

The effects of different brand acquisition strategies

A quantitative study on
brand equity and purchase intention

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Abstract

Purpose - This study investigates the effect factors of brand equity and purchase intention for the original brand from the M&A perspective, involving two types of acquisitions (acquiring a medium image brand and acquiring a high-end image brand). The study object is a Chinese low-end automobile brand, Changcheng, who seeks to improve the brand. The two brands (medium and high-end) supposed to be acquired by Changcheng were selected through pre-test. The study aims to bring management enlightenment to the related enterprises.

Design/methodology/approach - In total, 360 responses are collected through random sampling from an internet survey platform in China. The Chinese auto brand, Changcheng, is chosen as the acquiring low-end brand for the experiment, then the study selects one from 10 brands with a medium brand image (JEEP) and the one with a superior (high-end) brand image (Land Rover). The influence of the two kinds of M&A on brand equity and purchase intention is tested and compared.

Findings - The results indicate that the different M&A strategies have significantly different effects on original brand's brand equity and purchase intention after M&A. The acquired high-end brand substantially improves the low-end brand's purchase intention and brand equity in terms of perceived quality, brand loyalty and brand awareness. The acquired brand with medium image improves the perceived quality and purchase intention of the low-end acquiring brand. A company who wants to conduct M&A to improve the brand must take serious consideration to the two different strategies due to the different effects they bring about.

Originality/value - This study is the first of its kind that investigates the role of M&A in brand equity enhancement and purchase intention improvement. In addition, the study highlights the importance of superior brand acquisition for an acquiring inferior brand as it increases brand equity and purchase intention significantly of the inferior brand.

Keywords - Brand image, Acquisitions and Mergers, Automobile industry, Brand equity, Purchase intention

Paper Type - Research paper

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1.Introduction

1.1. Automobile industry in China

After decades of development, China's local automobile enterprises have accumulated capital, technology and management experience. With the improvement of Chinese residents' income level, automobile consumption continues to improve, and brand awareness continues to strengthen. In 2021, the market share of Chinese brands rose to 44.43%, up 6.01% (MIIT, 2021). In addition, American and French car market share also increased. In 2021, SAIC ranked first among the top 15 enterprise groups of Chinese brand car sales, with sales of 2.757 million units, up 8.9% year on year. Ranked second was Changan Group, which sold 1.755 million units, up 16.7% year-on-year. Geely ranked third with 1.328 million units sold, down 0.6% year-on-year. Changcheng ranked fourth with 1.28 million units sold, up 15.2% year-on-year (Ofweek, 2022).

According to the current international standards, China only ranks 17th in the number of cars per thousand, and the number of cars per thousand in the United States can reach about 4-5 times that in China (World bank, 2019). In other words, compared with developed countries such as the United States, Australia, Italy, Japan and Germany, China's car ownership is far from saturation. With the continuous promotion of enterprises, consumers' car experience continues to improve, and the cost and price of automobiles continue to decrease, China's car market has great development potential.

In 2021, the sales volume of the top 10 enterprise groups with automobile sales totaled 22.621 million units, up 1.7% year on year, accounting for 86.1% of the total automobile sales volume, down 1.8% compared with the same period in 2020 (MIIT, 2021). On the whole, The market concentration of China's automobile industry is high, with concentration rate of the top 3 enterprises (CR3) reaching 46.2% and CR5 63.1% (CAAM, 2021). However, the market concentration of the industry decreased in 2021, indicating fierce brand competition in China's auto industry. To improve their competitiveness among the local brands, some Chinese auto companies have chosen to acquire famous international brands, with both success and failure.

1.2 M&A effects on the Automobile industry in China

Mergers and acquisitions (M&A) have brought great benefits to Chinese auto companies. In the global automobile industry, China's development belongs to a late start. Under the condition of limited technological accumulation, local enterprises is trying to catch up with other countries, but there is still a certain distance to go. This distance lies in the core three parts of the car (engine, gearbox and chassis) (KPMG, 2020). The acquisition of mature overseas brands can share platforms, technologies and production lines, which undoubtedly becomes a "good medicine" for the rapid development of independent brands.

There has been lots of successful M&A happened in recent years. In order to enhance brand awareness and reputation, BAIC acquired Saab's platform and technology and quickly launched the Saab brand. In marketing the brand, BAIC has been outspoken in saying that Saab's technology is "derived from Saab". When NAC acquired Rover, it immediately revived the MG brand in China, marketing it as a legacy of British upmarket brands. After Guoneng took over Saab, new energy vehicles launched in China are also advertised as being developed using Saab's Phoenix platform. For some consumers, there is a certain pursuit and admiration for the quality and fame of foreign brands. As a result, although these brands have declined overseas, they can still gain attention in the Chinese market, allowing the acquiring brands to show their presence under the "halo" of these well-known brands (Tian & Dong, 2010).

1.3 Overview of Changcheng

This paper takes the Chinese traditional automobile brand, Changcheng, as the study object. Changcheng launched the product named Haffer H6 in 2012 and was widely praised by the market. As its price is significantly lower than other brands under the same configuration, Changcheng become well-known for its cost-effective brand image. Changcheng has rapidly expanded its market share after the launch, and its SUV model has been the No.1 in the Chinese market for years. Recently, the chairperson of Changcheng pointed out that the company should take the brand up, promote the value per car, and improve the net profit to ensure better profitability. At present, according to their annual report, they are adjusting the brand positioning and product structure, ceasing the production of some models with low unit price, controlling the cost of existing products in the channel and supply chain, and applying limited resources to models with higher value. However, the road of transformation is not

smooth. For the middle and high-end products developed by Changcheng itself, including the TANK series and WEY series, the market response is very dull after high R&D investment and a long R&D cycle (Changcheng, 2021). It's not easy for customers to accept Changcheng's high-end products, for not willing to pay for the price increase (Homburg, 2005).

Geely's acquisition of Volvo's car division in 2010 was a very successful case. Before 2010, Geely's brand image was low, the unit price was around 10 thousand dollars, and the product received an average response in the market. Geely rapidly expand its market share through the acquisition. Besides, Volvo's flagship brand image of "the safest car in the world" has a positive impact on Geely (Yakob & Nakamura, 2018). Geely's brand image transformed from an inferior brand to a more superior brand, and unit price and profit have significantly increased.

Referring to the success of Geely, the acquisition of existing high-end brands in the market is likely to promote Changcheng to get a breakthrough. In the early years, the positioning of Changcheng and Geely is similar, and the target customer groups also overlap to a large extent. In addition, Compared with Geely before acquisition, Changcheng has wider channels, stronger production capacity and more abundant financial support, enabling Changcheng to quickly integrate and achieve the goal of brand promotion after the M&A.

1.4 Problematization

Brand equity enables brand competitiveness and is crucial to a brand's success (Lassar, Mittal, & Sharma, 1995). It is widely adopted in evaluating a brand from consumers' perspective, which mainly comprises four dimensions: perceived quality, brand loyalty, brand awareness and brand association (Aaker, 1991). Brand image is highly influential to brand equity (Keller, 1993), since it brings associations about the brand's products and its non-product attributes, which directly or indirectly link to consumers' evaluation towards the brand (Iversen and Hem, 2008).

How to realize brand image improvement to enhance brand equity is an important topic. In developing countries such as China, with the development of economy and the improvement of people's living standards, consumers have diversified demands and pay more attention to

the feelings brought by brands. Many traditional enterprises who simply pursued sales in the early stage face the pressure of transformation. They seek to optimize their brand image and to improve consumers' evaluation towards the brand (Thorbjørnsen and Dahlén, 2011).

M&A, a rapid, effective means to empower the brand, has become an important strategy of these companies (Larsson & Finkelstein, 1999). Through M&A, companies are able to effectively improve their quality, production capacity and competitiveness (Schweizer, 2005). In the past decade, many enterprises in developing countries have actively taken part in cross-border M&A to gain resources and raw materials, advanced technology, or management knowledge. According to the World Investment Report 2016, China's outflows of foreign direct investment hit a new high, jumping from \$123 billion in 2014 to \$128 billion in 2015, owing primarily to cross-border mergers and acquisitions. China has emerged as a significant investor in developed countries (UNCTAD, 2016).

M&A, different from brand extension or brand collaboration, which are the favorable topics for company conjunctions (Aaker, 1991; Speece and Nguyen, 2005), has long been regarded as a financial term and far less attention has been paid to it. With the recent surge of needs and amounts of M&A among companies, the potential effects M&A brings to the brands from consumer perspectives is of significant value. In terms of brand equity, a considerable amount of literature has investigated the brand equity for strong brands regarding brand enhancement or avoidance of negative factors, such as dilutions or cannibalization (Pitta & Katsanis, 1995; Sood & Keller, 2012; Lupu, 2014). However, not much research has dealt with brand equity for inferior brands. The contributing factors and potential influence of brand equity for inferior brands still have great research potential. In addition, previous studies have concentrated on brand equity of certain industries, such as luxury industry or consumer good (Aaker, 1991; Speece and Nguyen, 2005; Lee, 2014; Khalifa, 2021). Little research exists which discusses brand equity for automobile industry, the focus of this study. The research significance lays at the great difference in consumer perception and attitudes from industry to industry. The automobile industry is characterized by technology-intensive and long research and development cycle, and the previous studies subject on other industries have little reference for it.

1.5 Research question

This study attempts to fill the gaps mentioned above. The paper investigates the effect factors of brand equity and purchase intention for the low-end image brand (low-end/medium/high-end image brand hereinafter referred to as low-end/medium/high-end brand) from a M&A perspective. A quantitative study and a pre-study are included. The research was designed to answer the research question, “What are the influence of different M&A strategies on customer evaluation of the original brand?”. The M&A strategy refers to brand image redeployment and customer evaluation was discussed in terms of brand equity and purchase intention.

The overall research question is: What is the influence of different M&A strategies on customer evaluation of the original brand? Three specific research questions are:

Q1: What are the effects of two types of M&A (acquiring a medium or high-end brand) on an acquiring low-end brand's brand equity (Perceived quality, Brand loyalty, Brand awareness and brand association)?

Q2: What are the effects of two types of M&A (acquiring a medium or high-end brand) on an acquiring low-end brand's purchase intention?

Q3: Do the two acquisition methods differ in their effectiveness to influence the acquiring low-end brand?

To address these questions, a pre-test will be conducted to identify the two suitable brands (medium & high-end) supposed to be acquired by the study object (Changcheng). Second, an experimental study will be performed to test the different effects of the two M&A strategies on the original brand in terms of brand equity and purchase intention. Finally, the results will be analyzed to answer these research questions and to give real-life implications.

1.6 Expected contribution

The contribution of the thesis is twofold. From theoretical perspective, the thesis combines literature from three domains: M&A, brand equity and purchase intention, investigating the contributing factors of brand equity and purchase intention in the M&A context. The experiment further narrows the domain to the inferior brand in automobile industry, which has seldomly been discussed in previous research.

