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Consumer perceptions towards a smaller company with a superior positive brand image, acquired by a giant company with a more negative brand image

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"Consumer perceptions towards a smaller company with a superior positive brand image, acquired by a giant company with a more negative brand image"

The acquisition of The Body Shop by L'Oreal

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ABSTRACT

Nowadays smaller companies with strong brand equity are usually acquired by multinational corporations with weaker brand images. Because brands are interlinked with corporate image and cultures of companies, when brands are merged, unique associations attached in brand equity will be unavoidably affected as well. Indeed, unique associations of the original brand are affected after M&A which result in a change in brand image and then consumers' perceptions and buying behavior.

Most of current studies regarding to this issue usually use an experimental design to examine the different effects of brand equity on an inferior brand's image (the acquirer) after it has acquired a brand with a superior image. However, this paper aims to explain effects of M&As on the acquired superior brands instead. Brand extensions share some concepts with the topic in this paper. However, the concept of brand equity derived from brand extensions cannot explain the affected brand equity of the newly combined portfolio due to M&A. Therefore, this paper will fill the gap by focusing on change in brand equity (brand associations, perceived quality, and brand loyalty) after M&As of a superior acquired brands in a perspective of consumers. The paper will also emphasize on how change in perceptions of acquired brands altered buying behavior. The research interest in the perspective of consumers can be transferred to the case of Body Shop's acquisition, since it entails conflicting corporate cultures, ethics, the general vision, and values of the two companies.

The thesis is mainly aimed to investigate issues of whether or not and to what extent M&As of a company with an established brand by a giant well-established company holding different values, brand identity/images, and marketing practices have an impact on brand equity of the original brand (the acquired one) in terms of various elements such as perceived quality, brand associations, etc.

The purpose of the thesis is to answer the general research question: "The challenges of a giant global brand with a more negative brand image to acquire a smaller brand with a very specific philosophy and superior positive brand image." This general question is divided into four sub questions:

1. Are customers aware of the acquisition of Body Shop by L'Oreal?
2. How do customers perceive the acquisition of Body Shop by L'Oreal? (Ex. Negative, neutral, or positive?)
3. After the acquisition, do customers still distinguish brand portfolios between Body Shop and L'Oreal separately? Or, do they perceive that the acquisition results in dilution or destruction of brand identity, brand image, or consistency of marketing strategies of Body Shop?

4. To what extent does the acquisition of Body Shop by L'Oreal create impact to buyer's perceptions and associations towards the brand Body Shop and therefore affect customer loyalty and buying behavior?

In order to answer the questions, the thesis uses a combination of theoretical framework, the qualitative interview from four staffs (once of each branch), real case studies (magazines, blogs), and quantitative questionnaire for analysis.

The thesis results in analysis and answers of research questions. Some parts of the questions cannot be fully answered due to some mistakes with the process of question formulation in the questionnaire (some of assumptions are made wrong). However, the key element of each sub question is answered. The thesis also points out many new areas of further studies in the future regarding to the topic of this thesis. There are no new theory frameworks occurred in this thesis because those are not the purpose of the thesis and also the Body Shop Staff in Thailand are not open in giving any inside information.

The thesis aims to be conducted in Body Shop Thailand because the degree of sensitivity towards environmental concern and any social activities of local consumers is different from that of others in other western countries. The core values and brand image of both Body Shop and L'Oreal are perceived differently by Thai consumers. Therefore, Body Shop might need new techniques or new marketing activities for Thai market. Before inventing new marketing activities, Body Shop should first know what consumers of Body Shop Thailand think of the brand after the acquisitions.

ACKNOWLEDGEMENT

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This thesis has been carried out at the company Body Shop Thailand with the help of local staffs in Bangkok. Even though it is very difficult to get the information from the staffs and the company in the beginning phase, the quality of great services provided by Body Shop Staff to consumers enables the author to complete this thesis eventually. Indeed I would like to thank all the interviewed staffs that dedicate some of their valuable time to give me, as one Body Shop consumer, fruitful information.

This thesis has been conducted at the same time I have started my career with AIA (American International Assurance). I would like to express my gratitude to my bosses, Khun Ao and Khun Kao who understand my condition and allow me to focus on my thesis at the time I am working for them.

