order to be able to deal with the purpose of this study. Case studies are best suited since we focus on a contemporary event and do not require control over behavioural events. Furthermore, case studies are appropriate due to the “how” character of our research questions. Case studies also meet with our selection of a qualitative research method. Through a qualitative method and case studies we are able to gain a thorough understanding of the area of our study from which we can draw certain conclusions. By limiting our research to include only a few objects and further looking at few issues from many different perspectives, we can gather the in-depth information we need to be able to answer our stated research purpose and research questions.

3.4 Sample Selection

After determining what research strategy to employ, it was of great significance to determine which companies to include in the study. For this study we have chosen to study one acquisition from the perspective of the acquiring and the acquired companies. When choosing companies for the empirical data collection of the study, we based our selection on the following variables:

- **Industry:** Automobile Industry

According to Haag (1999) there are few industries where the brand is such an important asset as in the car industry. Cars therefore have very strong brands, and are differentiated on an emotional basis through branding. Acquisitions and mergers within the car industry are very common. (Haag, 1999) Due to the importance of brands within the car industry and the trend to acquire or merge different brands, we find it interesting to investigate the management of brands during an acquisition within the automobile industry.

- **Companies:**
  - Case One - Ford Motor Company
  - Case Two - Volvo Car Corporation

With regards to brand acquisitions within the automobile industry we find it interesting to study Ford Motor Company’s acquisition of Volvo Car Corporation. We chose these companies since this is one of the most recent acquisitions. Furthermore, we have a great interest in this particular acquisition due to the Swedish nature of Volvo Car Corporation. Ford Motor Company acquired Volvo Car Corporation on January 28th 1999. However, Ford Motor Company shares the ownership of the Volvo brand with Volvo AB (50% ownership each). (Jarett, 2000) This acquisition will be studied from two perspectives by conducting two case studies, one at each company.
Chapter 3. Methodology

- **Individuals:** Case One - Manager of Public and Governmental Affairs
  Case Two - Head of Information and Public Relations

We chose to first get in contact with Ford Motor Company in Stockholm, Sweden, where we were refereed to the Manager of Public and Governmental Affairs; Mr. Peter Chadwick. Mr. Chadwick then recommended us to speak to his equivalent Head of Information and Public Relations; Mr. Lennart Ström at Volvo Car Corporation in Gothenburg, Sweden.

### 3.5 Data Collection Method

According to Wiedersheim-Paul and Eriksson (1997), there are two categories of collecting data, *secondary* and *primary*. The authors further state that secondary data is data that already has been collected for another purpose, while primary data is collected for a specific purpose by the researcher.

Additionally, Yin (1994) recognises that data can be collected for case studies in six different sources of evidence, namely *documentation, archival records, interviews, direct observations, participant-observation* and *physical artefacts*. A few of the primary data collection techniques for each source of evidence, according to Yin (1994), are shown below:

- **Documentation**: written reports of events, administrative documents such as proposals and internal documents, and articles appearing in the mass media.

- **Archival Records**: organisational records such as charts and budgets, lists of names and other relevant commodities, and personal records such as calendars and telephone listings.

- **Interviews**: either open-ended interviews, focused interviews or structured interviews. Open-ended interviews are free and open discussions. A focused interview, on the other hand, is semi-structured research that allows for informal conversation in a predetermined subject manner. Finally, structured interviews are interviews with pre-designed questions.

- **Direct Observations**: passive observation of meetings or in classrooms, and field visits.

- **Participant-Observations**: being a resident in a neighbourhood subject of a case study, serving as a staff member in an organisational setting, and being a key decision maker in an organisational setting.

- **Physical artefacts**: physical evidences.

The data used in this thesis is both *secondary* and *primary*, and the sources of evidence used when collecting data are *documentation* and *interviews*. To receive an initial and overall picture of the two companies in our study, documentation was selected as a data collection method. Annual reports and company brochures were ordered from the companies participating in our study together with a search on the Internet, to gain further company information. Additionally, we studied articles appearing in the mass media relevant for our research. This data obtained can be classified as secondary data as it was originally gathered for another purpose.
Detailed information, from the companies participating in our study, of the motives and risks of brand acquisitions, as well as how to reinforce and revitalise the brand after the acquisition was gathered through interviews. The data obtained through the interviews can be classified as primary, since it was collected for our specific research purpose. The strength of performing interviews is that we can target specific individuals within the field of our research to obtain the data needed.

The kind of interviews we have utilised can be considered to be of a focused nature, as we followed a certain set of questions based on our interview guide where the respondents were interviewed for a short period of time. Further, the interviews can be considered as open-ended in the sense that they were performed in a conversational manner. However, only questions concerning our research topic were asked, which still is consistent with the requirements for focused interviews.

When conducting an interview the researcher has to decide whether to perform face-to-face or telephone interviews. Initially, we preferred to perform face-to-face interviews, however, due to time limitations by our respondent at Volvo Car Corporation, this interview was conducted through a telephone-interview. The other interview with Ford Motor Company was conducted face-to-face. The reason why we chose to perform one personal interview and one telephone interview is that we found it better to actually have one personal interview than two interviews through telephone. Another option we could have done is performing the personal interview with another person at the company where the interviewee was not available for a personal interview. However, we rather spoke to the right person than performing personal interview with a person that would have been less able to answer our questions. The interviews were based on an interview guide, constructed based on the conceptualisation. Both of the interviews lasted for about one and a half-hours.

The probing technique was used during the whole interviews, which implies that the interviewer continuously check the correctness and accuracy of the given answers by posing follow-up questions to the interviewee (Wiedersheim-Paul & Eriksson, 1997). We used a tape-recorder throughout the interviews in order to be able to reflect the respondents’ answer correctly and thereby give an as adequate picture of the companies’ responses as possible. Additionally one of us was taking notes while the other one was guiding the interview.

3.6 Data Analysis

Every case should begin with a general analytical strategy that will provide the basis for what to analyse and why. The type of data received very much affects the quality of the findings. Furthermore, the strength of the data is very much dependent on how the data is analysed. The ability to draw any conclusions from the collected data is very much depending on how the data is analysed (Yin, 1994)

This study will involve the analysis of interviews, as well as the review and use of documentation, such as annual reports and brochures, from the two companies participating. The analyses of the study is carried out first via within-case analysis, where we analyse the data from each case against the emerged theory, as well as a cross-case analysis, where we make comparisons of the data between the companies (Yin, 1994). Further, in the analysis, we identify similarities and divergences between the theoretical and the empirical parts, as well as
between the different cases. Eventually we came up with some findings, which compose the base for our conclusions.

3.7 Reliability and Validity

To determine the trustworthiness and the quality of the gathered data there are two factors that have to be taken into consideration, reliability and validity. There are four tests commonly used in qualitative and case study research in order to determine the quality of the data collected, including construct validity, internal validity, external validity and reliability. (Yin, 1994)

When establishing construct validity, the researcher makes sure that correct operational measures are utilised for the concepts being studied. There are three available tactics in order to increase construct validity. The first one is the use of multiple sources of evidence, which is of great importance when collecting data. The second tactic is to establish a chain of evidence. A third tactic is to have the draft case study report reviewed by key informants. (Ibid)

We have used multiple sources of evidence including interviews and documentation such as annual reports, brochures, the companies’ web-sites, and articles from the mass media. By citing specific documents and interviews, the reader should be able to follow our study’s origin of any evidence from initial research questions to definite case study conclusions. Also, we have had the key informants review a draft case study.

Internal validity, on the other hand, is only of relevance when conducting explanatory studies. By establishing a causal relationship, certain conditions are shown to lead to other conditions, distinguished from spurious relationship. (Yin, 1994) Our study is not primarily of explanatory nature and therefore the internal validity is not of importance in our study.

Establishing the domain to which the findings to a study can be generalised is referred to as external validity. Furthermore, it deals with the problem of knowing whether the findings of a study are generalisable beyond the immediate case study and the problems of selecting a representative case or set of cases. The replication logic is used in multiple case studies. In multiple case studies the focus is on more than one case study. If similar results are obtained through several case studies, replication is achieved. (Yin, 1994)

In our thesis we have conducted two case studies by observing the same event from two perspectives (from the acquiring company as well as the acquired company). In other words we have used multiple case studies. The companies have been chosen through subjective selection, instead of probability selection, which limits the generalisability.

To further increase the validity we tried to design an interview guide in accordance with our research purpose and research question. We also tried to receive an overview of all the relevant literature available in the area of our research. Thereafter, theories supported by many well-known researchers were chosen in order to avoid certain biases that may occur if only the theory of one author was studied. However, we might have overlooked some literature due to the fact that we only used a limited number of key words in our search. To further augment the validity we tried to interview the persons at each company who were the most competent within the field of our study.
Reliability is concerned with how reliable and accurate the research methods and techniques for collecting data are. The reliability is a way of measuring how well a method provides a researcher with the same results, if the method were to be repeated under the exact same conditions. Judgements of validity measures how valid the collected data is, whether the methods used to gather data measure or explain what the researcher states to measure or explain. (Yin, 1994)

If a method is not reliable, it also lacks validity. However, high reliability does not necessarily mean high validity, as it is possible to use a method that would provide the researcher with exactly the same results from two different occasions, without actually measuring what was intended to be measured. (Ibid)

We have handled and evaluated the gathered information from the companies and we have tried to be as objective as possible, to further ensure the reliability of this thesis. Throughout the interviews we used a tape recorder that helped us remember the interview better. It also gave us the possibility to listen to the respondents’ answers many times in order to avoid making any misinterpretations. However, our educational or personal background could affect the interpretation. If biases have occurred because of that, it is something we have not been able to identify or prevent. We chose not to give the interviewees access to the interview guide before the interviews. The reason for this was to avoid the possibility that the interview guide would lead the interviewees and thus leave out other relevant information. The interview guide consists of unstructured questions to make it possible for the respondents to answer more openly as we did not want to lead their answers.

If our investigation was to be repeated with the same interview guide and respondents it might still not lead to precisely the same results, as subjectivity is always involved in personal interviews. This is something beyond our control, and it could have affected the reliability of this study.

With the above methodological discussion as how data for our study was collected, we now turn to the presentation of data.
Chapter 4. Data Presentation - Cases

This chapter provides the empirical data, which comprises of two case studies. The cases are based on interviews with Ford Motor Company and Volvo Car Corporation. Each interview and case presentation is based on the order of our research questions and general outline of our conceptual framework. The data presented regarding the research questions is based from the interviewees of each company only.

4.1 Case One: Ford Motor Company

In 1903, the 20th century’s business man (chosen by the magazine Fortune in 2000), Mr. Henri Ford, founded Ford Motor Company. In the beginning of 20th century cars were rare, expensive, unreliable and complicated. Mr Ford’s aim was to change this and make the car a mass product that the people could afford. Indeed did he succeed, the T-Ford in the beginning of the 20th century became a car that the crowd could afford. (Kamlin, 2000)

Ford Motor Company operates in the automobile industry and provides automotive products and services. Ford Motor Company consists of four business units including Ford Automotive Operations, Ford Credit, Visteon Automotive Systems, and Hertz. This study will only include Ford Automotive Operation, which has the following brands under its umbrella; Ford, Mercury, Lincoln, Jaguar, Aston Martin, Mazda and Volvo Cars. In 1998, the revenue reached $ 119 billion, and the total number of employees was about 231,200. The business unit has operations in 38 countries and owns 105 plants. Ford Automotive Operations is the world’s largest manufacturer of trucks and second largest manufacturer of cars and trucks. Key competitors being BMW, Daimler Chrysler, Fiat, General Motors, Honda, Nissan, Toyota, and Volkswagen. Major customers are Hertz, Hewlett-Packard, GE, Merck, Budget Rent-A-Car, and other commercial accounts and millions of individuals. The competitive strengths include the world-wide truck leadership, total cost management, global product development capability and distribution network, global platforms/great brands, strong union relations, strong balance sheet, and the highest customer loyalty in the U. S. (Annual Report of Ford Motor Company, 1998). The respondent in the interview, Mr. Peter Chadwick, is the Manager of Public and Governmental Affairs at Ford Motor Company in Stockholm, Sweden.