From practical perspective, this thesis compares the different effects of two different M&A strategies (acquiring average/high-end brand) on the original inferior brand. This will inspire the car companies who seek to improve the brand through M&A and help them smartly choose the M&A strategy. The possible effects of the two strategies will be discussed in detail. By comparing the possible effects of the different strategies, the practitioners are more likely to make more sensible choice that is suitable for their positioning, budgets and targets.

2. Literature review

2.1 M&A

M&A is a very important strategy for companies, enabling the access to technology, products, distribution channels and desirable market positions (Schweizer, 2005) . M&A would create synergies and enhance companies' long-term sustainability (Larsson & Finkelstein, 1999). Companies tend to pursue cost cutting and financial performance after M&A to maximize the profits. Consumers also recognize that companies engage in M&A to strengthen their financial performance (sustainability) (Konigs & Schiereck, 2006).

Although M&A has been a subject of numerous studies, the researchers primarily dealt with M&A from the financial and operational perspective, lacking consumer perceptions. This might come from the managers' focus on pursuing short-term benefits. The lack of attention on the post-M&A effect from the consumers' side might bring negative influence such as brand cannibalism, partial failure, and brand dilution to the companies (Pitta and Katsanis, 1995). With uncertainty regarding the future performance after M&A, consumers will switch to other choices (Homburg and Bucerius, 2005). However, a successful M&A that takes carefully account the consumers' perceptions might enhance the brand equity and facilitate the purchase intention, referring to the brand extension effects (Aaker, 1991). Therefore, understanding consumers' views on M&A and the brands involved is of vital importance to the post-M&A performance.

2.2 Brand image

Keller (1993) defined brand image as consumers' views of a brand as indicated by the brand connection stored in their memory. Favorability, strength, and uniqueness of brand associations are three important aspects of image. Keller also regarded that brand image is

created by advertising, marketing, and what consumers bring to it, not by product characteristics, technology, or the actual product. Iversen and Hem (2008) regarded that brand image includes beliefs about the brand's diverse products and its non-product attributes. When customers evaluate brands before purchasing, brand image is frequently employed as an extrinsic incentive signal (Zeithaml, 1988; Richardson, Dick, and Jain, 1994).

Companies aim to create favorable and positive association so that a positive brand image could be built (Keller, 1993). Many large companies with low brand image tend to merge and acquire a superior brand to improve their brand image and thus covering a wider market (Nguyen and Kleiner, 2003). At the same time, these companies strive to maintain the cognitive consistency between inferior and superior brand image (Heider, 1958), as consumers seek to achieve harmony among their thoughts and try to avoid incongruent thoughts (Dean, 2002). A favorable brand image would build a more effective brand message to have a stronger influence on consumers compared to the competitors. Therefore, from the perspective of consumers, brand image is crucial to their perception and decision-making. Previous studies have explored the concept of brand image and its possible effects on brands, but few related studies have directly compared the impact of different brand images. This study combines the concept of brand image with M&A to study the impact of brand image difference on consumers' perception.

2.3 Brand fit

The fit between a parent brand and the extension category is a factor of the extension's success according to Aaker and Keller (1990). In brand extension literature, two viewpoints on fit—similarity and relevance—coexist, believing that brands are cognitive categories produced by a network of connections arranged in people's memory. The associations may be based on shared features, attributes, benefits, or other common linkages, such as user imagery and usage situations (Aaker and Keller 1990; Chakravarti, MacInnis, and Nakamoto 1990); they may be unique to the brand (Broniarczyk and Alba 1994); or shared by other product category members (Broniarczyk and Alba 1994; Herr, Farquhar, and Fazio 1996).

Consumers positively rate brand extensions when they see resemblance between the parent brand category and the extension category, according to several researches (Aaker and Keller 1990; Boush and Loken 1991; Dawar 1996; Herr, Farquhar, and Fazio 1996; Batra 2010).

Due to common features (e.g., a kitchen appliance maker extending to home laundry appliances), substitutability (e.g., an ice cream brand extending to cakes), or complementarity, the parent brand's category associations can be applied to the extension's category associations (Herr, Farquhar, and Fazio 1996). Similarity perceptions improve fit perceptions.

The relevance approach, which opposes the importance of category similarity as the major driver of fit, claims that brand-specific associations—those not shared with other members of the product category—drive judgements of “fit”. These associations could be benefits, such as the sweet flavor of Froot Loops being significant for lollipops but not for the more similar category of hot cereal (Broniarczyk and Alba 1994), or brand concepts, such as Rolex's prestige being significant for cufflinks but not for the more similar category of stopwatches (Broniarczyk and Alba, 1994; Park, Milberg, and Lawson, 1991). Previous research studied the fit degree of two brands from the perspective of brand extension. This study introduces the concept of M&A, and defines the fit degree between two brand images as “brand image difference”. The acquired brand with average brand image has a medium brand image difference with the original low-end brand, while the one with high-end brand image has a large brand image difference.

2.4 Brand equity

Brand equity is a financial asset as well as a collection of positive associations and behaviors (MSI 1989). Farquhar (1989) defined brand equity as "consumers' favorable judgment or attitude toward the branded product," whereas Keller (1993) defined it as "differential reaction to the firm's marketing activities." Brand familiarity and the linkage of good, powerful, and distinctive memories with the brand result in customer-based brand equity. The consumer's memory structure, which includes brand image and brand awareness, causes the differential reaction. When considering how customers evaluate brand equity, it is divided into two categories: brand strength and brand value (Srivastava and Shocker, 1991). Customers' brand connections are what determine brand strength. The advantages that occur when brand power is utilized to produce greater present and future earnings are known as brand values.

Mahajan, Rao, and Srivastava (1991) used a consumer-based viewpoint to quantify brand equity. Farquhar and Ijiri (1991) created a method for calculating brand equity that they call

"momentum accounting". Their concept examines the direct effects of a company's marketing activities on brand equity, rather than consumer information processing and brand understanding. Brand equity was defined by Park and Srinivasan (1994) as brand preference for name brand items that was not explained by objectively assessed features. Their research added to our knowledge of the sorts of brand associations that contribute to the creation of brand equity in well-known brands.

In order to achieve brand equity, image and attitude must be formed first. Dyson, Farr, and Hollis (1996) and Baldinger (1996) have described proprietary or commercial brand equity models. Yoo, Donthu, and Lee (2000) found that brand associations and awareness had a beneficial influence on brand equity development. While their findings corroborate the favorable influence of brand image on brand equity, they used broader general image and awareness measures. Brand equity, according to Aaker (1991), is comprised of perceived quality, brand loyalty, brand awareness, and brand associations. Aaker's model is widely used in recent brand equity research and is adopted in this study. Brand equity, including the four dimensions are the dependent variable to be investigated.

2.5 The four dimensions of brand equity

2.5.1 Perceived quality

The four primary aspects described by Aaker are commonly utilized in brand equity assessment and evaluation. Customers' perceptions of the overall quality or benefits of a product or service in relation to its intended purpose and alternatives are known as perceived quality (Aaker, 1991). Pirsig's quality idea might be considered as typical of what has been labeled the transcendent (Garvin, 1984) or metaphysical (Steenkamp, 1989) approach to quality. Quality is connected with inherent quality and can only be identified via experience rather than analysis. According to Ramaseshan and Tsao (2007), perceived quality refers to consumers' intangible perceptions of a product's or service's overall quality or benefits — their overall perception of the brand. Extrinsic and intrinsic signals, such as brand image, country of origin image, brand name, price, or the amount to which advertising influences perceived quality (Speece and Nguyen, 2005; Ahmed et al., 2006).

The objective quality approach, which refers to quantifiable and verifiable superiority on some preset ideal standard or standards (Zeithaml, 1988), is at the other end of the range of

quality definitions. This realm of quality conceptualization includes both quality ratings based on comparative product testing conducted by consumer groups and conformity to technical standards of production management. The perceived quality method, which has been extensively accepted by both practitioners and academics in marketing, falls between these two approaches. The consumer's judgment determines quality in the perceived quality method. The customer's opinion of the total quality or superiority of a product or service with respect to its intended purpose, relative to alternatives, according to Aaker (1991).

2.5.2 Brand loyalty

Behavioral and attitudinal loyalty are two approaches to understanding brand loyalty (e.g., Bandyopadhyay & Martell, 2007; Dick & Basu, 1994). The frequency of recurrent purchases is referred to as behavioral loyalty. Attitudinal loyalty refers to a consumer's psychological commitment to a purchase, such as intentions to buy and intentions to suggest, without necessarily taking into consideration actual recurrent purchase behavior (Jacoby, 1971; Jarvis & Wilcox, 1976). Because the cost of recruiting new customers is higher than the cost of maintaining existing customers, the influence of brand loyalty on marketing expenses is critical (Wood, 2001). Furthermore, loyal customers establish a barrier that prevents competitors from entering the market (Keller, 1998).

In order to persuade people to stay loyal to a company, integrated marketing communications is critical (Eri and Gil-Saura, 2012). Consumers that frequently repurchase or repatronize a favorite product have begun repeat purchases of the same brand or brand set (Luarn and Lin, 2003). Similarly, their purchase decisions for the same goods are influenced by brand loyalty (Ahmed, 2011; Huang and Huddleston, 2009; Lam, 2007; Martenson, 2007). In other words, people develop brand loyalty and stick to well-known brand names (Sun et al., 2004), as well as use it for social recognition (Manrai et al., 2001).

2.5.3 Brand awareness

According to Keller (2008), brand awareness refers to whether customers can recall or identify a brand or whether they are familiar with it. Consumers would attach related brand information to the brand name, thereby providing memory nodes in their minds, which is one of the components of brand equity (Aaker, 1991). It influences consumers' thoughts and attitudes, as well as reflecting the brand's importance in the customer's thinking. Consumers' brand awareness refers to how they link a brand with the goods they want to own. Brand

awareness, or top-of-mind awareness, is required for the communications process to succeed (Macdonald and Sharp, 2003; Netemeyer et al., 2004). Brand awareness has a substantial influence on consumer decision-making, and customers frequently use it as a choice heuristic, which helps to achieve customer-based brand equity management (Chung et al., 2013; Huang and Sarigollu, 2011; Norazah, 2013a). Brand awareness does, in fact, have a direct impact on brand equity (Pouromid and Iranzadeh, 2012).

2.5.4 Brand association

"Anything related in memory to a brand" was classified as "brand associations" (Aaker, 1991). Keller (1993) proposed a model of brand associations that includes brand qualities, advantages, and attitudes, as well as the brand's tangible and intangible aspects and physical characteristics. A brand's power is mostly determined by the associations that customers form when they come across the brand name. Customers will have good feelings about a brand if it has strong connotations (Aaker, 1990). The information about what is on the customer's mind regarding the brand, whether favorable or negative, is linked to the node of the brain memory (Emari et al., 2012). Brand association is used to collect data in order to carry out brand differentiation and expansion (Osselaer and Janiszewski, 2001). In general, all brand association information is linked to the brand name in consumer recollection and reflects the brand's image (Keller, 1993; Romaniuk and Sharp, 2003). The greater the brand associations in a product, the more likely the buyer will remember it and be loyal to it.