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Charoenporn Kaewmanorom

CONTENTS

1. INTRODUCTION

1.1. BACKGROUND AND PROBLEM FORMULATION

1.1.1. THE POWER OF BRANDS

According to the American Marketing Association (AMA), a brand is a "name, term, sign, symbol, or design, or a combination of them, intended to identify goods and services of one seller or a group of sellers and to differentiate them from those of competition" (Keller, 2008). A brand is different from a product. A product is anything we can offer to a market for attention, acquisition, use, or consumption that might satisfy a need or want. Therefore, a product can be a physical good, a service, a retail outlet, an organization, a place, or even an idea. A brand is more than a product because it can have dimensions that differentiate it in some way from other products designed to satisfy the same need (Ibid). These differences may be tangible and rational (related to product performance of the brand) or more symbolic, emotional, an intangible (related to what the brand represents). What distinguishes a brand from its unbranded commodity counterpart and gives it equity is the sum total of consumers' perceptions and feelings about the product's attributes and how they perform, about the brand name and what it stands for, and about the company associated with the brand (Ibid). Brands that create competitive advantages through non-product-related means are, for example, Coca-Cola or Chanel No.5. They understand consumer motivations and desires and creating appealing relevant images surrounding their products. On the other hand, brands that create competitive advantages with product performance are, for example, Gillette or Merck because of their continual innovation (Ibid)

A brand is intended to ensure relationships that create and secure future earnings by growing customer preference and loyalty. Brands simplify decision making, represent an assurance of quality, and offer a different and credible choice among competitors (Swystun, 2006). Consumers are willing to pay premium price for their favorite brands. The meaning imbued in brands can be quite profound which allows us to think of the relationship between the consumer and a brand as a type of bond. Consumers offer their trust and loyalty with the implicit understanding that the brand will behave in certain ways and provide them utility through consistent product performance and appropriate price, promotions, and distribution programs. To the extent that consumers realize advantages and benefits from purchasing the brand, and as long as they derive satisfaction from product consumption, they are likely to continue to buy it (Kapferer, 2008; Keller, 2008).

Brands can build up or accumulate their values, reputations or brand equity through its name or logo, corporate image associations, brand history, corporate social responsibility or any innovative marketing activities, country of origin, distribution channel, representatives of companies at contact points where they interact with consumers, and etc (Keller, 2008). Once strong brand equity is established, consumers become loyal to the brand which entails repeated purchase and even aggressive marketing by competitors cannot destroy strong bond between the brand and loyal consumers (DeChernatony, 2011). Therefore, in order to exert the power of the brand, brand managers have to well communicate to consumers about what the brand identity is, establish brand knowledge to consumers, and at the same time, manage brands with consistency (Keller, 2008)

1.1.2. POPULARITY OF M&AS

M&As (Mergers and Acquisitions) have become a strategic tool that is used effectively to acquire established brands and to expand to emerging and often low cost markets, particularly markets that provide an enormous number of skilled workers (Aurora, 2011). They help counter competition, get a technological edge, improve bottom lines, acquire new consumers, etc. That clearly explains why the corporate world is fast realizing that M&As are here to stay (DePamphilis, 2008).

Even though M&As do not always result in success, they are still adopted by any companies in all economic conditions. It has become conventional wisdom that acquirers suffer by over-paying for targets and then suffering post-acquisition mess (Mitchell, 2002). Indeed, there is almost a cottage industry among analysts in decrying acquisition problems, pointing to the "winner's curse" in which the high bidder over-pays and then fails to gain predicted synergies. At the same time, newspapers and magazines daily highlight failed acquisitions. If we based our assessments of acquisitions only on what we read in the academic and business press, it would be easy to conclude that acquisitions must be about to disappear from business strategy as managers balk at the risks (Mitchell, 2002).

Rather than declining, of course, acquisition usage has grown rapidly during the past decade. Global completed mergers and acquisitions value reached $2.2 trillion in 2001 as a result of more than 21,000 deals, according to Thomson Financial. More than 9,000 deals occurred in Europe, 6,000 deals in the US, 2,500 in Asia, plus many more in Australia, Latin America and Canada (Ibid).

Acquisitions are ubiquitous in all developed economies. Although the $2.2 trillion of global acquisitions activity in 2001 was only 60% of 2000's record high, the number of deals in 2001 reached 86% of the 2000 total. Thus, the apparent decline is primarily a reduction in the magnitude of acquisitions, accompanied by a much smaller reduction in their frequency. Even when considering the value of acquisitions, global activity in 2001 exceeded historic levels for all but the most recent years (Ibid).

Acquisition activity will remain common even during the current economic slowdown (Mitchell, 2002). For strong firms, such as Nokia and General Electric, struggling firms represent opportunities to grow product lines and extend operations. For other companies, such as the Archipelago and Redibook electronic networks, mergers provide an opportunity to change the terms of competition in their industry. Indeed, acquisitions are a strategic tool in all economic conditions (Ibid).

M&As do not always bring in success. Research shows that up to 75% of mergers and acquisitions failed to deliver their identified value (Cornell, 2010). Reasons for failure are, for example, unrealistic price paid for target due to over-optimistic estimation of the target company's value, HR issues, flawed business logic, post acquisition integrations difficulty, cultural clashes, and so on (Aurora, 2011). Indeed, in order to succeed in M&As, firms have to be well-prepared for dealing with many challenges.