4.1.1 Motives for Brand Acquisitions

In this section the motives for brand acquisitions will be presented one by one as in chapter two, and as to which extension each motive affected the acquisition or not

Synergy effects

The trend in the automobile industry is that the big actors are buying the smaller one. The acquisition of Volvo1 is an occurrence in today’s automobile industry. Many people believe that within a five to a ten-year period there will only be five big groups of owners within this industry. However, all the car brands will probably still exist on the market but with a change in the ownership. It is becoming increasingly expensive to develop new car models. The new technology especially regarding the engines of the cars is expected to be developed. A small

1 From now on when writing only Volvo we refer to Volvo Car Corporation.
car manufacturer does not have the resources to develop a completely new model and simultaneously develop new engines. The new motors are expected not only to be petrol-engines but fuelcells and the future engine-technology will cause practically no damage to the environment with zero spills. This technology is being developed at this very moment, has been during the last couple of years and will continued being developed. The investment in the development of the new engines is very expensive. A large car manufacturer has the possibility to spread the costs of development on larger volumes than a smaller can. Furthermore, it is possible as a large car manufacturer to cut the purchasing prices to a greater extent than it is for a smaller manufacturer.

Access to knowledge, resources and contacts and/or distribution channels
Ford\(^2\) is able to share Volvo’s great knowledge in the safety area. However, as Volvo is such a small player on the global market, Ford’s motive did not consist of getting access to resources or contacts. With regards to getting access to distribution channels Ford only aimed to obtain this on the Swedish market.

Increasing market shares through reaching new segments
Ford can, by acquiring Volvo, reach segment where it has had difficulties to compete with just Ford’s brand. There is a certain image and status built in a brand and even if Ford would be able to build a car that would look like a Volvo, it is the brand that counts. This because a brand is charged with emotional values, which are hard to create by simply designing a new model.

Market penetration and globalisation
Ford can penetrate markets faster by acquiring Volvo due to the fact that Ford automatically acquires Volvo’s segments. If Ford would not have acquired Volvo they would have to penetrate these markets by building a new brand in that segment, which takes long time to do. In addition, through acquiring Volvo, Ford reaches globalisation faster as they cover new markets or segments where Ford, before, did not have presence, at a more rapid speed.

Multiple brand/model portfolio
A larger company with brands in different segments is less sensitive to recession of the economy. The automobile industry is relatively sensitive to trade cycles in the economy and when they occur there is a rather significant fluctuation in the sales of cars. An example of this is that in 1988 about 344 cars were sold in Sweden, and in the regression 1992-93 only about 124 cars where sold. That is about one third of total sales in 1988. All the retailers were still there, except for a few that went bankrupt and all the factories were left. Operations within the automobile industry can not easily be adjusted to this kind of fluctuations, as there are extremely large manufacturing units and processes with very high fixed costs involved in producing cars. Fluctuations can be the difference between profit and loss. That means that owning multiple brands is a way to grow whilst spreading the risks.

Having multiple brands is a way to reach as many customers as possible on a market and share the costs, which makes all the brands within the brand portfolio less sensitive for fluctuations in the economy. It is also better to have two brands in the same segment even though there is a certain substitution because you have more customers with two brands than with one brand in that segment.

\(^2\) From now on when writing only Ford we refer to Ford Motor Company.
Owning a multiple brand portfolio, you cover more of the market than if only having one brand. That makes it possible to make the customers switch brand within the company. As consumers go through different stages in the lifecycle it is possible to make them switch to a different car in the portfolio. Customers’ loyalty is decreasing and that means that if a company owns more brands it provides a possibility to retain the customers if not within the brand – at least within the company.

Leverage and make a more efficient use of capabilities
Ford can take advantage of Volvo’s world-wide famous competence in the area of safety and environment. It is more useful for Ford to be able to concentrate on areas in which they are more effective, and transfer Volvo’s and their own competence to all the other brands that Ford has in the portfolio.

Competitive advantages
By acquiring Volvo, Ford increases their sales volume by adding Volvo’s sales volume. Ford increases the value of the company by including a brand in the portfolio such as Volvo where there is an extremely high value charged in the brand. It is obvious that Fords value then increases. In addition, Ford can share the fixed cost on even larger volumes than before, whereby costs are decreased. Through owning Volvo, Ford increases profits as it obtains Volvo’s profits as well. By grouping Volvo with certain brands in Ford’s portfolio, Ford is able to reach certain advantageous contacts with distribution nets, especially in Sweden where Volvo has a strong position on the market. Ford does not aim to create synergies between Ford or any other brand in their portfolio and Volvo as the brands are going to be kept distinct and managed separately. Finally, economies of scale are not what Ford desires to obtain through the acquisition as they can obtain that without Volvo.

Acquire brands for their future potential
Volvo is a strong brand and when Ford acquired Volvo it had a few new products just about to be released and other relatively new products that were competitive on the market. Ford perceived Volvo as having a very strong competitive position in the long run and not just in the short-run. Ford knew that Volvo would bring in profits without having to put as much resources efforts into the brand as would be necessary with a weaker brand such as Jaguar.

Alternative to build a new brand
Ford did not buy Volvo in order to use existing production capacity which is about 400’-500’ cars a year. Ford would do this cheaper and more efficiently, however Ford is buying the brand and the value that is charged in a brand. There are great costs and investments involved in building up awareness of a new brand, which implies great risks involved in building a new brand. There is always a risk that people do not appreciate the new brand. Furthermore, it takes time before people know the brand, that it exists and what it stands for. Today, it is much harder to build a new brand because there are many competitors on the automobile markets, which makes it safer and even cheaper to acquire a brand. Ford does not lack the resources to create new brands. Instead, Ford believes that it is a better and more efficient strategy to acquire another brand that already has built up a name and awareness.

Entry strategy when entering new segments
By acquiring Volvo, Ford is able to reach segments that are not covered by the brands that Ford had before.

Gain market shares in mature markets or segments
The acquisition of Volvo is also a way to gain market shares in the market or segment where Ford had difficulties in entering.

Add value and prestige to the whole company and improve its image
The image of Ford increases as they are actually helping Volvo in their struggle to grow. By acquiring a strong brand, customers or anybody connect Volvo with Ford to a certain extent, even though Ford is trying to keep them as very separate and distinct brands. For example BMW acquisition of Rover was a failure. The acquisition implies that negative associations automatically have been transferred to BMW as well. Volvo is a succeeding brand and therefore, positive associations will be transferred to Ford. Further, as Volvo is a strong brand it adds value and prestige for Ford.

4.1.2 Risks of Brand Acquisitions

In this section each risk of brand acquisitions is presented one by one as in chapter two, and as to which extension the company saw the risk or not.

Cannibalisation
Ford did not perceive the risk that Volvo could cannibalise on other brands owned by the company as all the brands in Ford’s portfolio are targeting such different segments. Sure, there will be an overlap when a company such as Ford owns many brands, however, Ford’s brands are rather different. For example Mazda and Ford manufactures cars in roughly the same sizes and in the same price segments. However, Mazda and Ford have relatively different images and associations and still they are the brands that are closest to each other and where the overlap may be greatest in Ford’s portfolio. It is possible to compete in the same segment and price class with more than one brand even though there is likely to be some substitution as you have more customers with two brands than if only having one brand in that segment.

Incompatible associations
Volvo is probably one of the strongest and most distinct brands within the automobile industry with a well defined profile. Therefore, Ford did not see any risk with this.

Too many brands or models
Ford has not experienced any confusion among Volvo’s customers, implying that the country in which the manufacturing takes part plays a more essential role and Volvo’s base is still in Sweden. Additionally, if the brand has been looked after well that counts for more than who the actual owner of the brand is. Customers purchase a Volvo because it is a good product and not for whom it is owned by. The fact that Ford nowadays is the owner of Volvo is less important as long as the product is right and that Volvo has something that appeals to the customers.

Dominate competitors
There will always be competition and Ford did not see any particular reservations in Volvo having to face dominant competitors in new markets or segments that could mean a risk for Ford. Volvo had one year ago when Ford acquired them, few relatively new products on the markets that are competitive. In addition, Volvo had a few products in Pipeline, e.g., V 70, that where just about to be released. Therefore, Ford did not see any risk that Volvo was in a
disadvantage with their products or that Volvo had a weaker competitive ability at the time of the acquisition or in the long run.

**Consumer opposition**
There is also a risk that the acquiring company could cause bad publicity for the acquired one, however, this risk was not seen as particularly threatening. A reason for this is that Fiat was also a potential buyer of Volvo but still Ford was preferred by consumers to be the owner of Volvo. In addition, Ford is seen as a very strong brand with much greater potential than Fiat.

**Problems with restructuring, co-ordination and styles of management**
Volvo has about the same board of directors as before, except for a few new persons. Volvo’s organisation is very much untouched by Ford. The employees at Volvo very much perform the same things as before. Overall, Ford did not plan any major changes. It always takes time to co-ordinate two companies in terms of changing the attitude of the internal organisation seeing to that everyone from top management to the bottom has learned something. However, Ford did not see that the restructuring, co-ordination and styles of management as something that was a major risk that could make the acquisition fail.

**Problems with culture clashes, language and differing business practices**
Ford did not see a problem with culture clashes, language or differing business practices as Volvo was very co-operative. Furthermore, most Swedes nowadays speak good English, therefore Ford saw no risk of not being able to communicate with Volvo.

**Problems with integration of the brand into the portfolio**
Ford did not expect any problems with the integration of Volvo into the portfolio, instead, they regarded Volvo to be in line with their existing portfolio of brands. In addition, there is also no great risk of diluting the equity of the different brands, which could cause confusion among consumers. All the different brands owned by Ford has kept their distinct profile and Ford saw no reasons why they should make any differences with Volvo.

**Meet shareholders expectations**
Ford saw no risk in not being able to handle and meet expectations among shareholders and consumers. Instead, they saw a great potential in Volvo that could lead to an increased value of the company.

**Hurtful changes in management of the brand**
Ford does not want to make any drastic changes in the management of the brand that would cause opposition among consumers. However, Ford wants to continue to improve Volvo’s brand towards a direction that Volvo has been going for the last 5 years.

**The acquired brand will fail or cause bad publicity**
Ford saw no risk that Volvo will fail that would affect other brands in the portfolio or Ford’s corporate brand could cause bad publicity for Ford as Volvo’s brand is such strong brand.

**The acquired brand is experiencing a decline in market shares**
Ford did not see that Volvo was experiencing a decline in market share. Instead, Volvo had a great future potential with products waiting to be released and a few relatively new products on the market that were (and still are) competitive.
**Change in ownership**

Ford saw the risk of having to share the Volvo brand name with other owners of other parts of the Volvo AB. Ford does not want to share Volvo with another partner due to the fact that sharing the name could dilute or confuse the meaning of the name to consumers. In addition, the management of the brand would be in more danger.

**4.1.3 Reinforcement and Revitalisation of Brand Equity**

In this section each strategy will be presented one by one as in chapter two, and as to what extent the company employs the strategy.

**Brand Reinforcement**

*Consistency in type and amount of marketing efforts*

Volvo is a very strong brand, probably one of the strongest and most distinct within the automobile industry with a well defined profile. If people all around the world were asked to pinpoint associations of Volvo words such as safety and environment would probably come up. Therefore, Volvo is not in need to reinforce its distinctiveness of the brand but rather to continue building on the brand by developing new products.

When Ford acquired Jaguar in 1989, which was a brand that was significantly weaker than Volvo is, Ford had to make many changes. Ford rebuilt the Jaguar brand from practically start and overall the brand was in great need for resources. For example Ford made investments in improvements of quality, removing negative associations of the Jaguar brand as well as expanding the awareness of the brand. Jaguar was handled in a very good way and it is argued that Ford would therefore become a good parent company for Volvo as well. However, with Volvo, Ford did not have to take as much action as with Jaguar because there was no need to make any major changes. Instead, Ford let Volvo do what they were doing, since Volvo already had a very strong brand. Ford is aware that a brand needs consistency and since Volvo was good at managing the brand they saw no reason to change this. In Volvo’s effort to make the brand even stronger Ford supports Volvo to emphasise the consistency whilst also building on existing associations of the brand.

It is only about a year ago that Ford acquired Volvo, and it is still too early to say exactly how Ford has influenced Volvo. It takes long cycles to develop a new car, approximately about 24-36 months from having determined which segment to operate in, the size of the car, potential quantity that can be sold, developing design and finding a platform until a new car can be released. This means that the Volvo’s existing cars on the market had already been developed when the company was acquired by Ford.