2.6 Purchase intention

Purchase intention is a type of decision-making that examines consumer motivations for purchasing a specific brand (Shah et al., 2012). Morinez (2007) described purchase intention as the propensity of a consumer to purchase a specific good under a specific circumstance. A higher willingness to acquire a product indicates a larger likelihood of purchasing it, but not necessarily that it will be purchased. On the contrary, a reduced inclination to buy does not imply that it is impossible to do so. Purchase intention was described by Bagozzi and Burnkrant (1979) as a personal behavioral propensity toward a certain product. Acquire intention, according to Spears and Singh (2004), is "an individual's intentional purpose to make an attempt to purchase a brand". A consumer's purchase intention is determined by the perceived benefit and value (Xua, Summersb, and Bonnie, 2004; Grewal et al., 1998; Dodds et al., 1991; Zeithaml, 1988).

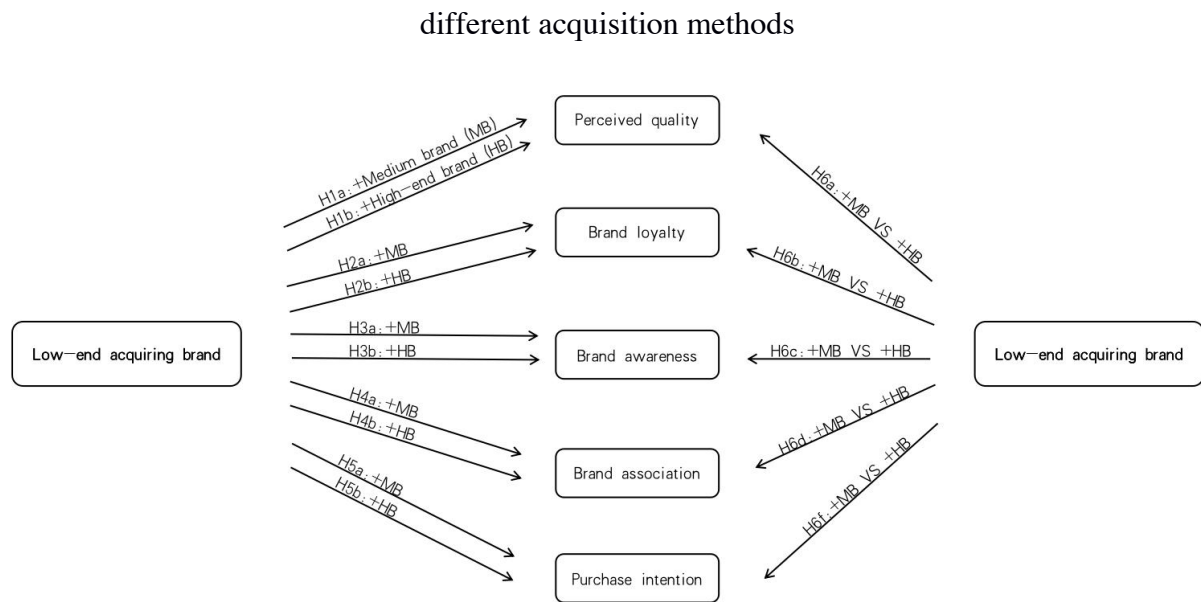
Making a purchasing decision is a complicated procedure. Purchase intention often correlates with customer behavior, perceptions, and attitudes. Purchase behavior is a crucial factor in how customers obtain and assess a given product. Purchase intention, according to Ghosh (1990), is a useful instrument for anticipating the buying process. Montaña and Kasprzyk (2015) also thinks that purchase intention is the crucial predictor of actual consumer behavior. Therefore, purchase intention is vital for the success of any business strategy including M&A.

Prior research has looked on the connection between brand equity and customers' purchase intentions (Irshad, 2012). Brand equity and the propensity to suggest brand purchases to others are significantly correlated (Azizi & Ajini, 2012). According to Divolf (2005), it is more likely that strong brand awareness will result in high brand association in consumers' thoughts. As a result, it is more likely that increased brand recognition will result in more consumer decisions. This study introduces the concept of M&A and investigate how different M&A strategies (merging different brand image) would influence purchase intention (Tih & Lee, 2013).

2.7 Hypothesis

Consumer behavior is influenced by brand image (Burmam et al., 2008). According to brand equity research, cultivating a favorable brand image and attitude would enhance brand equity (e.g., Aaker 1991). Consumers' behavior could be influenced by a unique, powerful, and favorable brand image processed by consumers themselves (Keller, 1993). The acquirer's post-acquisition view is influenced by the acquired brand image.

Figure 1. Hypothetical model of brand image changes for a low-end acquiring brand by



The four aspects of brand equity proposed by Aaker (1991), which were employed in this study, are frequently used in brand equity measurement and assessment. Brand equity is made up of perceived quality, brand loyalty, brand awareness, and brand connections. Positive brand information improves consumers' perceptions of quality, value, and readiness to buy (Dodds, Monroe & Grewal, 1991; Monroe and Krishnan, 1985). According to Mourad (2010), brand image has a direct impact on perceived quality. Acquiring a brand with higher brand image will benefit the original brand in perceived quality. Since the acquiring brand is a low-end image, the author proposes that both acquiring a brand with medium brand image and one with a high-end brand image will improve low-end brand's perceived quality. Thus:

H1: A low-end brand acquiring a medium (H1a) or a high-end (H1b) brand will have a positive effect on the low-end brand's perceived quality.

Previous research have suggested that brand image influences consumer loyalty (Zeithaml, 1988; Hince, 2001). Based on this, the study infers that a superior brand, no matter the brand image difference, will benefit the original inferior brand in brand loyalty. Thus:

H2: A low-end brand acquiring a medium (H2a) or a high-end (H2b) brand will have a

positive effect on the brand loyalty to the low-end brand.

Brand awareness creates memory nodes in the brains of customers, promoting the connection between brand knowledge and brand name, resulting in brand equity (Keller, 1992; Aaker, 1991). Brand awareness provides the brand with a learning edge (Keller, 2008). Thus, an superior brand image is helpful in building positive brand awareness. Based on these, the following hypothesis were proposed:

H3: A low-end brand acquiring a medium (H3a) or a high-end (H3b) brand will have a positive effect on the brand awareness of the low-end brand.

According to previous research, favorable brand image leads to positive brand association, which is a conceptual antecedent to increased brand equity (Aaker 1991). With the acquisition of a superior brand, the original brand is likely to improve its brand association. Thus:

H4: A low-end brand acquiring a medium (H4a) or a high-end (H4b) brand will have a positive effect on the brand associations of the low-end.

Some previous research investigated how the varying effects of different brand image on brand equity. For example, Lee et al. (2014) discovered that when a low country of origin (COO) brand acquired a higher COO brand, its brand equity increased much more than when it acquired a medium COO brand. Johnson (2001) suggest that brand loyalty increases with a positive brand image. Keller (1993) proposed that the greater the brand image in a product, the more likely the buyer will remember it and be loyal to it. A more positive brand image allows the brand and its "meaning" to be deliberately defined and positioned in the minds of consumers, thereby increasing brand equity (Pitta and Katsanis 1995).

The possibility that a buyer will buy a certain product is known as purchase intention (Fishbein and Ajzen, 1975; Dodds et al., 1991; Schiffman and Kanuk, 2000). Faircloth et al. (2001) discovered that when customers perceive a positive brand image, they are more likely to spend. Thus, the discussions suggest the following hypothesis:

H5: A low-end brand acquiring a medium (H6a) or a high-end (H6b) brand will have a

positive effect on the purchase intention of the low-end brand.

In the majority of earlier studies testing the impact of brand image on customers' purchase intentions, the association between these factors was found to be statistically significant (Arslan & Altuna, 2010; chi et al., 2008; Tariq et al., 2013; Zeeshan, 2013). Seldom research has investigated the varying effects of different brand image on purchase intention. Collins and Loftus (1975) suggest that through the spreading activation of brand memories, the ensuing connections, namely brand image, are expected to impact the consumer's purchasing behavior. Spreading activation, according to Anderson (1983), transfers important information into working memory and makes it available for decision making. The study infers that, the more positive the working memories (brand image), the more likely the customers will buy the products. Thus:

H6: A low-end brand acquiring a high-end brand will have greater effects on the perceived quality (H7a), the brand loyalty (H7b), the brand awareness (H7c), the brand associations (H7d), and the purchase intention (H7e) of the low-end brand than if acquiring a medium brand.

Table1: Summary of hypotheses

H1	A low-end brand acquiring a medium (H1a) or a high-end (H1b) brand will have a positive effect on the low-end brand's perceived quality.
H2	A low-end brand acquiring a medium (H2a) or a high-end (H2b) brand will have a positive effect on the brand loyalty to the low-end brand.
H3	A low-end brand acquiring a medium (H3a) or a high-end (H3b) brand will have a positive effect on the brand awareness of the low-end brand.
H4	A low-end brand acquiring a medium (H4a) or a high-end (H4b) brand will have a positive effect on the brand associations of the low-end.
H5	A low-end brand acquiring a medium (H6a) or a high-end (H6b) brand will have a positive effect on the purchase intention of the low-end brand.
H6	A low-end brand acquiring a high-end brand will have greater effects on the perceived quality (H7a), the brand loyalty (H7b), the brand awareness (H7c), the brand associations (H7d), and the purchase intention (H7f) of the low-end brand than if acquiring a medium brand.

3.Method

3.1 Overall research method

The research is conducted to determine how the brand image redeployment strategy affects brand equity and purchase intention of the original brand after M&A. To answer the research questions, a deductive approach is adopted, including a pre-test and two studies. The pre-test adopting an interview and a survey to select the variables (the brand with average brand image and the brand with high-end brand image). Then, a quantitative research is adopted to test the causal relationship between acquisition method and brand evaluation. Finally, the results were analyzed to discuss the research questions and give managerial implications. The thesis is of quantitative nature, testing the causal relationship between variables in the M&A context.

3.2 Pre-test

The pre-study consists of two parts: an expert interview and a survey. The pre-study aims to select appropriate variables for the quantitative study and also to develop the research design from industrial and customer perspective. Firstly, 10 car brands were selected among all car brands in Chinese market through an expert interview. The interview was conducted through zoom meeting on March 19th. During the interview, Chinese automobile market was discussed and the 10 brands were selected based on their positioning, price and reputation. Secondly, a survey was conducted among 50 consumers regarding their perception on the brand image difference between the 10 brands and Changcheng respectively. The two independent variables were then decided according to the survey rating.

3.3 Experimental study

The main study utilizes a quantitative approach, following an experimental design that explores the relationship between the dependent variables (brand equity and purchase intention) and independent variables (brand acquisition strategies). The study object is the brand with inferior brand image (Changcheng); the independent variable contains two levels: Changcheng acquiring a medium brand and a high-end brand, respectively; the dependent variables are brand equity and purchase intention. The stimuli are the fictitious M&A news with words and pictures and were randomly assigned to two experiment groups. The research samples were randomly picked through the online survey platform, covering different age

groups, regions and both genders.

4. Pre-study

4.1 expert interview

Automobile brands are the chosen subjects in this study. In the pre-test, in order to pick the suitable brand for the quantitative research, an expert interview was conducted. As few previous research has focused on Chinese market, industrial insights are important to understand the research question and to construct research design. Therefore, the author invited Peter Fan, an experienced securities analyst specified in Chinese automobile market, and conducted the interview on March 19th. Through the interview, Peter Fan gave valuable insights in Chinese automobile market, from the analysis of macro automobile market to the individual companies. The interview content can be summarized as follows:

1. At present, the mainstream automobile brands in china are joint-venture brands and Chinese domestic brands.

At the beginning of 1994, in order to improve the scattered, disorderly and small domestic automobile industry, China's automobile market began to develop the form of foreign investment cooperation, introducing a series of foreign automobile enterprises to promote industrial technology innovation through cooperation. The most typical examples are Shanghai General Motors Co., LTD., Dongfeng Nissan Motor Co., LTD., Guangzhou Honda Motor Co., LTD. At this stage, with the accelerated entry of foreign capital into China's automobile industry, more and more standardized enterprise management and production standards as well as automobile production technology were brought in, and the automobile products produced by joint ventures gradually converged to the mainstream standards in the international market. Since 2010, Toyota, Nissan, Honda, Volkswagen, Mercedes-Benz, General Motors, Ford and Hyundai have all invested heavily in the Chinese auto market with aggressive production expansion plans. At the same time, China's local automobile enterprises are gradually attaching importance to the research and development of core technologies, and vigorously cultivating their own technology research and development teams in the project development. China's private automobile enterprises have sprung up and gone further and further on the road of independent research and development. A number of outstanding independent brand automobile enterprises such as Changcheng, Geely and Chery have emerged. According to data from the China Union of Passenger Cars in 2021, the sales

volume of domestic brand passenger cars was 9.543 million units, accounting for 44.4%, and that of joint-venture brands was 55.6%.

2. Although there is great developing potential, Chinese domestic brands face the dilemma of elevating the brand.

In recent years, with the gradual development of domestic automobile enterprises' technology, the growth rate of China's domestic brands is very high. In 2021, the sales volume of China's domestic brands increased by 23.1% year-on-year. However, domestic brands are under pressure to transform. Competition among the domestic car market is becoming increasingly fierce. In 2021, the gap of the top domestic car enterprises in the competition is gradually narrowed, and the sales data are very close. The sales volume of the top three domestic car enterprises, Geely, Changcheng and Changan in 2021 is 1.328 million, 1.281 million and 1.2 million respectively. Meanwhile, as the living standards of domestic consumers improve, they begin to pay more attention to product differentiation and product quality. In the early stage, these three domestic independent automobile enterprises all took high cost performance as the positioning to seize the market, but now, the domestic consumption is upgrading, the cost performance advantage will gradually weaken, they need to improve their competitiveness through transformation, and further open the market.

3. Through the past cases show that the acquisition of foreign brands may be an effective way to enhance the brand.

In the process of Chinese automobile development, there are many brands seeking brand transformation, and some companies have achieved remarkable brand improvement through M&A, among which the most famous case is Geely's acquisition of Volvo's car business. In 2010, Geely bought the internationally renowned Volvo brand for \$1.8 billion. The acquisition helped Volvo get rid of its profit difficulties. Data showed that in the cold winter of the global car market in 2019, Volvo sold 705,500 cars globally, an increase of 9.8% year on year. It was the first time in the 93-year history of Volvo that its sales exceeded 700,000 cars, and it broke the global sales record for the sixth consecutive year. At the same time, through the rational integration of human resources and technology, the acquisition also gives Geely a perfect brand transformation. After the acquisition of Volvo, Geely has successively launched models such as Bo Rui and Bo Yue, and the quality improvement has been recognized by consumers. Today, Geely Auto has become the leading car brand in China, ranking first in sales for years in a row. In addition, some auto companies have also gained

new customer segments through M&A. For example, SAIC opened the young user market after acquiring MG, and won the favor of mature business users after acquiring Roewe.

4.2 Experimental design development

Based on the above interview content, the author has a preliminary idea for the experimental design. First of all, China's independent automobile brands have great development potential, but almost all of them face the bottleneck of the transformation of low-end brand positioning, which is a very valuable research topic. Second, in the past there are a number of domestic companies transformed the brands through M&As, M&A might be an effective way to elevate Chinese domestic automobile brand. However, different M&A strategies might generate different effects on the acquiring brand. This study explores the two different M&A strategies: a low-end brand acquiring 1) a medium brand and 2) high-end brand. To make the experiment more consistent with the domestic situation, the author further asked Peter to give suggestions to the experimental subjects, which are as follows:

1. Selection of acquiring low-end brand for the experiment

The research object of this paper is Chinese low-end automobile brand, Changcheng, a domestic automobile brand, was selected as the studied brand. First of all, in order to ensure the participants have certain familiarity to the variables, popularity is the primary basis. Changcheng is one of the top three domestic automobile brands in terms of sales volume, with its SUV model sales ahead in the industry. Changcheng's hot SUV models are priced around 25,000 dollars, positioned as low-end, which is very consistent with the brand positioning requirements of independent variables in this study. Third, this study discusses the influence of M&A on the original brand. A brand that has never experienced M&A would guarantee the accuracy of the experiment, and Changcheng meets this standard. Finally, Changcheng has obvious demand for brand improvement. They are seeking to improve the brand by developing the middle and high-end products, but the market response seems to be very dull, even though the high research and development fee has been thrown.

2. Selection of the acquired brands for the experiment

In order to screen out independent variables (acquired mid-range and high-end brands), Peter recommended that the brand's awareness, positioning and price be used as the screening criteria. First of all, since most of the foreign-funded cars entered China in the form of joint

ventures in the early stage, many well-known foreign-funded brands or models were not popular in China, and consumers' awareness was low, which may lead to poor experimental results. Therefore, the brands to be acquired are domestic well-known joint ventures or independent brands. Second, as this paper studies the impact of M&A on the original brand, for the accuracy of the experiment, none of the 10 alternative brands has ever experienced M&A. In addition, the study was advised to select independent variable brands in order of price and positioning from highest to lowest. Finally, according to the three criteria of popularity, positioning and price, Peter gives 10 suggested alternative brands: General Motors, Ford, Daimler Chrysler, Toyota, Volkswagen, Honda, Nissan, Land Rover and JEEP.

These ten brands were selected by Peter based on his knowledge of the domestic automobile industry. Although this ensures that the experiment is based on the Chinese market and has a certain professionalism, it is still subjective. In order to ensure the accuracy of the experiment, the final independent variables will be selected by consumers through an survey.

4.3 Survey

This study intends to explore the influence of different M&A strategies on low-end original brands. Through the expert interview, the research preliminarily selected Changcheng as the subject, which is a very representative Chinese brand. In order to select appropriate independent variable brands for quantitative research, that is, a brand with large image difference from Changcheng and a brand with small image difference from Changcheng. The study conducted the survey among 50 car users aged 18-50. On the Five-point Likert Scale, participants were asked to rate Changcheng and 10 other brands on brand image. The brand image scale of Ansary and hashim (2017) with 6 items was applied. The survey was mainly presented in the form of text. After being told the brand name, participants rated each brand on six dimensions.

The results show that Changcheng is rated 3.82; the high-end brand with the biggest difference from the Changcheng is Land Rover (4.48); the average brand that attained the median score is Jeep (3.97). Finally, the author determined that Jeep is the average brand with medium image difference, and Land Rover is the high-end brand with large image difference.

5. The experimental design

5.1 Pilot study

The pre-study, involving the expert interview and the customer survey, contributed to the initial conceptual framework. In order to ensure the best experimental effect, the author conducted a pilot study based on the preliminary framework before starting the formal questionnaire. In the Pilot study, participants were divided into three groups, group A as the control group, group B and group C as the experimental groups. Each participant was given A set of questionnaires. The content of the questionnaire mainly includes the reading of virtual M&A materials, the scale of brand equity and purchase intention and the collection of personal information. The Pilot study was conducted online on April 10th, and the collection time was 7 days. A total of 54 participants were included, aged 18-50, ranging from students and working groups, basically the same as the participants in the final questionnaire. The author intended to adjust the final questionnaire through the feedback of the participants; therefore, at the end of the questionnaire, the participants were invited to make a simple questionnaire evaluation. After collecting questionnaire data and arranging interviews with participants, the author found several problems in the preliminary questionnaire:

1. Image interference

In the first version of the questionnaire, the virtual M&A materials was delivered by words combined with pictures. Some participants pointed out that due to the picture of the JEEP background is in the exhibition hall, while land rover image background is in the wild, this makes the JEEP look more high-end than land rover, thus resulting in participant's guide effect . In order to prevent this interference, the picture background of the final questionnaire will be uniformly gray, and the models presented are all the classic hot-selling models of each brand, so as to better conform to the brand image.

2. Interference of text comprehension

During the survey, participants in groups B and C were given virtual M&A materials (acquisition of JEEP/Land Rover). In the first version of the questionnaire, the author designed a paragraph of virtual M&A text and showed pictures of the acquired brand, and in the next section, participants were asked to answer questions about the brand equity of Great Wall brand. Through the analysis of the collected data, the authors found that the significance

of the difference in the ABC group was very low, which was not in line with common sense. The author speculated that this was because the questionnaire did not give reasonable text prompt to the participants after giving the materials of virtual M&A, which led to the misunderstanding. For example, some participants in Group B asked whether they would score the Changcheng brand or JEEP brand. Therefore, in the final version of the questionnaire, the text "At present, Changcheng's acquisition of JEEP/Land Rover has been completed" was added at the end of the first part of the acquisition materials. In addition, before the questionnaire questions in the second part, the author added the text prompt "Please comment on the Changcheng brand after the acquisition of JEEP/Land Rover".

3. The accuracy of text translation

As the participants of this questionnaire are Chinese consumers, the brand assets scale need to be translated into Chinese. The first version of the questionnaire was pointed out that there are several translation that is crude and abstract, therefore, the final version of the questionnaire will be adjusted to more accord with Chinese translation context.