**Potentially powerful new sources of brand equity**

- **Product-related associations**

Ford wants to continue building on Volvo in the direction that the brand has been going the last five years, however make the brand somewhat more luxurious and present more exciting and youthful cars. The design of the new models of Volvo is losing the edge form and becoming rounder, however, Volvo is still highly recognisable as Volvo. Design is very important in order to be considered as an alternative for the customers at all today. Cars today have and need to have the entry ticket of safety and quality while design is becoming increasingly im-
important as a differentiating tool. However, the most recognised sources of equity, safety and environment, are not being passed over although new associations are being added. Through bending the sheet metal, which is one phase of product design, feelings of many things, e.g. safety or elegance are conveyed.

**Non-product-related associations**
Volvo is becoming a sportier car without losing the safety bit. Sportiness is not something new for Volvo, in the 1960s’ Volvo was seen as a sporty car. Cabriolet versions of the new cars are available as well as turbo models with stronger engines. Car manufacturers also need to be aware of the changes in society. Today, that means that it is increasingly important to be aware of environmental issues. In order to survive in the long run as an automobile manufacturer, environmental issues can not be bypassed. This is something that Ford is recognising and they are spreading it through the whole brand portfolio. An example of this is when the magazine Time came out with an environmental issue in co-operation with Ford. Volvo is also being individually advertised in that issue, with an environmental message that states that the S80 is an environmentally friendly car.

**Separate management of the brands in the portfolio**
The marketing activities of Volvo will be marketed distinct from Ford or the other brands in the portfolio, otherwise the profile of the different brands will quickly be erased. Except for some connection such as International automobile fairs. At these occasions Ford rents a big surface and split it into separate sections with distinct and particular environments for each brand, however, still in the same area. This is probably the closest marketing that the brands will encounter. The worst thing to do is to erase the separate differentiation that customers experience. All that would be left would be a product to fill needs without a meaning. All brands within Ford will keep their distinct profiles both when it comes to the product and the marketing communications of them.

**Brand Revitalisation**

**Expanding awareness**
- Increase amount and/or quality of consumption
Increasing the amount and of quality of consumption is something is today not handled by Ford.

- Increase frequency of consumption
When a product has a long product-life-cycle such a as car, it takes between 6-10 years from that it is has been realised until it is substituted by another car. In these cases it is especially important with relationship marketing. In order to induce customers to switch more often something called mid-cycle facelift that takes place half way through a car’s lifecycle are used. For example if a car has an eight year long life cycle, after four years the car would go through a mid-cycle facelift where things such as the front- and the back- part or the dashboards could be changed. This makes the car more competitive and at the same time it feels more modern for customers whereby they experience a stimulus to replace the car. In addition to this, releasing a new model every year and making a gradual promotion through adding equipment or new and more attractive models such as sport or cabriolet versions creates new interests around the car. Furthermore, start racing with a car could strengthen the image as an alternative way to raise attention to the car.
**Improving image**

- Improve strength, uniqueness and favourability

**Retain vulnerable or recapture lost customers**

The most important thing to do is to take good care of the customer, which is not distinct for the automobile industry but for almost every industry. Generally the buying moment, when the buyer receives the new car, is the least important moment. Instead it is the time after that that is the most important. The process that then need to be emphasised is to take care of the customers when they need service of their car or any other occasion where the customer needs to leave their car at the garage. Therefore, a lot of time and money is invested in educating retailer personal in order to be able to meet customers in the best possible way. Nonetheless, the quality of the product is also an important aspect because the fewer faults a customer experience the better the product is perceived whereby the customer feels loyal. However, it is not certain that it is enough with a high quality of the product but also the relationship between the retailer and the customer is extremely important. Overall, relationship marketing in the automobile industry has become increasingly important in order to keep a constant dialogue with customers. This as the interval of services is increasing. Nowadays cars only need to be served once a year (if you not driving extremely far). This is a result of the increased product quality, and the fact that the likelihood of having an unforeseen fault is less. This means that the retailer only, in worse case scenario, sees its customers once a year.

The average car that Volvo sells is a privilege car and it usually stays with the owner for 36 months. Within this ownership period the retailer sees the customer when the car is being received and three times more during the whole ownership. These four times that the retailer sees the customer is not very much to build a relationship on. Therefore, the dialogue during the ownership is becoming increasingly important because what retail wants to do is to influence the customer to buy the brand next time as well.

Overall, loyalty has decreased, especially among younger customers. This is because there are more products available as well as more competitors to choose from. That means that consumers today have bigger selections whereby loyalty is even more important. The customers that are loyal need to be looked after with extra care.

**Identify neglected segments**

Ford is not involved in identifying neglected segments.

**Attract new segments**

Ford will probably look into developing new cars in new segments where Volvo today lacks presence and thereby revitalising the brand by expanding the breadth of the brand. However, due to the long time spans that it takes to develop a new car this is still a few years away. Therefore, it is still too early to see the outcome in terms of a new car.

- Balancing new and old target markets

**Multiple marketing programs**

Multiple marketing programs are not handled at all by Ford.

**Keep the brand modern and up-to-date**

As mentioned before, the car can be updated through a mid-cycle lift, which makes the customers feel that the car is more modern and up-to-date. Another alternative is to gradually
promote the car by adding associations, equipment and releasing new models such as sport and cabriolet versions. Whilst present customers experience a stimuli to change, it can also attract new customers.

New distribution outlets to increase availability
Furthermore, Ford is trying to help Volvo to a larger retailer network in for example the U.S. and other European countries besides Sweden (Volvo has 20% market share in Sweden and only about 0.5% in the rest of Europe). This makes the distribution stronger and the availability of the product better by displaying it more to the public whereby the brand could be made more favourable.

Volvo is a placed in what Ford call Premier Automotive Group, which also include the brands of Jaguar, Aston-Martin and Lincoln. In the future, it is possible that the brands within this group will be distributed in retailer centres together where all the brands are present but in different sections or environments. Volvo is a relatively small player on the global market place and there are great investments involved in running retailer centres where certain volumes has to be dealt with in order to be profitable.

4.2 Case Two: Volvo Car Corporation

Volvo was born on April 14th 1927. The name “Volvo” was created by SKF, the provider of factory premises. Volvo is Latin and means “I roll”. Volvo’s commitment to safety has been an intrinsic part of the company since it was established - and people who purchase a Volvo simply take it for granted that they are buying one of the world’s safest cars. Environmental care is also an important Volvo core value. Volvo is ranked as a leader in terms of environmental care among the world’s top producers of automobile and transports products, equipment and systems. Volvo’s environmental programmes shall be characterised by a holistic view, continuous improvement, technical development and resource efficiency. Volvo shall, by these means, gain competitive advantage and contribute to a sustainable development. (Annual Report of Volvo AB, 1998)

In 1978, Volvo Cars was reorganised into a subsidiary, the Volvo Car Corporation and in 1979, French Renault signed an agreement with Volvo involving industrial co-operation, research and product development. For a few years, Renault was a minor shareholder in the Volvo Car Corporation. In 1990, another agreement with Renault was signed. (Annual Report of Volvo AB, 1998)

On January 28th 1999, Volvo signed an agreement with Ford Motor Company, selling the passenger vehicle business, Volvo Cars, to Ford. The price was $6.45 billion. Ford thereby took ownership of all of Volvo Cars' facilities world-wide, including three assembly plants and two powertrain plants in Europe and Volvo's passenger vehicle product development centre in Gothenburg. Ford now has the right to use the Volvo brand for passenger vehicles including cars, minivans, sport utility vehicles and light trucks on a perpetual basis. Volvo on the other hand has the right to use the Volvo brand for commercial vehicles and its non-automotive-related products. (Jarett, 2000)

The respondent in the interview, Mr. Lennart Ström, is the Head of Information and Public Relations at Volvo Car Corporation in Gothenburg, Sweden.
4.2.1 Motives for Brand Acquisitions

Synergy effects
Being part of such a large group as Ford Motor Company involves possibilities when it comes to creating synergies. One major motive for the acquisition is to draw use of and create synergy effects within areas such as research and development, production, purchasing and financing. Synergy effects within research and development are created through the ability of Volvo to draw use of Ford’s research and development within certain areas while Ford can draw use of Volvo’s research and development in areas where Volvo is strong. The access to Ford’s research and development and the cost savings that it brings make it possible for Volvo to be more efficient by focusing on areas where the company has its expertise. Volvo benefits from Ford through Ford’s development of new and more powerful engines and other components, while Ford benefits from Volvo’s expertise within environmental and safety issues. Within the group, it is important that everyone takes part in long-term research and development of new components. To the extent that is possible, the brands within the group share common components, which create synergies within production, purchasing and financing. However, this is something that the customer should and does not experience or even notice.

Access to knowledge, resources and contacts and/or distribution channels
The acquisition provided Volvo with expertise within many areas such as research and development of engines and components. Most importantly, the acquisition provided access to resources that Volvo needed in order to grow and expand their product line and introduce new models. Volvo would not have been able to grow and stay competitive without the strength that an acquisition can provide in terms of access to resources and financial help and expertise. At the moment, Volvo is using the same distribution channels as prior to the acquisition. However, in the future it might be beneficial to draw use of Ford’s distribution network.

Increasing market shares through reaching new segments
Ford’s investment in Volvo has made it possible for Volvo to develop and put a much larger number of new car models on the market at a more rapid speed. One major motive for the acquisition was the opportunities to grow in foreign markets through the acquisition. Since Volvo is already as strong as it intends to be on the Swedish market, Volvo needs to reach other markets and segments in order to grow and find new customers for their cars. In Sweden, Volvo already has a market share of 20%. The company is already strong, and has traditionally always been very strong. The acquisition provided Volvo with the opportunity to grow by reaching new segments, especially those outside of Sweden through the help of increased access to resources and financial help. Volvo is today able to be present within segments where they have not been before. With the increased strength that the acquisition has provided, Volvo is able to widen and extend their product line, increasing the number of car models. By growing stronger and developing new and more prestigious models, Volvo also enhances the image if the brand through reaching and satisfying new customer segments.

Market penetration and globalisation
The acquisition provides opportunities to penetrate new and current markets and segments at a higher pace due to the financial help and access to resources provided by Ford along with rapid progresses within research and development which Volvo is able to take part of. At the moment a lot of things are happening within Volvo. Volvo’s plans are to introduce new and different models at a more rapid speed than ever before. The stage in the product development of new models is very intense, as intense as it has ever been before. The opportunities and possibilities to introduce new models increase all the time. In the long run, the acquisition
Multiple brand/model portfolio
The increased access to resources and the financial help that the acquisition has provided creates opportunities for Volvo to extend their product line and introduce a wider range of different models. Volvo is thereby able to cover more segments of the market and appeal to customers with different preferences. Especially on the Swedish market, Volvo’s desire is to provide all customers with a model that appeals to their needs and income. The benefit of being able to have a large portfolio of different models and thereby appeal to a larger portion of the market was therefore a motive for the acquisition.

Leverage and make a more efficient use of capabilities
By taking advantage of Ford’s expertise within certain areas, Volvo is able to make a more efficient use of their capabilities by focusing on these and leveraging this expertise in new markets.

Competitive advantages
Volvo’s desire is to grow and be competitive on the global marketplace through the strength provided by Ford. On the Swedish market, Volvo has no desire to grow any stronger, however, in order to be competitive in other markets, Volvo needed the help that Ford can provide to strengthen the brand and extend the product line.

4.2.2 Risks of Brand Acquisitions

Cannibalisation
Within the Ford group, Jaguar is the closest competitor to Volvo. However, even though they are the brands closest to each other, the two brands have different customer target markets and are positioned in different segments of the market. Furthermore, Volvo’s product line and profile is different from those of the other brands within the Ford group. Therefore, Volvo did not see any risk of any form of cannibalisation occurring. In order to avoid any mixture or cannibalisation, all brands within the portfolio are managed through creating and maintaining their distinct identities.

Incompatible associations
Due to the distinct identities of all the different brands within Ford’s portfolio, and the fact that they are managed separately circumvents any problems with transference of associations among and across the different brands. Volvo therefore saw no risk of any incompatible associations being transferred to the Volvo brand.

Too many brands or models
When shifting to targeting new and younger segments with new and trendier products, there is always the risk of loosing target markets such as families. On the Swedish market Volvo is also appealing to young, low-income customers who are very different from both families and customers in the prestige class. The acquisition has provided Volvo with the opportunity to further extend the product line. By doing this, Volvo is targeting more segments. A larger portfolio of different models involves different target markets. The company has experienced some difficulties in balancing all different segments in Sweden. However, this is a problem specific for the Swedish market.
Dominate competitors
In Sweden, Volvo is a very strong brand with a high market share, which they intend to main-
tain rather than increase. Volvo’s competitive position on the Swedish market is quite strong
and stable. However, the competitive environment in foreign markets is very different from
the one in Sweden. Volvo’s new products are competing in segments where also strong
brands such as BMW and Mercedes are positioned, which creates a sometimes hostile com-
petitive environment in those segments. The risk of not being strong enough to compete suc-
cessfully against these brands was considered when deciding to extend the Volvo brand into
these markets and segments.

Consumer opposition
Due to the Swedish tradition built into the brand Volvo, selling the company to a foreign
company runs the risk of causing problems with consumer opposition. However, Volvo has
not experienced any of this. The most likely reason for this is that consumers pay little atten-
tion to the actual ownership conditions. Instead, they focus on what the brand stands for and
the products presented. Their concern is that the brand Volvo means the same thing as it has
always meant and that brand associations agree with their own. Furthermore, Volvo’s base is
still in Sweden. Even though Volvo is an international company, even more so today due to
the acquisition, Volvo still remains in Sweden. Even though Ford now owns Volvo, the main
office remains in Sweden and factories and plants remain in Sweden and Belgium as before
the acquisition. Ford has showed confidence and respect for Volvo’s management of the
brand and therefore there have been very few changes and a low degree of influence from
Ford regarding the management of the Volvo brand. Volvo and Ford have agreed that Volvo
should continue to manage the Volvo brand as before the acquisition. Volvo is therefore still
Volvo, and this is believed to be on of the reasons why consumers see no or very little
changes but positive ones as a result of the acquisition.

Problems with restructuring, co-ordination and styles of management
Acquisitions are never easy and it takes time before they function smoothly. However, this
acquisition has proceeded fast, smoothly and above expectation. Prior to the acquisition,
Volvo had some concern about problems that could occur regarding co-ordination, styles of
management, major restructuring or changes in management. However, since almost nothing
has changed except for the actual ownership, this has not been a problem at all.

Problems with culture clashes, language and differing business practices
Volvo did not see any risk of running into problems due to differences in cultural factors be-
tween Volvo and Ford.

Problems with integration of the brand into the portfolio
Volvo did not see any risk of the Volvo brand not being properly and successfully integrated
with other brands within Ford’s portfolio. The Volvo brand was a good fit and complement to
the Ford portfolio.

Meet shareholders expectations
Volvo did not see any risk of not being able to meet shareholders expectations. Instead, the
acquisition is believed to benefit shareholders and increase the value of the Volvo brand,
which will show in the value of the Volvo stock.

Hurtful changes in management of the brand
Since almost no changes in the management of the brand were planned to take place as a di-
rect result of the acquisition, this was not a risk that Volvo needed consider.
Drowning
The major risk involved in the acquisition was the risk of drowning. In the case of being acquired by a large company, there is the risk of a smaller company such as Volvo drowning when acquired by a larger company such as Ford. Ford has invested hugely in the strong brand Volvo, and for Volvo to be profitable the brand need to be strengthened further to avoid drowning. However, the strength of Volvo has always been, even long before the acquisition, a strong brand and is believed to have the ability to maintain its strength among the other brands in the Ford group. This is one of the motives why Volvo is still the primary manager of the Volvo brand. In order for the brand to maintain its strength, it should continue to be managed by Volvo.

4.2.3 Reinforcement and Revitalisation of Brand Equity

Brand Reinforcement

Consistency in type and amount of marketing efforts
Volvo is managing the Volvo brand on a continuous basis. At the moment, Volvo is trying to reposition the brand. The repositioning of the brand is not a direct effect of the acquisition, however, the development of the new car models that are used to extend the brand into new customer segments and product categories would not have been possible without the support from Ford. The strive to add new and more luxurious models to the product line with new associations such as “körglädjje”, comfort and design started prior to the acquisition, and Volvo will continue to appeal to new segment. Of course, Ford has influence over and a great interest in how Volvo acts and how the brand is managed, however, Volvo still manages the brand to a high extent on their own, following the strategic directions which they set prior to the acquisition. The degree of control and influence that Ford practices over Volvo is in line with what Volvo was already working on prior to the acquisition, which means that the acquisition has not brought on any major strategic changes. Within Ford, Volvo is a part of a company called PAG, Premium Auto Group. PAG constitutes of Ford’s premium brands Jaguar, Lincoln, Mercury, Aston-Martin and Volvo. The purpose of the PAG group is to manage and steer the prestige brands within the group towards certain goals, and these set goals for Volvo are very much the same as Volvo’s thoughts prior to the acquisition. Furthermore, both companies realises the strength of the Volvo brand, and the benefits of basing and building further marketing efforts and product developments on values already built into the brand. Core values such as safety are still important and still in focus, however new associations have been added to enhance the meaning of the brand. Marketing efforts are used to reinforce the repositioning of the brand and improve the brand image. Occasionally, Ford markets the whole group through corporate advertising. This is common when it comes to for example environmental issues.

Potentially powerful new sources of brand equity

- Product-related associations
Regarding the improvement of product associations, Volvo is very much focused on improving design and comfort and developing better and more powerful engines. During the last couple of years, Volvo has extended their product line to include new, nisch models such as a cabriolet and a cupé. The product line twenty years ago did not include anything that comes even close to a cabriolet. A Volvo cabriolet was something that wasn’t considered possible at all. Today, new models are being added, and many of them are moving up into segments or
being repositioned in current segments through more powerful engines and improved equip-
ment. The models are more exclusive and positioned in segments where Volvo has never been
before. For example, the new model S80 is positioned in the prestige class. The Volvo brand
is reinforced through these new and more attractive models that appeal to new customer seg-
ments.

- **Non product-related associations**
Independent image measurements have shown that Volvo is today among the strongest brands
in Sweden. This has not always been the case for Volvo. The new models that have been
added to the product line have repositioned the brand, thereby enhancing the image of the
brand. The combination of marketing efforts, advertising and new and better cars have con-
tributed to this improvement of the brand image. Volvo has always been associated with
safety. During the last couple of years however, new associations such as “körglädje” and
design have been added. These associations are mirrored and built into the new models S80,
V70, the cabriolet and the cupé. These associations are also to a great extent used in market-
ing efforts. Volvo is no longer only marketing their cars by talking about safety. Today, Volvo
is also focusing on experience and design. Sportiness is an association connected to
“körglädje” which is also mirrored in the product mix. Today almost fifty percent of all cars
sold on the Swedish market are sporty cars equipped with turbo engines. Volvo’s V40 on the
Swedish market is an example of such a car. To further enhance a sporty and more youthful
profile for the brand, Volvo is also participating in STCC, the Swedish Touring Car Champi-
onship.

**Separate management of the brands in the portfolio**

After the acquisition of Volvo, the management of the brand is very much focused on keeping
the Volvo brand separate from the different brands within Ford’s portfolio. The different
brands in Ford’s portfolio as well as different models within the Volvo brand should live their
own lives, appeal to their own distinct customer categories and offer different things in terms
of customer value. It is extremely important to keep the brands separate in order to avoid be-
coming a mixture of all the brands.

**Brand Revitalisation**

**Expanding awareness**
- **Increase amount and/or quality of consumption**
The awareness of the brand Volvo is expanded through communicating to customers that eve-
ryone, independent of income can use the Volvo brand. On the Swedish market, Volvo ap-
peals to almost all segments of the market. Volvo is still very much focusing on families as
their primary target market. However, the new models have made it possible to also reach
other, younger segments seeking a more prestigious and sportier car, which has not been pos-
sible in the past. Furthermore, the “nice-price” campaign is designed to appeal to and attract
even younger, low-income segments.

- **Increase frequency of consumption**
By adding associations such as “körglädje”, comfort and sportiness, Volvo is enhancing ex-
perience of using the brand. Volvo is thereby hoping to increase the number of times that the
brand is used. Furthermore, the new and more attractive models induce customers to switch or
replace their current car.
Improving image
• Improve strength, uniqueness and favourability

Retain vulnerable or recapture lost customers
One neglected segment that Volvo saw a risk of losing is young, low-income “do-it-yourself” customers. There are a number of actors on the market that satisfy these customers by providing spare parts at a low price for used cars. In order to recapture these customers Volvo has launched a campaign called “nice-price”. The campaign involves selling used original spare parts at a low price. The campaign communicates to young customers that they are able to come into a Volvo dealer and think that they are able to find good spare parts at a reasonable price. The expectation and desire is that these customers will remain customers of the Volvo brand and come back year after year and switch car and model within the Volvo brand. In the long run, Volvo is hoping that these customers will purchase a new car or a better used car from Volvo when their income increases. The goal is to accustom these customers to Volvo and establish contact with them.

Identify neglected segments
Volvo has realised the need to capture customer segments that desire a prestige product. In order for the brand to stay strong and competitive and to be able to grow, Volvo needs to compete in these segments as well. The new products that Volvo has developed recently appeal to these customers through added associations such as design, “körglädje” and comfort.

Attract new segments
Volvo has recently been moving up into new segments with their new models, attracting new customers. The brand is becoming more prestigious than before and appeals to a larger range of segments and customers. It is the launch of products such as S80, V70, the cabriolet and the cupé that has attracted these new segments.

• Balancing new and old target markets

Multiple marketing programs
In Sweden, Volvo targets almost all customer segments. The new car models appeal to customers seeking prestige cars and who are willing to pay up to 400 000 SEK for their car, while at the same time the nice-price campaign appeals to young, low-income customer. There are totally 1 million Volvo car owners from many different categories in Sweden. The ambition is to satisfy all these different categories. Volvo has chosen to market themselves in the same way throughout all segments. The same profile is used in marketing efforts in order to enhance and maintain a consistent level and image of the brand, which appeals to everyone. Volvo uses a customer magazine called “Ratten”, which the company distributes to all Volvo owners. This magazine is considered to be a very important tool in marketing efforts. The ambition is that everyone should be able to find something to read in the magazine, independent of income and preferences. It is directed towards all customer groups.

Keep the brand modern and up-to-date
The purpose of introducing new models such as the cabriolet and S80 is to update the brand and its image by appealing to new and growing segments. The new models attract customers who have never been interested in Volvo before. The marketing and design of these cars are no longer based on only safety, but also on more psychological factors such as “körglädje”. This enhances a more modern image for the brand. Furthermore, participating in STCC will also up-date the brand.
New distribution outlets to increase availability
Volvo has not since the acquisition made any changes in the distribution of their cars, they are still using the same retailers and distribution channels. However, in the future, changes in the chain of distribution may become of interest. Since Volvo has no intentions of increasing their market share and expand on the Swedish market, very few changes in distribution channels are expected to occur there. However, as Volvo expands on the global marketplace, the company will benefit from Ford’s distribution network to increase availability of their products.

Having presented the empirical data, we will now continue by analysing the collected data against chosen theory.
5 Analysis

In this chapter the analysis of the empirical data received during the case studies with Ford Motor Company and Volvo Car Corporation will be presented. The analysis is carried out in two steps, including a within case analysis, where both the companies are analysed against our conceptualisation. The second step includes a cross-case analysis, where comparisons will be made between the two companies participating in the study.

5.1 Within-Case Analysis

In this section we will separately analyse the companies in our study against the conceptualisation in the end of chapter two. The aim is to find similarities and dissimilarities between the collected empirical data from each case and the theories suggested in the conceptualisation.

5.1.1 Motives for Brand Acquisitions

- Ford Motor Company

Synergy effects
According to Jobber (1995) and Keller (1998), when joining forces synergies many be gained in purchasing, production, financial, marketing and R&D. Ford’s motive to create synergies was as a large manufacturer to have the ability to cut purchasing costs. As a large manufacturer, Ford can spread the high costs of developing new cars, engines and other research and development costs on even larger volumes through acquiring Volvo. The two companies separately handle marketing and creating synergies within marketing was not a motive for Ford. Furthermore Ford’s motives did not include creating synergies within production or finance as Volvo is such a small player on the global market and Ford could find finances in other ways as well as producing more efficiently even without Volvo.

Access to knowledge, resources and contacts and/or distribution channels
When reviewing the data collected at Ford it reveals that the company’s motive to acquire Volvo consisted of getting access to Volvo’s great knowledge in the safety area. However, as Jobber (1995) and Keller (1998) suggest a motive for acquisition may be to gain access to resources, contacts and distribution, which was not considered to be a motive for Ford.