4.The lack of quality tests

Based on Examination of scale reliability via Cronbach's alpha coefficient, the quality of questionnaire responses needs to be improved. In the questionnaire evaluation, some participants reflected that the questionnaire questions were too long, which made them forget the initial merger information. Therefore, in the final version of the questionnaire, participants would be asked, "Do you remember the name of the acquired brand?", the participants who had forgotten the initial information were asked to re-read the material before continuing to answer the questions. At the end of the questionnaire, the participants were asked to answer "What is the name of the acquired brand?", and the data with incorrect answers will be removed.

5.2 Questionnaire design

The final questionnaire design departed from the findings generated from the pilot study. An online questionnaire consisting of three sections was used and the participants were divided into 3 groups. For group A, the control group, no M&A happened, Changcheng by itself was rated with five- point Likert Scale in terms of its brand equity and purchase intention. For group B and C, section 1 contained information concerning a fictitious M&A. The M&A was

constructed in two variants, with one version for each questionnaire. According on the facts presented, Changcheng recently purchased either Jeep, a medium brand, or Land Rover, a superior brand.

The materials of virtual M&A were presented in the form of text combined with pictures, which mainly include the basic information of M&A, such as transaction time, price and transaction completion status, etc. The materials also include pictures of the acquired brand. In order to avoid the interference of other factors in the experiment, the background color of the pictures is gray. And the models displayed are the brand's classic best-selling models, so as to match the brand image as much as possible.

In section 2, participants were asked to rate the brand equity, the dependent variable, after M&A in four dimensions, perceived quality, brand loyalty, brand awareness and brand association. Participants in Group A were asked to rate Changcheng's brand equity and purchase intention; participants in group B rated Changcheng after the acquisition of JEEP based on virtual materials; and participants in group C rated Changcheng after the acquisition of Land Rover.

To prevent boredom or distraction, the questionnaire length was controlled within 3-4 minutes. The questionnaire also included attention check questions to ensure the quality of the answers, which mainly examined the participants' understanding of the virtual acquisition material and their memory of the material. Since understanding and remembering the acquisition material is an important part of the experimental manipulation, participants who forgot the virtual acquisition information during the task was prompted to re-read the material, and questionnaires that failed the attention check was removed.

Section 3 collected the demographics information, including gender, age, and region. Section 2 and 3 are identical for the 3 groups. Section 1 differed depending on the M&A case given. Each respondent completed only one version of the questionnaire.

5.3 Measures

This paper mainly studies the influence of different M&A strategies on the acquiring brand. The dependent variables include two aspects: brand equity and purchase intention. The

experiment adopted previously validated scales with a 5-point Likert scale. The proposed hypotheses (H1-H4 and H7a-d) were tested through multidimensional brand equity (MBE) scale of Yoo and Donthu (1997), within which the four dimensions of brand equity (perceived quality, brand loyalty, brand awareness and brand associations) are included. The overall brand equity (OBE) scale of Yoo and Donthu (1997) was applied in testing H5 and H7e. H6 and H7f were tested via the six-item scale of Souiden et al. (2011). The OBE scale and MBE scale has been demonstrated a strong fit via a second order confirmatory factor analysis with a high correlation (.78) between the two. In this experiment, OBE will be used to test the group difference.

Table 2: Reliability estimates

		Cronbach's Alpha
PQ	Perceived quality of Changcheng	0.899
BL	Brand loyalty of Changcheng	0.914
BA	Brand awareness of Changcheng	0.841
BASO	Brand association of Changcheng	0.826
PI	Purchase intention of Changcheng	0.926
PQHB	Perceived quality after acquisition of a high-end brand	0.871
BLHB	Brand loyalty after acquisition of a high-end brand	0.806
BAHB	Brand awareness after acquisition of a high-end brand	0.829
BASOHB	Brand association after acquisition of a high-end brand	0.846
PIHB	Purchase intention after acquisition of a high-end brand	0.935
PQMB	Perceived quality after acquisition of a medium brand	0.877
BLMB	Brand loyalty after acquisition of a medium brand	0.899
BAMB	Brand awareness after acquisition of a medium brand	0.857
BASOMB	Brand association after acquisition of a medium brand	0.879
PIMB	Purchase intention after acquisition of a medium brand	0.933

Each of the constructs used in the two scales in the previous research exceeded the suggested level of 0.7 for reliability. In addition, all of the constructs also exceeded the suggested level for convergent and discriminant validity. Taken together, these results demonstrate the

applicability of the scales. Besides, to examine if the constructs are applicable in the auto industry in this study, the reliability was tested, see table 1. Each variable was computed as the mean of its component constructs, which was deemed appropriate for the reason that the items were highly correlated, each scale variable exhibiting a high internal consistency ($\alpha > 0.8$).

5.4 Sampling

The survey comprises 360 respondents, with 332 respondents who provided valid responses (179 males and 153 females). Convenience sampling method was used for delivering the questionnaire from April 20th to 28th. The unit of analysis is the individual consumer. The samples were randomly picked through the survey platform covering all the age groups and nearly all the regions in China.

5.5 Manipulation

5.5.1 Control method

To ensure the quality of the experiment, control methods need to be adopted to exempt the irrelevant variables that may affect the experimental results. Random control method is used in this paper. Random control is to organize the participants in the way of random assignment. In theory, random method is the best way to control irrelevant variables, because under the principle of probability, subjects in each group have equal opportunities for all conditions. In practice, the random assignment method can be divided into two steps: the first step is to randomly group all the participants in the experiment; the second step is to randomly determine which group is the experimental group and which group is the control group. In this experiment, questionnaires were distributed on a professional questionnaire platform in China, which randomly assigned questionnaires to participants in group A (control group), group B (Changcheng acquiring JEEP) and group C (Changcheng acquiring Land Rover).

5.5.2 Manipulation practice

The experiment of this study was divided into three groups, two experimental groups and one control group. The first group is the control group. The respondents were asked to rate Changcheng in terms of brand equity and purchase intention. To prevent excessive prompt information from interfering with respondents' measurement of brand awareness and brand association dimensions, respondents were only provided with basic information about

Changcheng brand as follows:

“Introduction: Changcheng is a Chinese traditional automobile brand with SUV as its main business. It owns five complete vehicle brands, including Hafer, Wei Brand, Euler, Tank and Changcheng pickup truck.”

Participants in the second and third groups were given virtual acquisition information, including basic information about the original brand, introduction of the acquired brand, acquisition price and completion of the acquisition. In order to make the acquisition information as real as possible, the author makes reasonable assumptions about the acquisition price information by referring to the acquisition price of similar-positioned brands. The second group was given fictitious information about Changcheng's acquisition of Jeep and asked to rate Changcheng after the acquisition. The contents of manipulation are as follows:

“Introduction: Changcheng is a Chinese traditional automobile brand with SUV as its main business. It owns five complete vehicle brands, including Hafer, Wei Brand, Euler, Tank and pickup truck. JEEP is an American SUV brand with a long history. In early 2021, Changcheng announced that it acquired Jeep for \$8.2 billion. The deal has now been completed. New products have been released on the market after the M&A.”

The Third group was given fictitious information about Changcheng's acquisition of Land Rover. They were asked to rate Changcheng after the acquisition. The contents of manipulation are as follows:

“Introduction: Changcheng is a Chinese traditional automobile brand with SUV as its main business. It owns five complete vehicle brands, including Hafer, Wei Brand, Euler, Tank and Changcheng pickup truck. Land Rover is a British brand of all-terrain vehicles and sport utility vehicles. In early 2021, Changcheng announced its acquisition of Land Rover for \$11.2 billion. The deal has now been completed. New products have been released on the market after the M&A.”

5.6 Statistical methods

In order to ensure the quality of the data, the author used two methods to screen the data, one is the questionnaire filling time, the other is the manipulation check. First of all, the questionnaire will be selected according to the participants' filling time. Time of response is a relatively common screening indicator, but as questionnaires vary considerably from one another, it seems difficult to develop criteria for screening, either by graphing (spss box plots) or by trimming the average (e.g., by removing the first and last 5%). This paper adopts the second method, resulting in sample reduction of 28 people. Next, the author further filtered the data based on the manipulation results check questions in the questionnaire. At the end of the questionnaire, participants were asked: "What is the name of the brand acquired by Changcheng in this questionnaire?", participants were given choices of three brand names. Incorrect answers to the questionnaire were removed. Finally, a total of 332 valid questionnaires were obtained in this experiment.

5.7 Data quality

5.7.1 Reliability

Stability and consistency are two measures to test reliability (Bryman and Bell, 2007). This study has considered reliability as the foundation of the experiment design.

To ensure the stability of the experiment, the validity of the measure over time (Bryman & Bell, 2007), the experiment was designed based on the pre-study. An expert interview regarding macro and micro analysis of Chinese automobile market, which provided the study the industrial insight, and a consumer survey about brand understanding, which gave the consumer perspective, were included in the pre-study. Besides, a pre-test questionnaire was delivered and the participants' feedback contributed to the finalization of the questionnaire.

In terms of internal consistency, the study has adopted the measures of previous research, the usability of which have been tested both in validity and reliability ($\alpha > 0.8$), and also, to test if these measures are suitable for the automobile industry, Cronbach alpha was collected for each construct. The result has validated the applicability of these measures, see section 5.3.

5.7.2 Validity

According to Bryman and Bell (2007), internal validity and external validity are the measures to test the validity of a study.

To ensure the internal validity, random assignment method was used in the experiment. The three version of the questionnaire (Changcheng, Changcheng acquiring Jeep and Changchang acquiring Land Rover) were randomly assigned to the participants. Besides, the study conducted the pre-test questionnaire to avoid contamination. Several points in the pre-test feedback were adopted to modify the final questionnaire. For example, the shown pictures in the questionnaire were all with black background, so that participants won't be distracted by the unnecessary interference in the different background as they did in the pre-test. See section 5.1 for further specification. In this way, the study tries to create an experiment ensuring the causal relationship not being intervened by other confounding factors (Bell et al., 2019).

The generalizability of the study's results to a large population is defined as external validity.

External validity consists of population validity and ecological validity (Bryman & Bell, 2007). Regarding to population validity, the subject of the study is Chinese consumers, and the experiment was designed according to Chinese market. So the population validity is partly limited. To increase the generalizability of the study, the questionnaire was delivered through a professional paid survey website, so that the region, age and gender of the participants were all designated to be evenly distributed. In terms of ecological validity, the applicability of the study to people's everyday social settings (Bell et al., 2019), the fictitious acquisition information in the questionnaire has carefully considered the rationality of the trading, such as trading price and trading process.

6. Analyses and results

6.1 Statistical tests

This chapter mainly includes the data analysis results of manipulation test and four hypothesis tests. Firstly, one-way ANOVA was used to conduct manipulation test, including separate inter-group tests on overall brand equity and purchase intention. Then, H1-H4 will be tested by MANOVA, verifying whether acquiring a medium or a high-end brand has a significant impact on the brand equity (four dimensions) of the acquiring brand. Through

ANOVA, H5 will verify the influence of the acquisition of a medium/high-end brand on overall brand equity, and H6 will test their influence on purchase intention. Finally, H7 will compare whether the two acquisition methods have significantly different influence on the four dimensions of the original brand equity through MANOVA, overall brand equity and purchase intention through ANOVA.

Table 3: Hypothesis and statistical test method

Hypothesis	Specification	Statistical test
Group difference check	Group difference (overall brand equity)	ANOVA
	Group difference(purchase intention)	
H1-H4	Acquiring medium/high-end brand --> brand equity (1.perceived quality; 2.brand loyalty; 3.brand awareness; 4.brand association)	MANOVA
H5	Acquiring medium/high-end brand --> overall brand equity	ANOVA
H6	Acquiring medium/high-end brand --> purchase intention	ANOVA
H7	Medium brand acquisition vs High-end brand acquisition method --> four brand equity dimensions overall brand equity, and purchase intention	MANOVA, ANOVA

6.2 Descriptive data

Through Table 2, We can see the distribution of participants' fundamental qualities using descriptive statistics analysis. The gender data shows 53.92% of the subjects are male, and 55.4% are female. The samples were evenly distributed in age, <18 taking up 6.63%, 18 - 25 years old (25.30%), 26 - 30 years old (21.08%), 31 - 40 years old (19.88%), 41 -50 years old (14.76%), and older than 50 years old (12.34%). The sample area roughly follows the density of population in different regions of China. Among them, east China has the largest population density and the largest sample population, 254 people, accounting for 76.51%, Northeast China making up 9.34%, South China (6.02%), and the rest of the regions taking up 8.14%.

Table 4: Descriptive Statistics

Variable	Category	Frequency	Percent
Gender	Female	153	46.08%
	Male	179	53.92%
Age	<18	22	6.63%
	18 - 25	84	25.30%
	26 - 30	70	21.08%
	31 - 40	66	19.88%
	41 - 50	49	14.76%
	> 50	41	12.34%
Region	East China	254	76.51%
	Middle China	5	1.51%
	North China	11	3.31%
	Northeast China	31	9.34%
	Northwest China	5	1.51%
	South China	20	6.02%
	Southwest China	6	1.81%

This table shows the descriptive statistics analysis for the sample data. The first column is demographic variables in this study. The third and fourth column reveals the frequency and percentage of total number of observations in each category, respectively.

6.3 Group difference

The one-way ANOVA revealed that there is a significant difference between at least two groups both in overall brand equity ($p < 0.001$) and purchase intention ($p < 0.001$). Thus, the manipulation of the experiment was tested to be valid.

Table 5: Group difference test for overall brand equity

Dependent measure	Mean (SD)			F value	P value
	Control	Medium	High-end		
Overall brand equity	3.674 (.590)	4.104 (.528)	4.408 (.625)	19.561	<0.001

Table 6: Group difference test for purchase intention

Dependent measure	Mean (SD)			F value	P value
	Control	Medium	High-end		
Purchase intention	3.709 (.923)	4.066 (.837)	4.381 (.675)	17.921	<0.001

6.4 Hypothesis testing

To test hypotheses 1-4, the author conducted multivariate analysis (MANOVA), with acquisition method as factor variables and brand equity dimensions as dependent variables. MANOVA tests were conducted and the post-hoc (LSD) tests were then used to explore the difference among the group means. One-Way ANOVA was applied to test if the two methods have significant effect on the acquiring brand's overall brand equity and purchase intention and if there is significantly different effects between the two methods on those variables.

To test hypotheses, the author compared the means of brand equity dimensions, namely perceived quality, brand loyalty, brand awareness and brand association, between the control group and the each of the experiment groups. From the results, we can see that the mean scores of three dimensions for experiment group (medium brand acquisition method) are higher than the control group. Perceived quality has the largest mean difference between the dependent and independent variables, reaching an significant level ($t=0.265$, $p=0.025$). Thus H1a was accepted. The experiment group also has higher mean in brand loyalty, however, the mean differences are not significant ($t=0.109$, $p=0.411$, rejecting H2a. The medium brand acquisition does not bring significant effects on brand awareness ($t=-0.004$, $p=0.660$) and brand association ($t=-0.060$, $p=0.506$) of the acquiring brand, thus H1c and H1d were rejected.

Table 7: The influence of medium brand acquisition on acquiring brand's brand equity

Brand equity	Mean (SD)		T value	P value
	Control	Medium		
Perceived quality	3.639 (.941)	3.904 (.908)	0.265*	0.025
Brand loyalty	3.766 (.923)	3.875 (.845)	0.109	0.411
Brand awareness	4.006 (.892)	3.957 (.982)	-0.004	0.660
Brand association	4.135 (.957)	4.066 (.631)	-0.060	0.506

H1a Accepted; H2a, H3a, H4a Rejected

Based on the analysis results, the experiment group (High-end brand acquisition method) has higher means than the control group in all four dimensions. Among all the dimensions, perceived quality exhibited the highest mean difference ($t=0.711$, $p<0.001$), supporting H1b. With high mean difference, the experiment group (HD) has a significant influence on both brand loyalty ($t=0.487$, $p<0.001$) and brand awareness ($t=0.287$, $p=.008$). Thus, H2b and H3b were accepted. Finally, the experiment group has slightly higher mean than the control group in terms of brand association, which does not arrive the significant level, so H4b was rejected.

Table 8: The influence of high-end brand acquisition on acquiring brand's brand equity

Brand equity	Mean (SD)		T value	P value
	Control	High-end		
Perceived quality	3.639 (.941)	4.350 (.395)	0.711*	<0.001
Brand loyalty	3.766 (.923)	4.253 (.446)	0.487*	<0.001
Brand awareness	4.006 (.892)	4.293 (.392)	0.287*	0.008
Brand association	4.135 (.957)	4.211 (.641)	0.075	0.452

H1b-H3b Accepted; H4b Rejected

Finally, H6 was proposed to compare the effects of two acquiring methods. From the results, we can conclude that the high-end brand acquisition method outperforms medium brand acquisition method as the high-end group has higher means than the medium group in all four dimensions. Perceived quality was tested to own the highest mean difference ($t=0.446$, $p<0.001$) between the two groups, meaning that high-end brand acquisition method is significantly more effective than the medium brand acquisition method in improving perceived quality. The high-end group also exceed the medium group in brand loyalty

($t=0.379$, $p=0.004$) and brand awareness ($t=0.336$, $p=0.003$). Both two dimensions exhibited significant difference between the two experiment groups. Thus H6a-c were tested. However, high-end brand acquisition method does not outperform medium brand acquisition method significantly ($t=0.145$, $p=0.163$) in brand association as the mean difference between the two group is slight. Taken together, H6a-c were accepted and H6d was rejected.

Table 9: The comparison of the two acquisition method on acquiring brand's brand equity

Brand equity	Mean (SD)		T value	P value
	Medium	High-end		
Perceived quality	3.904 (.908)	4.350 (.395)	0.446*	<0.001
Brand loyalty	3.875 (.845)	4.253 (.446)	0.379*	0.004
Brand awareness	3.957 (.982)	4.293 (.392)	0.336*	0.003
Brand association	4.066 (.631)	4.211 (.641)	0.145	0.163

H6a-c Accepted; H6d Rejected

Lastly, in terms of purchase intention, medium brand acquisition method exhibited significantly higher mean than the control group ($t=0.358$, $p=0.002$). High-end brand acquisition method also exhibited significantly higher means than the control group both in purchase intention ($t=0.671$, $p<0.001$). Thus, H5a and H5b were tested. Comparing the two methods about their influence on original brand's purchase intention, high-end brand acquisition method significantly outperform the medium brand acquisition method ($t=0.314$, $p=0.007$). Thus, H6e was accepted.

Table 10: The comparison of the two acquisition method on acquiring brand's PI

Dependent variable: Purchase intention (PI)		T value	P value
Acquisition state	Mean (SD)		
Changcheng	3.709 (.923)	0.358*	0.002
Medium	4.066 (.837)		
Changcheng	3.709 (.923)	0.671*	<0.001
High-end	4.381 (.675)		
Medium	4.066 (.837)	0.314*	0.007
High-end	4.381 (.675)		

H5, H6e Accepted

6.5 Hypotheses summary

H1	A low-end brand acquiring a medium (H1a) or a high-end (H1b) brand will have a positive effect on the low-end brand’s perceived quality.				
	H1a: Accepted		H1b: Accepted		
H2	A low-end brand acquiring a medium (H2a) or a high-end (H2b) brand will have a positive effect on the brand loyalty to the low-end brand.				
	H2a: Rejected		H2b: Accepted		
H3	A low-end brand acquiring a medium (H3a) or a high-end (H3b) brand will have a positive effect on the brand awareness of the low-end brand.				
	H3a: Rejected		H3b: Accepted		
H4	A low-end brand acquiring a medium (H4a) or a high-end (H4b) brand will have a positive effect on the brand associations of the low-end.				
	H4a: Rejected		H4b: Rejected		
H5	A low-end brand acquiring a medium (H6a) or a high-end (H6b) brand will have a positive effect on the purchase intention of the low-end brand.				
	H6a: Accepted		H6b: Accepted		
H6	A low-end brand acquiring a high-end brand will have greater effects on the perceived quality (H7a), the brand loyalty (H7b), the brand awareness (H7c), the brand associations (H7d), and purchase intention (H7e) of the low-end brand than if acquiring a medium brand.				
	H6a: Accepted	H6b: Accepted	H6c: Accepted	H6d: Rejected	H6e: Accepted

7. Discussion

7.1 Discussion of the results

This section will discuss the analyzed results, while answering the research questions raised above, What are the influences of different M&A strategies on customer evaluation of the original brand?

Q1: What are the effects of two types of M&A (acquiring a medium or high-end brand) on an acquiring low-end brand's brand equity (Perceived quality, Brand loyalty, Brand awareness and brand association)?

The results of the experiment imply that the different acquisition strategy does indeed have a

significantly different influence on original brand's brand equity after M&A. For the medium brand acquisition method (Changcheng acquiring Jeep), the acquisition only enhances original brand's brand equity in terms of perceived quality (H1a). Brand loyalty of the original brand has not exhibited significant improvement under this strategy (H2a). In addition, the strategy does not have a significant effect on the acquiring brand in brand awareness and brand association (H3a, H4a).

For the high-end brand acquisition method (Changcheng acquiring Land Rover), the redeployment improves brand equity remarkably in terms of perceived quality, brand loyalty and brand awareness (H1b, H2b, H3b). This confirms previous research regarding the positive effects a superior brand image would exert on the original brand (Dodds, Monroe & Grewal, 1991; Monroe and Krishnan, 1985; Mourad, 2010). Among all the brand equity dimensions, perceived quality has been most improved, followed by brand loyalty and brand awareness. However, brand association has not seen significant improvement under this strategy (H4d).