Increasing market shares through reaching new segments
The acquisition provided Ford with the ability to grow through reaching new segments where the company has had difficulties to compete with just Ford’s brands. This is consistent with theory suggested by Keller (1998).

Market penetration and globalisation
Through the acquisition of Volvo, Ford is able to penetrate markets at a more rapid pace and globalising the company faster than without Volvo, as supported by Jobber (1995) and Keller (1998).
Multiple brand/model portfolio
The acquisition has also brought benefits of having a multiple brand portfolio. According to Keller (1998) and Kapferer (1997), having a multiple-brand portfolio enables the company to grow, cover a large portion of the market, reach customers with different preferences and to make customers switch brands within the company. This was therefore a motive for the acquisition of the Volvo brand.

Leverage and make a more efficient use of capabilities
According to Capron and Hulland (1999) companies seek to use and leverage their marketing capabilities in new markets and thereby make a more efficient use of them through acquisition. Consistent with this, the acquisition enables Ford to draw use of Volvo’s expertise in the safety area as well as in environmental issues and transfer that knowledge to all the other brands in Ford’s portfolio.

Competitive advantages
One of Ford’s major motive was to gain competitive advantages by increasing their sales volume, increasing the value of the company, decrease their costs, increase profits and reach certain contacts with the distribution net in Sweden. However, as Capron and Hulland (1999) further state, competitive advantages generated by synergies or economies of scale were not included in Ford’s motive for acquiring Volvo.

Acquire brands for their future potential
The empirical data collected at Ford indicates that one of the motives for acquiring Volvo was to draw benefits of Volvo’s future potential and to draw use of the financial profits that can be generated from it. This is consistent with stated theory by Randall (1997).

Alternative to build a new brand
Acquiring Volvo was an alternative to build a new brand for Ford, since there are great costs and investments involved in building up awareness in a new brand. As Biel (1992) and Keller (1998) suggest, building a new brand involves high costs and therefore acquiring a brand is a feasible alternative. Further, the authors implies that if a company lacks resources to build a new brand an alternative would be to acquire another brand. However, this is not the case for Ford as they are a company that could afford building up a new brand. Instead Ford believes that acquiring another brand is a safer and more efficient method.

Entry strategy when entering new segments
Keller (1998) suggests that acquisitions may be an entry strategy when entering new segments. This motive can be applicable to Ford’s acquisition of Volvo due to the fact that Ford can now reach new segments that was not covered by the brands that Ford had before.

Gain market shares in mature markets or segments
According to Keller (1998) and Kapferer (1997), the motives for brand acquisitions can be based on the fact that the market is mature. The authors further state that acquiring an established brand may then be the only way to gain market shares in that market or segment. This is consistent with the motive that Ford had since it saw the acquisition as a way to gain market shares in market or segment where Ford lacked presence and had difficulties in entering.
Add value and prestige to the whole company and improve its image
Consistent with what Keller (1998) argues, Ford can through the acquisition add value and prestige to the whole company and improve its image due to the fact that Volvo is such a strong brand.

- **Volvo Car Corporation**

**Synergy effects**
Theory according to Jobber (1995) and Keller (1998) on how to create synergy effects in production, purchasing, financing and research and development is partly supported by the desire of Volvo to share knowledge regarding areas within research and development. Furthermore, the ability to share common components with other brands within the group creates opportunities to create synergies in production, purchasing and financing. Marketing of the brands within the Ford group is however mostly handled separately by the different companies except when it comes to areas such as the environment, when corporate advertising is sometimes used to promote the whole Ford group.

**Access to knowledge, resources and contacts and/or distribution channels**
The empirical data suggests that one of Volvo’s major motives for the acquisition is the increased access to resources and the cost reductions following this. This is supported by Jobber (1995) and Keller (1998), who argue that companies seek to draw benefits from the financial profits that can be generated by gaining access to resources and knowledge through acquisitions. Volvo has also stated that in the future it is possible that Volvo will draw use of the opportunity to benefit from Ford’s established contacts and/or distribution channels when expanding on the global market place. However, at present Volvo is not using any parts of Ford’s distribution network, as suggested by Jobber (1995) and Keller (1998).

**Increasing market shares through reaching new segments**
The acquisition provided Volvo with the ability to grow through reaching new segments and providing a wider product line by getting access to more resources. The ability to be present in new segments through the strength provided by Ford supports Keller (1998) who argues that acquisitions provide opportunities to increase market shares through reaching new segments.

**Market penetration and globalisation**
Volvo’s ability to reach and penetrate multiple segments at a more rapid speed through the acquisition and thereby globalise the brand, which is consistent with theory by Jobber (1995) and Keller (1998).

**Multiple brand/model portfolio**
The acquisition has also brought benefits of having multiple brands. The increased access to resources provided Volvo with opportunities to develop a larger product portfolio. From a multiple product portfolio, Volvo is, as supported by Keller (1998) and Kapferer (1997), able to draw benefits such as opportunities to grow, cover a larger portion of the market, reach customers with different preferences and make customers switch and upgrade their car within the Volvo brand.
Leverage and make a more efficient use of capabilities

Through the acquisition Volvo is also able to leverage their expertise and make a more efficient use of them, which is also argued by Capron and Hulland (1999) to be a major motive for acquisitions. Volvo is able to do this by leveraging their marketing expertise and capabilities in new markets and drawing use of Ford’s expertise within certain areas to be able to focus on the areas in which Volvo are experts.

Competitive advantages

Finally, as supported by Capron and Hulland (1999), one of Volvo’s major motives for the acquisition was that it provides opportunities to create competitive advantages if the sales volume, profits and the value of the company are increased through the acquisition. Furthermore, competitive advantages can be generated when costs are lowered or synergies or economies of scale are obtained.

5.1.2 Risks of Brand Acquisitions

- Ford Motor Company

Cannibalisation

Aaker (1997) suggests that acquiring a brand could cannibalise on other brands owned by the company. However, Ford did not see the risk of Volvo cannibalising on other brands owned by Ford since all brands have distinct profiles and are targeting different segments.

Incompatible associations

The empirical data collected at Ford does not indicate, as Aaker (1990) suggests, that Volvo could create associations that are negative or not compatible with existing. The reason why Ford did not see this as a risk is that Volvo has probably one of the strongest or most distinct brands within the automobile industry.

Too many brands or models

According to Fellman (1998), if a company have to many brands in one portfolio it could confuse consumers regarding the meaning of the brand. However, Ford has not experienced any confusion among consumers.

Dominate competitors

A risk of acquisitions of brands may also be to face dominant competitors in the brands market, as argued by Keller (1998). The automobile industry will always have competitors; however, Ford did not see the risk that Volvo had to face dominant competitors, on the contrary Ford perceived Volvo to be competitive.

Consumer opposition

Ford did not regard consumer opposition, described by (Fellman, 1998), to be a risk. A major reason for this is that Volvo speculated among many potential owners and among them Ford was considered to be the most advantageous option for Volvo. Furthermore, when Ford acquired Jaguar, Jaguar was in a weaker position then Volvo was. Ford has been handling the brand Jaguar very well and it was believed that Ford could be of value for Volvo as well.
Problems with restructuring, co-ordination and styles of management
One risk that may be related to acquisitions, according to Jobber (1995), is the risk of running into problems with restructuring, co-ordination and styles of management. Ford states that it always takes time to co-ordinate two companies, however, this was not looked upon as a risk that could have negative influences on the acquisition. The reason for this is that not much was planned to be changed after the acquisitions in these areas.

Problems with culture clashes, language and differing business practices
Jobber (1995) implies that culture clashes, language and differing business practices could lead to problems for the partners in the acquisition. Ford saw no risk of running into any cultural problems as a result of the acquisition.

Problems with integration of the brand into the portfolio
According to Laverick (1998) and Jobber (1995), an acquisition could bring problems in integrating the brand in the portfolio as well as causing confusion for the customer if changing the profile too much. Ford did not see a problem with integrating Volvo into its portfolio, on the contrary Volvo was regarded to be a very nice fit to the existing portfolio of brands. Furthermore, Ford did not plan to make extensive changes in the profiles of the brand that could dilute the equity of the brand or make customers confused. Therefore, this risk can be regarded as not applicable in this case.

Meet shareholders expectations
The empirical data collected at Ford does not indicate the risk of not being able to meet shareholders or consumers expectations, as Fellman (1998) suggests could be associated with acquisitions of brands. On the other hand, Ford regarded the acquisition of Volvo to lead to an increase in the value of the company as they saw great potential in Volvo’s future.

Hurtful changes in management of the brand
Fellman (1998) implies that hurtful changes in the management of the brand could lead to opposition among consumers. Ford did not plan to make any changes in the management of the brand but rather to continue to improve Volvo’s brand towards the same direction as Volvo was already going; i.e. Ford did not regard this as a risk.

The acquired brand will fail or cause bad publicity
Aaker (1990) and Keller (1998) argue that there may be the risk that bad publicity or failure of one brand in the portfolio affects the reputation and image of the other brands or the corporate brand. Ford did not regard that Volvo would fail that would affect other brands in the portfolio or Ford’s corporate brand as a risk. In addition, Ford did not believe that it would run into problems due to bad publicity caused by Volvo. Ford did not regard these risks because Volvo is a strong brand.

The acquired brand is experiencing a decline in market shares
Keller (1998) suggests that there may be a risk associated with acquiring a brand that is experiencing a decline in the market share. The acquisition of Volvo has not included this risk as Volvo is not expected to experience a decline in market share.

Change in ownership
Ford saw a risk that the Volvo brand (owned 50 per cent by Ford & 50 per cent by Volvo AB) would have to be shared by someone else aside from Ford whereby the issue of who to manage the brand would be. However, this risk is not relevant today as Volvo AB has acquired
Renault leaving Ford and Volvo still single owner of the Volvo brand. This is a risk that has not been covered by the theory chosen.

- **Volvo Car Corporation**

  **Cannibalisation**
  Aaker (1996) suggests that cannibalisation may occur among brands when they are integrated into a portfolio. However, Volvo had no concern that any form of cannibalisation or internal competition would occur among the brands in Ford’s portfolio due to the distinct identities and target segments of the different brands.

  **Incompatible associations**
  Due to the different identities and management of all the brands within the portfolio Volvo had no concern that any unwanted associations would be transferred to the Volvo brand, as suggested by Aaker (1990).

  **Too many brands or models**
  One risk that is not a direct result of the acquisition but still related to the outcomes of it, is that of balancing the brands or models in the portfolio and the target segments on the Swedish market. As suggested by Fellman (1998), having too many different models or brands under one umbrella could cause confusion among consumers regarding what the brand represents. The acquisition has provided Volvo with opportunities to expand on the global marketplace and reach more segments. However, this has also brought on problems with balancing all markets, segments and models under the Volvo brand.

  **Dominate competitors**
  As suggested by Keller (1998), positioning a brand in new markets and segments may involve having to face fierce competition in those markets and segments. Volvo is today facing dominant competitors in the external environment, especially in those segments outside of Sweden that Volvo is targeting. When deciding to expand into new segments, Volvo considered the nature of competition in those markets and segments as a risk factor.

  **Consumer opposition**
  According to Fellman (1998) consumers sometimes oppose acquisitions due to loyalty. However, Volvo has not experienced any problems with opposition among consumers or distributors as a result of the acquisition. It was not assessed as likely that the acquisition would cause any problems or opposition from loyal customers when there was a switch in owner. According to Volvo the reason for this is that the acquisition will only have positive outcomes for consumers and that no changes have been made in the chain of distribution.

  **Problems with restructuring, co-ordination and styles of management**
  Another risk that Volvo considered prior to the acquisition was that of problems due to changes in management which would lead to problems with co-ordination, restructuring or styles of management, which is consistent with what Jobber (1995) argues.

  **Problems with culture clashes, language and differing business practices**
  According to Jobber (1995), companies sometimes run into problems due to cultural differences. According to Volvo, this was not a risk involved in this acquisition.
Problems with integration of the brand in the portfolio
Volvo did not see any of the risks proposed by Laverick (1998) and Jobber (1995) regarding the integration of Volvo into Ford’s portfolio or diluting the equity of the Volvo brand or other brands within the portfolio. The Volvo brand was a complement to the portfolio with its own target segments and identity.

Meet shareholders expectations
Fellman (1998) argues that companies sometimes run into problems with meeting consumers’ expectations after an acquisition. However, Volvo did not see any risks of not being able to meet shareholders expectations after the acquisition, rather the opposite, the outcomes of the acquisition would be only positive for the shareholders.