Q2: What are the effects of two types of M&A (acquiring a medium or high-end brand) on an acquiring low-end brand's purchase intention?

The results show that both two M&A methods have a significant impact on the purchase intention of the original brand, and this impact is positive. This also verifies the previous research, higher brand image will have a positive impact on the purchase intention of the original brand (Arslan & Altuna, 2010; chi et al., 2008; Tariq et al., 2013; Zeeshan, 2013). This study further verifies that whether the brand image of the acquired brand is slightly higher or much higher than that of the original brand will have a positive impact in terms of purchase intention.

Q3: Do the two acquisition methods differ in their effectiveness to influence the acquiring low-end brand?

Comparing these two strategies, we can see that the two variables have significantly different effect on purchase intention and some brand equity dimensions. Firstly, the high-end acquisition method significantly outperforms the medium brand acquisition method in improving purchase intention (H7e). The two methods have been tested to have significant effect on enhancing purchase intention but the high-end brand acquisition method surpasses

the medium one in its effectiveness. Secondly, the high-end one outperforms the medium one overall in brand equity dimensions, among which the effects on perceived quality, brand loyalty and brand awareness are significantly different. The effects exhibited the largest difference in perceived quality, meaning the high-end brand acquisition method is much more effective than the medium one in enhancing original brand's perceived quality.

7.2 Theoretical implication

This study contributes to the literature on brand image, M&A, brand equity and purchase intention. First, the literature on brand image has largely focused on its definition and positive outcomes like positive association, purchase intention, consumer satisfaction and brand equity enhancement (Keller, 1993; Pitta and Katsanis, 1995; Faircloth, 2001). This study contributes to the literature by investigating how different kinds of brand image would affect brand equity and purchase intention. It has observed by this study that with the manipulation of high and low difference image brand to be acquired by the origin brand, the outcomes are significantly different.

Second, one notable strength of this study is that it expands the research on post-M&A effects from consumers' perspective rather than financial benefits, such as cost effectiveness and operation optimization emphasized in previous research (Schweizer, 2005; Larsson & Finkelstein, 1999; Konigs & Schiereck, 2006). By doing so, it provides a new direction to research on the association between M&A and brand equity.

Thirdly, previous studies have involved the influence of brand image on brand equity. Brand extension that involves a high-end brand image will positively affect original brand's brand value (Aaker and Keller 1990; Boush and Loken 1991; Dawar 1996; Herr, Farquhar, and Fazio 1996; Batra 2010), while low-end brand image will bring negative effects to the original brand such as brand dilution and cognitive confusion. This study further discusses the effect difference of different M&A strategies.

Taken together, the notable theoretical implication of this paper is that it integrates the theories in different fields (e.g., brand image, M&A, brand equity and consumer purchase intention) to form a new research framework for understanding M&A effects from consumers' perspective.

7.3 Practical implication

As markets mature, especially in developing countries such as China, products become homogenized, the competition becomes fiercer, and the traditional business model will no longer bring high profits. At the same time, consumers' demands are more diversified, valuing not only the tangible benefits but also the intangible benefits the products bring to them. Under these circumstances, companies realize the needs to transform to be more brand-focused, improving their market competitiveness and avoiding consumer abandonment. M&A as an effective mean to optimize companies' operation and financial performance (Schweizer, 2005) has rarely been considered from perspective of brand enhancement.

Usually, during M&A, managers over-prioritize financial concerns while overlooking the brand asset management after M&A. The possible positive and negative effects of M&A are underestimated. If used wisely, a M&A strategy might enhance the brand equity and thus boosting purchase intention. Yet the negative results might include cannibalism, partial failure and brand dilution referring to brand extension researches (Pitta and Katsanis, 1995) . Thus, the M&A strategy should be carefully dealt with.

In this study, the different effects of different M&A strategies on brand equity and purchase intention has been explored. The effect differences have been tested to be significant. The high-end brand acquisition method improves the brand equity in three dimensions substantially, among which the perceived quality is raised most, followed by brand loyalty and brand awareness. Furthermore, the purchase intention also positively affected by the high-end brand acquisition method. The strategy would directly stimulate purchase behavior. Thus, for the companies who face the dilemma to improve sales or market share, the method could be viewed as a quick and valid way. However, acquiring the superior companies comes with many challenges. Companies still need to weigh on their ability to incorporate another complete organization that share little commons in managerial and operational mode. Staff integration, cultural conflicts and resource configurations should be concerned.

In terms of medium brand acquisition method, the effects are much less noticeable. No dimension of brand equity has been improved substantially, and brand awareness and brand association decrease after the M&A. The method is often deemed feasible in financial perspectives, as the acquired company is much more manageable compared to the high-end

one and the acquiring company could expand the production and market in a short time. However, the strategy has nearly no contribution to brand equity and would even erode the original brand in terms of brand awareness and brand association. Thus, in the M&A process, in addition to financial performance, corporate strategy, and human resources, managers should also pay attention to different M&A strategies due to the different benefits they will bring on brand enhancement.

7.4 Managerial implications for Changcheng

7.4.1 Changcheng' s dilemmas

Changcheng Co., LTD., which is the study subject in this paper, is a Chinese auto company mainly producing SUVs. In 2021, the sales of new cars of the company exceeded 1.28 million units, ranking the eighth in China's auto market, and its market share increased by 4.9%. As the company launches more new models and implements the strategy of electrification, intelligence and globalization, sales and market share of the company are expected to continue to rise. Changcheng continued to top the SUV list in China, with a 9 percent market share in SUVs. Changcheng pickup truck sales in 2021 233,000 units, year-on-year growth of 3.6%, including overseas sales of 43,600 units, year-on-year growth of 119%, for 24 consecutive years to maintain China's local brand export sales first, global cumulative sales of more than 2 million vehicles. Changcheng has made great progress in technology, change, speed and globalization. In 2020, the company proposed the goal of transforming into a global intelligent technology company. To achieve this goal, corresponding changes must be made. The starting point of reform is organizational mechanism, culture and talent, which are the underlying logic and core foundation of driving reform. Under the combined action of these three elements, brand construction of Changcheng is undergoing new changes.

With the increasing competition in the Chinese market, Changcheng encountered some problems in its development:

1. With the maturity of the product cycle, sales volume, price and profit margin of Hafer series, the main profit source of the company's sales volume, have decreased significantly. Brand image solidified; cheap product image ingrained.
2. To improve the product image of the enterprise and enhance the economic benefits of the enterprise, the company launched the WEY series of mid-range SUV series. The sales cannot

make a breakthrough under the fierce competition environments and consumers are unwilling to pay for the price premium.

7.4.2 Target brands: Land Rover and Jeep

A. Land Rover

Land rover is a British luxury all-terrain SUV brand, founded by Maurice Wilkes. Land Rover currently has three product families: Range Rover, Discovery, and Defender. In 1948, after the war, the first Land Rover was created in Britain. This is a simple, novel aluminum work car. This is a new model created by Spencer and Maurice Wilks, brothers of The British Rover Car company, which perfectly achieves the combination of simplicity and stability. The car quickly became a huge success and by the mid-1950s the Land Rover name had become synonymous with durability and outstanding off-road performance.

Land Rover is the most focused on SUV products among many car manufacturers, and it is also a manufacturer that makes SUV to the extreme. From the early classic Land Rover Defender to the current Range Rover and Range Rover Sport, Land Rover products have established a professional and extreme image in the hearts of consumers. Other brands may be able to be professional, but they can never be extreme. In the hearts of people who believe in all-terrain, land Rover's "extreme" makes it a representative of exploration and luxury.

B. JEEP

JEEP is a world-famous off-road vehicle brand founded by Chrysler Group LLC in the United States. JEEP highlights the image of "freedom" and "conquest", symbolizing The American automobile culture and outdoor adventure lifestyle. JEEP can be regarded as a sub-brand in the Chrysler system, mainly targeting SUVs and off-road vehicles to supplement the SUV products in the group system. Jeep is aimed at the public, so its cost and price are both low. Jeep also offers off-road power cars such as the Grand Che and Wrangler, but they are affordable enough to be available to most American families. Since its birth, Jeep has had a history of more than 70 years. It has been interpreting the unique connotation and temperament of the brand with its legendary development. It is hard to resist Jeep's bold thinking and continuous innovation.

The history of Jeep is the history of SUV. From Willys MB, the earliest lightweight multi-

purpose military vehicle, to Wagoneer series, the pioneer of SUV, and then to Cherokee, the definition of urban SUV, Jeep is a respectable brand that remains true to its original intention. Jeep is a brand with a strong label. From the four-wheel drive pioneered by Willis to the classic feelings left by Cherokee, and to the hard off-road totems set up by Wrangler, Jeep's wheel footprint has been almost everywhere on the surface of the earth. Jeep's off-road image and off-road performance make it synonymous with off-road vehicles and irreplaceable.

7.4.3 Suggestions for Changcheng

As can be seen from the materials, Changcheng is in the stage of brand transformation due to external market competition and enterprise's own development needs. This paper proposes to acquire higher-end brands to achieve the purpose of brand improvement. Two alternative brands for acquisition, Jeep and Land Rover, were selected through pre-study, which combines market and consumer insights.

The two brands have their own characteristics. Jeep has obvious brand characteristics, and its brand is for the masses. In fact, in 2017, Changcheng tried to acquire Jeep for \$2 billion, but the deal didn't happen because of the price. JEEP had been heavily involved in SUVs for years, when Changcheng wanted the acquisition to improve its technology in SUVs and expand its international market. However, according to the experimental results, this merger brings slight effect on acquiring brand's brand equity. This can be explained by the fact that Jeep entered China with low-end models in its early years, and also encountered many quality control problems, leading to Jeep's brand image in China being far lower than that in the world. Despite that acquiring Jeep will bring significant benefits in technical improvement, Changcheng needed to carry out positive publicity on Jeep's domestic brand to prevent the merger from weakening brand equity.

The brand image of Land Rover is obviously higher than that of Jeep and Changcheng, attracting consumers with its professional and high-end image. From the results of this study, it can be found that the acquisition of high difference brands has significantly improved the original brand in perceived quality, brand loyalty, and brand awareness. However, the acquisition of Land Rover also has great risks. The positioning of the two brands is very different, which also means completely different personnel management methods, production methods and sales channels. If not managed properly, side effects are likely to occur. As in

the case of SAIC's takeover of Ssangyong, Ssangyong has been positioned as a technology platform in SAIC's globalization strategy, making Ssangyong increasingly out of sight. Ssangyong's eventual bankruptcy filing led SAIC to pay a painful lesson. Changcheng can learn from Geely's post-purchase management mode. After the acquisition of Volvo, Geely retained the original management team of Volvo, and Volvo brand in China also retained the original management tradition, which made both brands achieve sound development.