Hurtful changes in management of the brand
Fellman (1998) states that drastic changes as a result of an acquisition could cause opposition among consumers. However, for Volvo there was no risk of hurting the brand due to any changes in the management of the brand as a direct result of the acquisition since almost no changes were planned or have occurred.

Drowning
One of Volvo’s major concerns was the risk of Volvo drowning when acquired by such a large company as Ford. This is a major risk, which has however not been covered by the theory chosen.

5.1.3 Reinforcement and Revitalisation of Brand Equity

• Ford Motor Company

Brand Reinforcement

Consistency in type and amount of marketing efforts
Keller (1999) implies that companies should be consistent in the amount and type of marketing efforts in conveying the image of the brand. The empirical study shows that Ford is aware that a brand need consistency and leaves the management of the brand in Volvo’s charge. Volvo therefore mostly handles the amount of marketing. Keller (1999) further argues that the marketing efforts should be based on core associations of the brand to preserve and defend the equity of the brand. Ford supports Volvo to keep core associations such as safety and the environment in order to maintain the equity of Volvo’s brand. Preserving and defending sources of brand equity is according to Keller (1999) something that needs priority. Furthermore, brands should always look for potentially powerful sources of brand equity. Ford states that Volvo’s brand has a very strong and distinct profile that as mentioned will be further strengthened. In addition Ford aims to support Volvo in efforts to continue building on the existing equity of the brand.

Potentially powerful new sources of brand equity

• Product-related associations
Even though the management of Volvo’s brand has remained at Volvo, Ford has some influence on the direction of new sources of brand equity, which Keller (1999) also implies. Ford wants to continue building on the product-related associations of Volvo’s brand in the same
direction that the brand has been going. Ford wishes to turn Volvo into an even more luxurious and prestigious car without dropping the core sources of equity, safety and environment. Furthermore, Ford emphasises the increasing importance of design in today’s automobile industry, which is actually a response to changes in consumers’ preferences. The design of Volvo is becoming rounder, which Ford supports. According to Keller (1999) companies should respond to a changing environment as well as contemporise the brand, which can very much be applied on what is happening with Volvo’s brand.

- **Non-product-related associations**
  Keller (1999) suggests that non-product-related associations can be improved by refining the associations that are improving the product or adding more associations. Ford does not intend to make any drastic changes to Volvo’s associations, however, the company wants to improve the non-product associations by adding more associations and making the product better.

*Separate management of the brands in the portfolio*
Keller (1999) implies that when a company owns a portfolio of brands, each brand need to be managed separately in order to maintain their distinct identities. The empirical data collected at Ford indicates that the different brands are kept separate with their own segments and their own meaning, which is consistent with what Keller (1999) suggests.

**Brand Revitalisation**

*Expanding awareness*
- **Increase amount and/or quality of consumption**
  Ford is not involved in increasing the amount and/or quality of consumption, contradicting what is suggested by Keller (1999).

- **Increase frequency of consumption**
  According to Keller (1999), there are three ways to increase the frequency of use. The first one emphasises how a marketing program should be design, which is not carried out by Ford. A second strategy to increase frequency of consumption is speeding up product replacement which is of importance when having products with relatively short life spans. Ford states that cars have relatively long life spans. Despite what Keller (1999) argues, efforts to speed up the replacement are being made. Examples of what is being done are mid-cycle facelifts as well as making a gradual promotion by adding equipment or by releasing new and more attractive models every year in order to speed up the replacement. Finally, another strategy to increase usage is when actual usage of product is less than the optimal or recommended usage. However, there is no need to employ this strategy, as Ford does not regard Volvo to be in this position.

*Improving image*
- **Improve strength, uniqueness and favourability**

*Retain vulnerable or recapture lost customers*
A means to increase sales can according to Keller (1999) be to retain existing customers who would eventually move away from the brand or re-capture lost customers who no longer use the brand. Ford is recapturing and retaining segments by stimulating and establishing a relationship with customers to enhance loyalty among them. Ford argues that the physical contact with the customers is decreasing as quality of the cars are increasing and therefore extra efforts are being put in order to have constant dialogue with the customers during the ownership
period. Retailer personal are being educated in order to be able to take care of the customers in a better way once the customers do come in for service or to better handle any other physical contact with the customers.

**Identify neglected segments**
Ford has not been involved in identifying neglected segments for Volvo.

**Attract new segments**
Keller (1999) suggests abandoning segments that supported the brand in the past and move on to completely new markets. What Ford will do in order to attract new segments is to look into developing new cars in new segments where Volvo today lacks presence. However, Ford has no intention of abandoning any former segments.

- Balancing new and old target markets

**Multiple marketing programs**
Ford has left it up to Volvo to handle the process of balancing new and old target markets through marketing programs.

**Keep the brand modern and up-to-date**
Mid-cycle facelifts, introduction of new models as well as gradually promoting the car by adding associations and equipment in order to keep the brand modern and up-to-date is carried out by Ford, which is in line with what Keller (1999) suggests. However, not only does Ford aim to attract new customers as argued by Keller (1999), Ford states that it also works as a stimuli to switch among present customers.

**New distribution outlets to increase availability**
The strategy suggested by Keller (1999) to attract new market segments through introducing new distribution options is in line with what Ford is trying to do with Volvo’s distribution. Ford’s intention is to help Volvo to a larger retailer network especially in the U.S. and European countries (except for Sweden where Volvo already has a desirable market share).

- **Volvo Car Corporation**

**Brand Reinforcement**

**Consistency in type and amount of marketing efforts**
As Keller (1999) suggests, the Volvo brand is still managed through preserving and building on existing brand equity. Even though Volvo has recently built new associations into their new models, these are added, not substituting the old ones.

**Potentially powerful new sources of brand equity**

- **Product-related associations**
The process of improving product-related associations started prior to the acquisition, however the increased access to resources has provided Volvo with the opportunity to improve their products to an even greater extent and at a lower cost. As Keller (1999) argues, Volvo is focusing on product-related associations such as design, comfort and better engines to improve and reinforce the brand.
• **Non-product-related associations**
Volvo is also reinforcing and enhancing the brand and its image through non-product related associations by creating and adding new sources of brand equity. As Keller (1999) suggests, Volvo has added new associations such as “körglädje” to the brand in order to respond to a changing environment and contemporise the brand and its image.

**Separate management of the brands in the portfolio**
Regarding the management of the brands in Ford’s portfolio as well as among the models in Volvo’s own product portfolio, Volvo agrees with Keller (1999) in how the different brands and models should be kept as separate partners with their own distinct identities, management and customer segments.

**Brand Revitalisation**

**Expanding awareness**
- Increase amount and/or quality of consumption
  As argued by Keller (1999), Volvo has recognised that through adding new associations and improving design, Volvo can increase usage by appealing to a wider range of consumer preferences and behaviours.

- Increase frequency of consumption
  What Volvo has done is to add associations and product-related attributes to enhance the experience of using the brand, which is supposed to make consumers use their car in more situations where they would otherwise have used other means of transportation. Furthermore, launching new cars in a continuous manner makes consumers want to switch to a newer and better model, which leads to a more rapid replacement of the car. Volvo’s approach is thereby different from what is suggested by Keller (1999).

**Improving image**
- Improve strength, uniqueness and favourability

**Retain vulnerable or recapture lost customers**
Through the “nice-price” campaign, Volvo is recapturing and retaining one segment that was almost lost. As suggested by Keller (1999), this is a means to increase sales and improve and expand the image of the brand. The attempt to recapture this segment enhances the image of Volvo in Sweden through establishing an image communicating that Volvo appeals to and can be used by everyone.

**Identify neglected segments**
This is the most important way of enhancing the image of the Volvo brand according to Volvo. In order to contemporise the image of Volvo, Volvo has added new and more relevant associations in order to be able to target and capture a growing and neglected segment, which prioritises the experience of driving a car and is not satisfied with a safe and environmentally friendly car. Volvo’s approach is thereby consistent with what is suggested by Keller (1999).

**Attract new segments**
Volvo’s attempt to target more prestigious customer segments with their new models is consistent with Keller’s (1999) suggested strategy to attract new segments. However, this does not mean that Volvo is abandoning any of their previous segments.
• Balancing new and old target markets

*Multiple marketing programs*
Volvo has stated that they are experiencing some difficulties balancing all customer segments on the Swedish market. However, Volvo has not yet developed separate or multiple marketing programs when targeting different segments, as suggested by Keller (1999). Volvo is of the opinion that this approach is not necessary in order to satisfy the different segments.

*Keep the brand modern and up-to-date*
The strategy suggested by Keller (1999) to keep the brand modern and up-to-date is very much applied by Volvo. Introducing new, more prestigious models and adding new associations to them while at the same time introducing campaigns such as the “nice-price” are parts of Volvo’s strategy to keep the brand relevant for all customer segments.

*New distribution outlets to increase availability*
This strategy has not been adopted at all by Volvo, the whole distribution chain has remained the same as prior to the acquisition.
5.2 Cross-case Analysis

In this section comparisons between the two companies in the study will be conducted. The results from each unit in the analysis, previously presented, will constitute the base, and the aim is to identify similarities and/or dissimilarities between the companies. The analysis will be presented in the same succession as the sated theory and empirical data presentation.

5.2.1 Motives for Brand Acquisition

Table 5.1: Cross-case Comparison of the Motives for Brand Acquisition

<table>
<thead>
<tr>
<th>Motives</th>
<th>Ford Automotive Operations</th>
<th>Volvo Cars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Synergy effects</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Access to knowledge, resources, contacts &amp; distribution channels</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Increasing market shares through reaching new segments</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Market penetration and globalisation</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Multiple brand/model portfolio</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Leverage and make a more efficient use of capabilities</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Competitive advantages</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Acquire brands for their future potential</td>
<td>Yes - 1</td>
<td>- 1</td>
</tr>
<tr>
<td>Alternative to build a new brand</td>
<td>Yes - 1</td>
<td>- 1</td>
</tr>
<tr>
<td>Entry strategy when entering new segments</td>
<td>Yes - 1</td>
<td>- 1</td>
</tr>
<tr>
<td>Gain market shares in mature markets or segments</td>
<td>Yes - 1</td>
<td>- 1</td>
</tr>
<tr>
<td>Add value and prestige to the whole company and improve its image</td>
<td>Yes - 1</td>
<td>- 1</td>
</tr>
</tbody>
</table>

There is consistency in six of the motives of brand acquisition, as can be seen in Table 5.1 above. Both companies state that a motive for the acquisition was to gain synergy effects. However, Ford only consider the research and development and purchasing to be included in the motive for creating synergies while Volvo on the other hand also stated that synergies within production and financing to be a motive. Further, a shared motive is to obtain access to knowledge, resources, contacts and distribution channels. Volvo regarded all but the distribution channels to be motives while Ford’s motive only consists of gaining access to Volvo’s knowledge for example in areas such as safety. Both companies agree that the acquisition lead to increasing market shares through reaching new segments as well as an opportunity to penetrate market and globalise the company at a higher pace. Another shared motive is having a multiple brand portfolio. What Volvo implies with this motive is that they can introduce new models and thereby extend their own portfolio of brands. Ford intends to cover a larger portion of the market, reach customers with different preferences and to make customers switch brands within the company, which results in the opportunity to grow. Both companies agree that they can leverage and make a more efficient use of capabilities. Finally, Ford and Volvo state that the acquisition is a way to improve their competitive advantage. However, Volvo include the desire to grow through increasing sales volume, cut costs and increase profits while Ford covers increasing sales volume, cutting costs, increasing profits and reaching contacts within the distribution net.

1 No answer implies that this motive could not be applied to the acquired company, therefore no data is collected.
5.2.2 Risks of Brand Acquisition

Table 5.2: Cross-Case Comparison of the Risks of Brand Acquisition

<table>
<thead>
<tr>
<th>Risks</th>
<th>Ford Automotive Operations</th>
<th>Volvo Cars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cannibalisation</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Incompatible associations</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Too many brands or models</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Dominate competitors</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>Consumer opposition</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Problems with restructuring, co-ordination &amp; styles of management</td>
<td>No</td>
<td>Yes/No</td>
</tr>
<tr>
<td>Problems with culture clashes</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Problems with integration of the brand into the portfolio</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Meet shareholders expectations</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Hurtful changes in management of the brand</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>The acquired brand will fail or cause bad publicity</td>
<td>No</td>
<td>-2</td>
</tr>
<tr>
<td>The acquired brand is experiencing a decline in market shares</td>
<td>No</td>
<td>-2</td>
</tr>
<tr>
<td>Change in ownership</td>
<td>Yes</td>
<td>-3</td>
</tr>
<tr>
<td>Drowning</td>
<td>-4</td>
<td>Yes</td>
</tr>
</tbody>
</table>

When examining the risks of brand acquisitions, there are inconsistencies between the two companies in the study, as can be seen in Table 5.2. Ford only saw one risk and that is if Volvo AB would change owner (as the brand is owned to 50% by Volvo AB and 50% by Ford) the ownership of the brand would have to be shared with another company. Volvo, on the other hand, saw a risk with the restructuring, co-ordination and styles of management. This was just seen as a risk in the initial stage, however, since almost nothing has changed except for the actual ownership, this has not been a problem at all. Furthermore, Volvo has some concern regarding dominant competitors in new markets or segments. Volvo also saw the risk that the company could drown in a large company such as Ford.