7.5 Limitations and future directions

Despite implications, the study has several limitations. First, doing research in China is a challenge since the country has an immense population and it is hard to cover all the consumer segments. Although the samples in the study were randomly chosen through the online platform, the respondents' cognition level towards the auto brands, different from consumer goods brands that people are more likely to be knowledgeable about, cannot be strictly predicted. So, the results cannot be unquestioningly extrapolated to all the customer perceptions. Further research are suggested to cover a larger or some specific consumer segments, which would allow the investigation regarding the research effects on different or specific group of people (e.g., car users/non-car users, people with/without purchase plan, people knowledgeable/ not knowledgeable about cars)

Second, the test subjects, which are Changcheng, Jeep and Land Rover, selected through the evaluation of brand image, have their own brand characteristics that might limit the results' universality. For example, Changcheng is well-known for its high-cost performance, its products are much cheaper than its competitors who manufacture similar products with the similar configurations. Companies with similar product position and operating strategy (low-end and high-cost performance) could benefit from the experiment's results to enhance their brand power and improve consumers' purchase intention. Future research is encouraged to cover wider test subjects with different positioning.

Third, the study only considered one industry, automobile, which differ significantly from other industry such as consumer goods. The automobile industry is characterized by technology-intensive and long research and development cycle. However, it is also different from the high-tech industry, such as advanced manufacturing industry, as its customers are individual consumers rather than enterprises. So, the car brand still plays an important role in the company's operation and profits. The study's reference to other industries might be

limited and more investigations should be taken with regards to various industries.

Finally, the study focused mainly on brand image difference's effect on brand equity. The brand image as the independent variable, brand equity and purchase intention as dependent variables could be examined more deeply and widely. For example, the brand image could take into "country as origin" (Lee, 2014), brand redeployment (Jaju, Joiner, & Reddy, 2006), or brand name (Balmer & Dinnie, 1999) as its influencing factors. Besides, the further researches could explore the different brand image (lower, medium, higher)'s effects on the brand performance. Brand equity as an independent variable could be expanded to strong/medium/weak brand's brand equity.

Executive summary

A manager who seeks to utilize M&A should consider three critical questions:

1. Does my company need to improve brand equity?

Companies often adopt M&A to achieve the purpose of economic and operational optimization. Based on the conclusions of this paper, M&A also affects brand equity, and the brand improvement effects brought by different M&A methods are significantly different. Companies need to choose their M&A strategies based on their need to increase brand equity. So first, companies need to be clear about whether they need to strengthen their brands.

An increase in brand equity may have a positive effect on two types of companies: A. companies with limited business growth. Such companies may maintain low profit levels and cannot generate economies of scale to reduce costs due to their size limitations. At the same time, their products cannot stand out from their competitors. Low differentiation of products and inability to control costs are the difficulties for their development. With the gradual maturity of the market and the gradual intensification of market competition, they might face the risk of being eliminated from the market. Through the study of this article found that the ascension of the brand assets can stimulate consumption desire, and previous studies also confirm the brand assets increase promotes positive association of consumers to the brand and attitude, improve the intangible value of the brand, so that consumers are more likely to receive the price, as a result, the above this kind of company can enhance the brand assets by means of mergers and acquisitions, thus improving the level of profit and promoting a

virtuous cycle of management. B. Companies with market expansion needs. Such companies maintain a stable business model for a long time and have a high market share in some market segments. They often face the limited life cycle of popular products, low acceptance of new products and limited customer base. The case studied in this paper, Changcheng, is a typical representative of this kind of company. Due to the stereotype of the brand's long-term production of low-end products, high-end consumers have a very low acceptance of the Great Wall brand. Moreover, judging from the market response of the new products, consumers are unwilling to pay for the product premium. Through the research conclusion can be found that the effect of mergers and acquisitions bring up is significant, the brand on perceived quality, brand loyalty and brand awareness dimension has improved, as a result, the company through mergers and acquisitions up way can effectively increase the brand in the high-end market acceptance, to touch up to a wider customer base and increase market share.

2.Is the company capable of mergers and acquisitions?

M&A brings significant economic and operational benefits, but it also brings great risks. Capital, manpower and time are the basic conditions for M&A. The company needs to carefully evaluate whether it has surplus resources to carry out M&A. In addition, after the M&A, the company needs to invest energy in the integration of resources and management coordination. In particular, companies need to quickly digest the productivity of the acquired brand, absorb technical resources, and redeploy the organizational structure. For example, after the acquisition of foreign high-end brands, whether to arrange new management, whether to transfer the production base and how to distribute economic benefits at home and abroad must be considered. If there is no timely and reasonable response in integration, the company is likely to have serious debts, declining benefits, corporate culture conflicts and other problems after merger and acquisition. For those enterprises that cannot bear the consequences of merger and acquisition failure, such as those with average size and unstable business situation, they need to be aware of the possible risks of merger and acquisition and consider other alternatives or make enterprise planning after merger and acquisition failure in advance to make quick response.

3.What types of M&A strategies are adopted to fit the company's development goals?

If the company is able to carry out M&A, and has carefully considered the risks of mergers and acquisitions, then the company needs to think about what kind of merger and acquisition

strategy to achieve the company's development goals. From the experimental conclusion, the brand promotion effects brought by the two M&A strategies are different. The upward M&A with high differentiation can improve brand equity much more than the M&A with similar positioning brands. If the company's development goal is to enhance brand power so as to improve the company's operation from the long-term dimension, excluding the factor of M&A cost, the upward M&A with high image difference is the best choice. If the company's demand for brand promotion is not obvious but pays more attention to the expansion of productivity and rapid integration of resources, then the acquisition of brands with similar positioning will be a more appropriate M&A strategy. This is because brands with similar positioning often have similar organizational structure and corporate culture with the original brand, which is more conducive to rapid integration of the original brand to improve production and market scale. Therefore, the upward M&A with high difference is more suitable for companies with brand promotion needs, while the merger and acquisition with similar brands is more suitable for companies with rapid expansion needs.

This paper only discusses two kinds of M&A strategies, one is the upward M&A with high image difference, the other is the M&A with similar brands. Enterprises should also consider the different effects of other M&A strategies, such as downward M&A, overseas brand M&A, domestic brand M&A and so on. In addition, management after M&A is also an important part of M&A strategy. How to allocate resources to develop the brand after M&A, how to set the brand name, and how to coordinate the management rights are all issues that enterprises need to consider. In order to avoid market and operation risks, enterprises also need to set up risk prevention strategies and consider how to react and adjust if the profits after M&A fall short of expectations, so as to prevent further losses.

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Appendices

For group A (only question about Changcheng)

Introduction: Changcheng is a Chinese traditional automobile brand with SUV as its main business. It owns five complete vehicle brands, including Hafer, Wei Brand, Euler, Tank and Changcheng pickup truck.

[agree 1-5 disagree]

Preceived quality

- 1.Changcheng are of high quality
- 2.The likely quality of Changhai is extremely high.
- 3.The likelihood that Changcheng would be functional is very high.
- 4.The likelihood that Changcheng is reliable is very high.

Brand loyalty

- 1.I consider myself to be loyal to CHangcheng.
- 2.Changcheng would be my first choice if I need to buy a car.
- 3.I will not buy other brands if Changcheng is available at the shop.

Brand awareness

- 1.I know what Changcheng looks like.
- 2.I can recognize Changcheng among other competing brands.
- 3.I am aware of Changcheng.

Brand association

- 1.Some characteristics of Changcheng come to my mind quickly.
- 2.I can quickly recall the symbol or logo of Changcheng.
- 3.I have difficulty in imagining Changcheng in my mind.

Consumer purchase intentions

Suppose you are going to buying a car.

- 1.I am highly considering the purchase of a Changcheng car.

- 2.I am very impressed by Changcheng car.
- 3.I recommend Changcheng cars to others
- 4.I am keen on Changcheng cars
- 5.I think that my surrounding people will love Changcheng cars
- 6.I would be very satisfied to own a Changcheng car

For group B (Changcheng acquiring Jeep)

Introduction:Changcheng is a Chinese traditional automobile brand with SUV as its main business. It owns five complete vehicle brands, including Hafer, Wei Brand, Euler, Tank and pickup truck.JEEP is an American SUV brand with a long history. In early 2021, Changcheng announced that it acquired Jeep for \$8.2 billion. The deal has now been completed.New products have been released on the market after the M&A.

[agree 1-5 disagree]

Preceived quality

- 1.Changcheng are of high quality
- 2.The likely quality of Changhai is extremely high.
- 3.The likelihood that Changcheng would be functional is very high.
- 4.The likelihood that Changcheng is reliable is very high.

Brand loyalty

- 1.I consider myself to be loyal to CHangcheng.
- 2.Changcheng would be my first choice if I need to buy a car.

3.I will not buy other brands if Changcheng is available at the store.

Brand awareness

1.I know what Changcheng looks like.

2.I can recognize Changcheng among other competing brands.

3.I am aware of Changcheng.

Brand association

1.Some characteristics of Changcheng come to my mind quickly.

2.I can quickly recall the symbol or logo of Changcheng.

3.I have no difficulty in imagining Changcheng in my mind.

Consumer purchase intentions

Suppose you are going to buying a car.

1.I am highly considering the purchase of a Changcheng car.

2.I am very impressed by Changcheng car.

3.I recommend Changcheng cars to others

4.I am keen on Changcheng cars

5.I think that my surrounding people will love Changcheng cars

6.I would be very satisfied to own a Changcheng car

For group C (Changcheng acquiring Land Rover)

Introduction:Changcheng is a Chinese traditional automobile brand with SUV as its main business. It owns five complete vehicle brands, including Hafer, Wei Brand, Euler, Tank and Changcheng pickup truck.Land Rover is a British brand of all-terrain vehicles and sport utility vehicles. In early 2021, Changcheng announced its acquisition of Land Rover for \$11.2 billion. The deal has now been completed.New products have been released on the market after the M&A.

[agree 1-5 disagree]

Preceived quality

- 1.Changcheng are of high quality
- 2.The likely quality of Changhai is extremely high.
- 3.The likelihood that Changcheng would be functional is very high.
- 4.The likelihood that Changcheng is reliable is very high.

Brand loyalty

- 1.I consider myself to be loyal to CHangcheng.
- 2.Changcheng would be my first choice if I need to buy a car.
- 3.I will not buy other brands if Changcheng is available at the store.

Brand awareness

- 1.I know what Changcheng looks like.
- 2.I can recognize Changcheng among other competing brands.
- 3.I am aware of Changcheng.

Brand association

1. Some characteristics of Changcheng come to my mind quickly.
2. I can quickly recall the symbol or logo of Changcheng.
3. I have difficulty in imagining Changcheng in my mind.

Consumer purchase intentions

Suppose you are going to buy a car.

1. I am highly considering the purchase of a Changcheng car.
2. I am very impressed by Changcheng car.
3. I recommend Changcheng cars to others
4. I am keen on Changcheng cars
5. I think that my surrounding people will love Changcheng cars
6. I would be very satisfied to own a Changcheng car