5.2.3 Reinforcement and Revitalisation of Brand Equity

Brand Reinforcement

Consistency in type and amount of marketing efforts
Volvo and Ford have both stated that consistency is crucial in maintaining and preserving the equity of the Volvo brand. Both companies therefore agree on how they should be consistent in reinforcing the equity and meaning of the Volvo brand.

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2 No answer implies that this risk could not be applied for the acquired company, therefore no data is collected.
3 No answer implies that this risk was not covered by theory and only brought up by the acquired company.
4 No answer implies that this risk was not covered by theory and only brought up by the acquiring company.
Potentially powerful new sources of brand equity

- **Product-related associations**
Both companies further agree on how to add new product-related associations continuously to reinforce the meaning of the brand. Volvo is today moving their products up into new and more prestigious segments through improving design and developing new engines. This started prior to the acquisition, however, the acquisition has helped Volvo to do this in a more efficient way. Ford has stated that their desire is to position Volvo among their more prestigious models in the Ford brand portfolio. Their ambitions for the Volvo brand are therefore consistent with each other as well as theory.

- **Non-product-related associations**
To further reinforce the image of the Volvo brand, Volvo has stated that new non-product-related associations such as “körgläjde” are being added to further enhance the more prestigious image. Ford has also stated that associations such as sportiness will enhance the equity of the brand. Furthermore, according to Ford issues such as the environment are also important in order to create an image that is viewed positively by customers. Consequently, both companies have realised the importance of adding non-product-related associations as well as product-related ones.

Separate management of the brands in the portfolio
Both Ford and Volvo have realised that brands within a portfolio of several brands require separate management in order to avoid any mixture or damage to the equity of the different brands. This has been implemented through allowing Volvo to be the primary manager of the Volvo brand.

Brand Revitalisation

Expanding awareness
- **Increase amount and/or quality of consumption**
Volvo has stated that the updating of the brand and the new models that have been added and positioned in new segments increases usage through appealing to a wider range of customers. Ford has not stated any specific strategic intent to increase the amount or quality of consumption.

- **Increase frequency of consumption**
Regarding strategies to increase the frequency of consumption, Volvo and Ford’s approach have both similarities and dissimilarities. According to Volvo, the experience of using the brand will enhance the frequency of usage, which is different from statements from Ford. However, both companies have stated that the frequency of consumption is enhances through the continuous launch of new models. Ford also talks about face-lifts as a way to induce customers to switch car.

Improving image
- **Improve strength, uniqueness and favourability**

Retain vulnerable or recapture lost customers
Regarding this approach, the two companies talked about different strategies. Ford stated that the most important thing to do regarding taking care of customers in order to retain them is the ability to take care of the them after the purchase, the ability to service the car, creating
relationships with them and keep a high level of quality to increase or create loyalty. Volvo on the other hand talked mostly about efforts to recapture an almost lost segment on the Swedish market through the "nice-price" campaign.

Identify neglected segments
Ford has not stated that the company has been involved in making any major strategic changes in order to capture any neglected segments. According to Volvo however, identifying neglected segments is a very important part of the revitalisation process of the Volvo brand. The targeting of new segments that have been neglected in the past is argued to very much enhance the equity of the brand. However, the process of appealing to these segments started prior to the acquisition and is not a direct effect of the acquisition.

Attract new segments
Ford states that Volvo’s new cars are appealing to new segments, however the outcomes and level of awareness can not be measured at present time. This is similar to what Volvo has stated regarding the targeting of new segments through the new and more prestigious cars. Both companies have also stated that old target markets will not be abandoned even though new markets are being targeted.

- Balancing new and old target markets

Multiple marketing programs
Both companies have stated that this strategy is not implemented.

Keep the brand modern and up-to-date
In order to keep the brand modern, Ford has stated that for the same reasons that customers can be induced to switch, new customers can be attracted. Through mid-cycle lifts, the brand is gradually up dated. Volvo has also stated that new models are a means to keep the brand relevant to customers. Volvo also emphasised the importance of keeping the brand relevant to all customer segments.

New distribution outlets to increase availability
Both companies have stated that this strategy has not been adopted at present time. However, Volvo has stated that there are plans for this in the future, while Ford argues that the development of shared distribution nets in already in progress.

After having presented the analysis, we move on to conclusions and implications.
6 Conclusions and Implications

This chapter will first present the main findings and conclusions based on our research. The purpose of these conclusions is to answer our research questions. Finally, implications for management, theory, and further research are presented.

6.1 Motives for Brand Acquisitions

We can conclude that the motives for the acquisitions, both for the acquiring company and the acquired company, are very much based on the desire to access resources and achieve synergy effects in order to grow through extending the product line and reaching new markets and segments. Synergy effects are created when the acquired company is able to take advantage of research and development within certain areas where the acquiring company is very strong, while the acquiring company can benefit from areas of expertise within the acquired company. Both companies can thereby benefit both financially and competitively from the acquisition by being able to focusing on what the two do best.

For both companies, the benefits of having a large portfolio of brands or models were a major motive. For the acquired company, the acquisition involved opportunities to extend the product line to cover more segments through providing a wider range of different models. For the acquiring company, the acquisition provided the opportunity to ripe financial benefits and gain market shares through acquiring a brand positioned in segments not covered by current brands in the portfolio. By helping the acquired company to cover more segments and be more competitive, the acquiring company automatically becomes more competitive. Furthermore, multiple brands or models serve as a risk reduction by making the company less sensitive for recessions or fluctuations in the economy.

Furthermore, it can be concluded that the acquisition was part of Volvo’s reinforcement strategy. After describing the major motives for the acquisition we can conclude that Volvo’s major motive was to achieve benefits such as financial and synergistic effects in order to be able to reinforce the meaning of the brand. It is thereby implied that Volvo used the acquisition as part of a reinforcement strategy. By being acquired by Ford and getting access to resources, Volvo was able to act out what was necessary in order to reinforce the meaning of the Volvo brand. The acquisition provided Volvo with the opportunity to make reality of strategies that they had planned for many years prior to the acquisition but needed the strength and extra resources and financial help that an acquisition by Ford could provide.

It can also be concluded that for an acquiring company such as Ford, the motive for an acquisition is very much based on the opportunity to benefit from the value of brand equity. Furthermore, companies such as Ford acquire brands for their ability to reach new markets and segments through acquisitions of an already established brand. Rather than putting efforts into building a new brand even though a large company such as Ford does not lack resources to do so if they would want to, companies find it more efficient to acquire an established brand. This implies that acquisitions occur because they are more efficient rather than them being the only alternative in establishing a presence in certain markets or segments.
From this discussion, the major conclusions regarding the motives for brand acquisitions can be summarised as follows:

- Opportunities to create synergy effects is a major motive.
- A multiple brand/model portfolio serves as a risk reduction by making the company less sensitive for recessions or fluctuations in the economy.
- Acquisitions are sometimes used as part of reinforcement strategies.
- Brand acquisitions occur since they are a more efficient way of increasing market shares than building a new brand.

6.2 Risks involved in Brand Acquisitions

In our research we found that one of the risks assessed by the acquired was that of drowning when acquired by a much larger company. This has not been covered by the chosen theory. Furthermore, one of the risks that the acquiring company in our study saw and still see as a risk factor is the risk of having to share the acquired brand name with other owners of other parts of the acquired company. The risk is that sharing the name could dilute or confuse the meaning of the name to consumers. This risk is not covered by chosen theory either.

Aside from the risks mentioned above, most of the risks outlined in the chosen theory were not applicable to our chosen companies. This can be related to the strength of the acquired brand. Due to the strong nature and separate management of the brands in acquiring company’s portfolio, neither of the companies expected any risk of failure, confusion or opposition as a result of the acquisition. The acquisition was considered to be almost risk free by both parties. Of course, when acquiring a strong brand the risks involved are generally fewer than for example those involved in the acquisition of a weak brand. For the acquiring company, the acquisition of a strong brand was a very different one from for example an earlier acquisition of a weaker brand, when the company had to face the risk of failing to rebuild the weaker brand and recapture target markets and segments for the brand. This has not been the case in the acquisition of a strong brand since very few changes were necessary in order for the brand to continue to be successful. It can be concluded that when acquiring a strong brand, any risks of hurting or damaging the equity of the brand or problems regarding integration of the brand can be circumvented by continuing to manage the brand as prior to the acquisitions, separate to the other brands owned by the acquiring company.

Since the acquisition has not lead to any major changes experienced by customers or distributors, there has been no opposition from them. As both companies state, the most important thing is that the acquired brand is still the same brand in terms of what it means to the customers and that it will continue to satisfy their needs.

It can also be concluded that the choice of what brand to acquire is to some degree influenced by the positioning of the brand. When the positioning of the acquired brand is different from the other brands within the acquiring company’s portfolio, the acquired brand is a complement to the portfolio and an opportunity to increase market shares.
Some major conclusions regarding the risks of brand acquisitions are the following:

- The risk involved in having to share the acquired brand name with other owners of other parts of the acquired company.
- When acquiring a strong brand, the risks involved are generally fewer than for example those involved in the acquisition of a weak brand.
- The success of the acquisition is depending on how well the acquired brand complements the other brands within the acquiring company’s portfolio in terms of the positioning and identity of the brand.

6.3 Reinforcement and Revitalisation of Brand Equity

It can be concluded that both Ford and Volvo have realised the importance of keeping the management and marketing of the brands within Ford’s portfolio separate to maintain the different brands’ distinct identities. Both companies have agreed that the best way to do this is to use distinct marketing activities and to allow Volvo to be the main manager of the Volvo brand, and keep on doing what they were doing prior to the acquisition. One of the major reasons why Ford is allowing Volvo to manage the brand with only a low degree of influence from the owner is the confidence and trust that Ford has in Volvo to manage the brand properly.

Furthermore, the Volvo brand was already very strong when acquired and therefore need not be rebuilt as Ford did with for example Jaguar. When acquiring a strong brand, it is important to continue to manage the brand as it was managed prior to the acquisition. This is vital in order to preserve the built equity and in order to avoid opposition among consumers or distributors or hurting the image of the brand. This implies that the management of a brand after an acquisition is very much depending on the strength and current condition of the acquired brand. It can be concluded that the management of a strong brand is more focused on fine tuning the brand while the management of a weaker brand need much focus on rebuilding strategies as well. This means that the management of a strong brand such as Volvo involves mostly changes regarding the reinforcement of the brand and should still be handled to a great extent by the original owner, in this case Volvo. Revitalisation of a brand on the other hand involves more drastic changes that are not desired for a strong brand such as Volvo.

With regards to reinforcement and revitalisation strategies of brand equity, the following can be concluded:

- The management and marketing of the different brands within a company’s portfolio should be separate to maintain the different brands’ distinct identities.
- The management of a strong brand should be more focused on fine tuning the brand while the management of a weaker brand need much focus on rebuilding strategies as well.
6.4 Implications

This section will present implications for management, implications for theory, and implications for future research.

6.4.1 Implications for Management

In the case of acquiring a brand and integrating it into a portfolio of brands, the findings based on our research implies that it is important to manage the brands in the portfolio separately. It is important to create and maintain distinct identities for the brands and position the brands in different markets and segments. Furthermore, we think that in combination with separate marketing of the different brands in the portfolio, corporate branding is also important in order to position the acquired brand as a brand under the umbrella of the corporate brand of the acquiring company. This is important in order for the acquiring company to enjoy some of the equity in the acquired brand, which could be transferred to the corporate brand.

Our recommendation to a company acquiring a strong brand is to continue to allow the acquired company to manage and market the brand without interfering too much. From our research we have found that this a good way of maintaining the equity of the acquired brand.

Our recommendation to the acquired company is to continue to develop more models to update the brand and continue to build on core associations while continuously looking for potential new sources of brand equity. It is important to never completely leave old key associations or fail to find new ones. “Change within a common theme” is the key to this strategy (Keller, 1998).

6.4.2 Implications for Theory

The purpose of this report, as stated in chapter 1, was to describe how brands are managed during acquisitions by answering our research questions, also stated in chapter 1. Our study has been exploratory since we have gained a deeper understanding of the area of research through gathering information about an area in which we initially knew little about. The study has also been descriptive in nature since we have, through data collection, been able to describe the motives for brand acquisitions, what risks there are in brand acquisitions and finally how brand equity is reinforced and revitalised. Our research has also been somewhat explanatory since we have been able to draw conclusions regarding the findings of our research.

6.4.3 Implications for Further Research

- Regarding reinforcement and revitalisation strategies after an acquisition, it would be interesting to investigate the case of a company acquiring a weak brand and investigate how the acquiring company rebuilds that brand.

- Regarding the acquisition of a strong brand, it would be interesting to conduct a study on how and what motives there are for using an acquisition as part of the reinforcement of the brand.
What could also be interesting is the question of how an acquiring company should handle the brand name when the brand name is the same as the company name of the acquired company and that company, and thereby also the brand name, includes additional products with different other owners or partners. It would be interesting to investigate how the right to use the brand name is shared among owners of different parts of the original company.
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Monographic


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Appendices

Appendix:  A. Interview Guide – In English  
           B. Interview Guide – In Swedish
Appendix A: Interview Guide

I. Organisational factors

(1) Appointment/title
(2) Established
(3) Size of company
(4) Annual turnover
(5) Area of operations (including target group)
(6) Type of products sold

II. Motives for acquisitions of brands

(1) Motives applicable for both the acquiring and the acquired company
(2) Creating synergies in production, financing, marketing, purchasing and/or research and development
(3) Gaining access to resources, knowledge, contacts and/or distribution channels
(4) Opportunities to increase market shares through reaching new segments
(5) Quick way to penetrate markets and to globalise the company through reaching multiple market segments at a high pace
(6) Creating a portfolio of multiple brands due to the benefits of it such as opportunities to grow, to cover a large portion of the market, to reach customers with different preferences and to make customers switch brands within the company
(7) Use and leverage marketing capabilities in new markets and thereby make a more efficient use of them
(8) Creating competitive advantages through creating a large company that will inhibit competitors from entering and competing in the same markets and/or segments. Furthermore, competitive advantages may be created when sales volume, profits and the value of the company are increased and when costs are lowered or synergies and economies of scale are obtained
(9) Motives applicable for only the acquiring company:
(10) The future potential of brands with the objective and expectation to draw benefits from the financial profits that can be generated from them
(11) Use them as an alternative to building a new brand due to either the high costs associated with creating brands or lack of resources to do so
(12) Use them as an entry strategy when entering new segments
(13) Acquiring an established brand may then be the only way to gain market shares in a mature market or segment
(14) Adding value and prestige to the whole company and improve its image

III. Risks involved in acquisitions of brands

(1) Risks applicable for both the acquiring and the acquired company
(2) Cannibalisation on other brands owned by the company
Appendix A: Interview Guide – English Version

(3) Creation and transference of associations which are negative or not compatible with existing among the brands in the portfolio, which runs the risk of damaging the company image

(4) Having too many brands in the portfolio may cause confusion among consumers or distribution channels

(5) Acquiring and positioning brands in new markets or segments could also involve the risk of having to face dominant competitors in those markets or segments

(6) Opposition among existing consumers when there is a switch in owner due to loyalty

(7) Problems with restructuring, co-ordination and styles of management

(8) Problems with culture clashes, language and differing business practices

(9) Integration of the acquired brand with existing brands within the portfolio runs the risk of diluting the equity of the different brands, causing confusion

(10) Handling and meeting expectations among shareholders and consumers in order for the acquisition to be successful

(11) Opposition among consumers due to drastic changes in the management of the brand after the acquisition

(12) Risks applicable for only the acquiring company:

(13) Bad publicity or even failure of the acquired brand will affect the whole company and the company image

(14) The acquired brand is experiencing a decline in market share

IV. Reinforcement and revitalisation of the brand after an acquisition

Brand reinforcement

• Consistency in the amount and type of marketing efforts in conveying the image of the brand

• Potentially powerful new sources of brand equity to respond to a changing environment and/or to contemporize the brand. This involves improving product-related associations and non-product-related associations

• Managing the different brands in the portfolio separately to maintain their distinct identities

Brand revitalisation

1. Expanding the depth and/or breadth of brand awareness by improving brand recall and recognition during purchase or consumption

1.1 Creating new sources of brand equity to increase breadth, the level of usage

1.1.1 Increase the amount or quality of consumption of the brand

a) Identify new and completely different ways of using the brand

1.1.2 Increase the frequency of consumption, the number of times that the brand is used

a) Identify additional or new ways of using the brand

• Communicate to consumers the appropriateness and advantages of using the brand more frequently in existing situations or in new situations and reminding consumers to actually use the brand in those situations.

b) Speed up the replacement of the brand
• Tying the replacement of the brand to certain events or occasions and improving and extending the information to consumers regarding the current performance of the brand and when to replace the brand.

c) Persuade consumers of the merits of more regular usage
d) Overcome any potential barriers to increase usage that may exist

• Barriers to usage can be overcome by making product designs and packaging of the product more convenient and easier to use.

2. Improving the strength, uniqueness and favourability of brand associations, which characterises the brand image

2.1 Improving strength

a) Making mature brands more contemporary by creating relevant usage situations
b) A more contemporary user profile
c) A more modern personality

2.2 Improving uniqueness

a) Establishing more compelling points-of-difference to better differentiate the brand
b) Establishing a point-of-parity on some key image dimensions

2.3 Improving favourability

a) Making brand associations mentioned above desirable and deliverable

3. Repositioning of the brand

a) Retaining vulnerable or recapturing lost customers by making the product’s enduring appeal still relevant for users today.
b) Identifying Neglected Segments and find relevant associations for these
c) Attracting new customers and find relevant associations

4. Balancing new and old target markets involves:

a) Developing multiple marketing communication programs to attract new market segments for a brand while satisfying current segments by creating separate advertising campaigns and communication programs for each segment.
b) Keeping the brand modern and up-to-date by introducing a line extension or establish a new sub-brand.
c) Creating new distribution outlets to attract a new market segment by making the product more available to that group.
Appendix B: Intervju Guide

I. Organisatoriska faktorer

(1) Befattning/titel
(2) Etableringsår
(3) Företagets storlek
(4) Årsomsättning
(5) Sysselsättningsområde
(6) Typ av produkter som säljs

II. Motiv till uppköp av varumärken

Motiv applicerbara för både det köpande och det säljande företaget:

(1) Skapa synergier i produktion, finansiering, marknadsföring, inköp och forskning och utveckling
(2) Få tillgång till resurser, kunskap kontakter eller distributionskanaler
(3) Möjligheter att öka marknadsandel genom att nå nya/attraktiva segment
(4) Ett snabbt sätt att penetrera nya och befintliga marknader och globalisera företaget genom att nå multipla segment i snabb takt
(5) Skapa och bygga upp en portfölj av varumärken för att kunna växa, täcka så mycket av marknaden/flest segment som möjligt, nå olika kunder med olika preferenser och för att få kunder att byta märke inom företaget
(6) För att använda befintliga resurser i nya marknader och därmed effektivisera användandet av resurserna
(7) Skapa konkurrenssfördelar genom att bygga/skapa ett stort/starkt företag som kan fungera som hinder för andra företag att konkurrera på samma marknad, öka försäljningsvolymen, öka värden av företaget, sänka kostnader, öka vinster, skapa stordriftsfördelar och skapa synergier

Motiv applicerbara för endast det köpande företaget:

(8) Förväntan om framtida vinster
(9) Använda det köpta varumärket som ett alternativ till att skapa och bygga upp ett nytt varumärke på grund av de höga kostnader som krävs för att bygga upp ett varumärke eller brist på resurser
(10) Använda det köpta varumärket för att komma in på vissa marknader
(11) För att växa, kanske är uppköp det enda alternativet, speciellt i mogn/mättade marknader
(12) För att öka värden/prestigen hos företaget eller förändra imagen för hela företaget

III. Risker med uppköp av varumärken

Risser applicerbara för både det köpande och det säljande företaget:

(1) Kannibalisering av andra varumärken inom företaget (försäljningsökning men på bekostnad av andra varumärken)
(2) Det nya varumärket kan skapa associationer som inte passar med befintliga inom företagets eller rentav är negativa eller oönskade, vilka påverkar hela företagets image

(3) För många varumärken inom ett företag kan skapa förvirring hos konsumenter och/eller distributionskanaler

(4) Problem med kraftig konkurrens i nya marknader eller segment där det nya varumärket är positionerat

(5) Ägandebytet i sig kan leda till misstänkta hos befintliga kunder på grund av lojalitet

(6) Problem med omstruktureringar, koordination och/eller ny ledning/ledarskapsstil

(7) Problem med skillnader i kulturer, språk och/eller arbetssätt

(8) Integrering av det nya varumärket med befintliga kan skada eller skapa förvirring vad gäller de olika varumärkenas identitet

(9) Hantera och möta intressenters förväntningar (kunder, aktieägare och så vidare)

(10) Förändringar i hanteringen av varumärket kan väcka opposition hos intressenter

Riskerna applicerbara för endast det köpande företaget:

(11) Dålig publicitet eller misslyckande orsakat av det nya märket påverkar även imagen hos andra varumärken, det påverkar hela företaget

(12) Det köpta varumärket är i en nedgångsfas vad gäller marknadsandelar

IV. Förstärkning och återupplivande av det uppköpta varumärket

Förstärkning av varumärket

- Var konsekvent vad gäller både mängd och typ av marknadsföring, basera den på etablerade associationer
- Skapa nya eller förbättra nuvarande produkt relaterade associationer och icke produkt relaterade associationer för att modernisera varumärket
- Hantera de olika varumärkena i en portfölj separat för att skapa distinkta profiler åt dem

Återupplivande av varumärket

1. Öka medvetenheten av varumärket genom att öka djup (känna igen och komma ihåg varumärket i rätt situationer) och/eller bredd (inköpstillfälle och konsumtion)

1.1 Öka konsumtionsnivån

1.1.1 Öka mängden och kvaliteten av konsumtion

a) Identifiera nya användningsområden

1.1.2 Öka frekvensen av konsumtion, antal gånger som varumärket används

a) Identifiera ytterligare sätt att använda varumärket

- Kommunicera till kunder om lämplighet och fördelar med att använda varumärket mer i existerande eller nya situationer
- Påminna kunder om att använda varumärket i dessa situationer just nämnda
b) Skynda på ersättningen av varumärket
   • Förknippa ersättningen av varumärket till speciella tillfällen eller händelser
   • Ge kunder bättre information gällande när produkten behöver ersättas och dess nuvarande prestanda
c) Övertyga kunder att använda produkten mer regelbundet
d) Överkomma potentiella hinder för att kunden ska använda varumärket mer
   • Ny design av produkten och /eller dess förpackning för att göra varumärket/produkten lättare and mer passande eller lämplig att använda
2. Förbättra imagen av varumärket genom att göra det starkare, mer unikt och mer fördelaktigt
2.1 Stark
   a) Skapa mera relevanta användningsområden och situationer
   b) Skapa en modernare profil åt varumärket
   c) Skapa en modernare personlighet åt varumärket
2.2 Unik
   a) Etablera mer tilltalande points-of–difference för att bättre differentiera varumärket
   b) Repositionera varumärket för att påpeka likheter som man har med konkurrenter vad gäller vissa nyckeldimensioner av imagen
2.3 Fördelaktig
   a) Göra ovanstående associationer önskvärda och levererbare
3. Ompositionera varumärket
   a) Hålla kvar osäkra eller ta tillbaka före detta kunder
   b) Identifiera bortglömda segment
   c) Attrahera nya kunder
4. Balansera nya och gamla målgrupper
   a) Skapa separata marknadsföringskampanjer för olika segment eller målgrupper
   b) Modernisera varumärket genom att introducera variationer av varumärket
   c) Hitta nya distributionssätt för att göra varumärket mer tillgängligt geografiskt och tidsmässigt