1.1.3. NEW RESEARCH AREA OF CONSUMER PERCEPTIONS TOWARDS ACQUISITION OF ESTABLISHED BRANDS.

Structures of brands are usually altered when companies engage in M&As. Not only operating or financial aspects, but also brands of the formerly independent companies are integrated to each other. Brands are incorporated and become part of a new company by getting integrated into an existing array of brand portfolios of the acquiring firms. Nowadays smaller companies with strong brand equity are usually acquired by multinational corporations with weaker brand images. In addition, the acquirers tend to focus on cost cutting and financial performance after completion of the M&A deal, instead of considering consumer perceptions of the M&A. Recently, some companies with an inferior brand image have used an M&A strategy to acquire superior image brands (Lee, 2011). For example, Tata Motors Limited from India acquired Jaguar Cars Limited and Land Rover in 2008. Under such circumstances, customers may have concerns regarding the acquiring company's ability to maintain the quality or image of the superior brand after the M&A. It is important for managers to understand how the difference between the two brand images can influence acquirer and acquired brands. In the M&A process, the worst strategy for brand managers is to do nothing after the M&A and let the brands go their separate ways as they did before the pre-merger (Lee, 2011). Hence, the acquiring company needs to know how to manage the migration of a brand to the new company and ensure that customers will remain loyal to their brand. Consequently, measurement of brand equity is the main focus in this paper, in relation to M&A. To what extent the brand structures of the acquired companies are changed all depends on acquiring firms' strategic brand objective. Because brands are interlinked with corporate image and cultures of companies, when brands are merged, unique associations attached in brand equity will be unavoidably affected as well. Indeed, unique associations of the original brand are affected after M&A which result in a change in brand image and then consumers' perceptions and buying behavior.

However, a few research studies have examined the brand image effects on brand equity after M&A (Lee, 2011). For the ones that exist, they only use an experimental design to examine the different effects of brand equity on an inferior brand's image (the acquirer) after it has acquired a brand with a superior image. **The author of this paper aims to explain effects of M&As on the acquired superior brands instead.** In addition, most current literatures approach issues mentioned in the first paragraph only in a perspective of company: potential value of acquired brands, and how it affects the acquiring company's overall brand equity. Moreover, when the literature approaches such issue in a perspective of consumers, the focus is put on effects of brand extension instead of the remained-independent brands or incorporated portfolios after M&A (Reast, 2005). **The author agrees that brand extensions share some concepts with the topic in this paper. However, the concept of brand equity derived from brand extensions cannot explain the affected brand equity of the newly combined portfolio due to M&A. Therefore, this paper will fill the gap by focusing on change in brand equity (brand associations, perceived quality, and brand loyalty) after M&As of a superior acquired brands in a perspective of consumers. The paper will also emphasize on how change in perceptions of acquired brands altered buying behavior.**

The research interest in the perspective of consumers can be transferred to the case of Body Shop's acquisition, since it entails conflicting corporate cultures, ethics, the general vision, and values of the two companies. L'Oreal (the big conglomerate in the cosmetics industry) acquired The Body Shop International (comparably small but known as cosmetics brand having strong images of environmental and socially responsible concerns) in March 2006 with a deal of $1.2 billion. The fact that L'Oreal's acquisition of The Body Shop will provide plenty of potential growth opportunities is undisputed, but the question of how well the acquisition sits in the portfolio of the world's largest cosmetics company is another matter. The most obvious difference is The Body Shop's strong ethical stand which is a key feature of the company that has brought an image of a socially responsible business. Due to this stand, Body Shop has opposed the testing of ingredients on animals. On the other hand, L'Oreal has been known for continuing to test some ingredients on animals and animal right groups often has protested of this issue. Indeed, both animal right campaigners and industry experts are questioning how The Body Shop can continue to represent itself as the ethical stand when it is actually owned by a company with seemingly opposing values (Pitman, 2006). Animal welfare organizations, media, and some of Body Shop customers claimed the takeover as unethical and have expressed confusion over the takeover, describing it as looking out of place (Ibid). In fact, acquisition of The Body Shop by L'Oreal represents a conflict in brand identity and brand image to a large extent. The negative reactions from many stakeholders show that this case is applied to the thesis's research interest.

1.2. RESEARCH PURPOSE

This thesis is mainly aimed to investigate issues of whether or not and to what extent M&As of a giant global brand with a more negative brand image to acquire a smaller brand with a very specific philosophy and superior positive brand image. Given that those two companies hold different values, brand identity/images, and marketing practices from each other. There will impact on brand equity of the acquired brand in terms of various elements such as perceived quality, brand associations, brand loyalty and so on.. In this case, the examination is based on effects of acquisitions by the acquiring firm having more negative brand associations on the acquired firm with a superior brand image. By investigating such issues, the author has to first observe whether consumers are aware of the acquisitions. Then, the author observe how their perceptions are changed towards the acquisitions, and therefore this paper can also examine to what extent such change in perceptions result in a modification in buying behavior.

1.3. THE GENERAL QUESTION

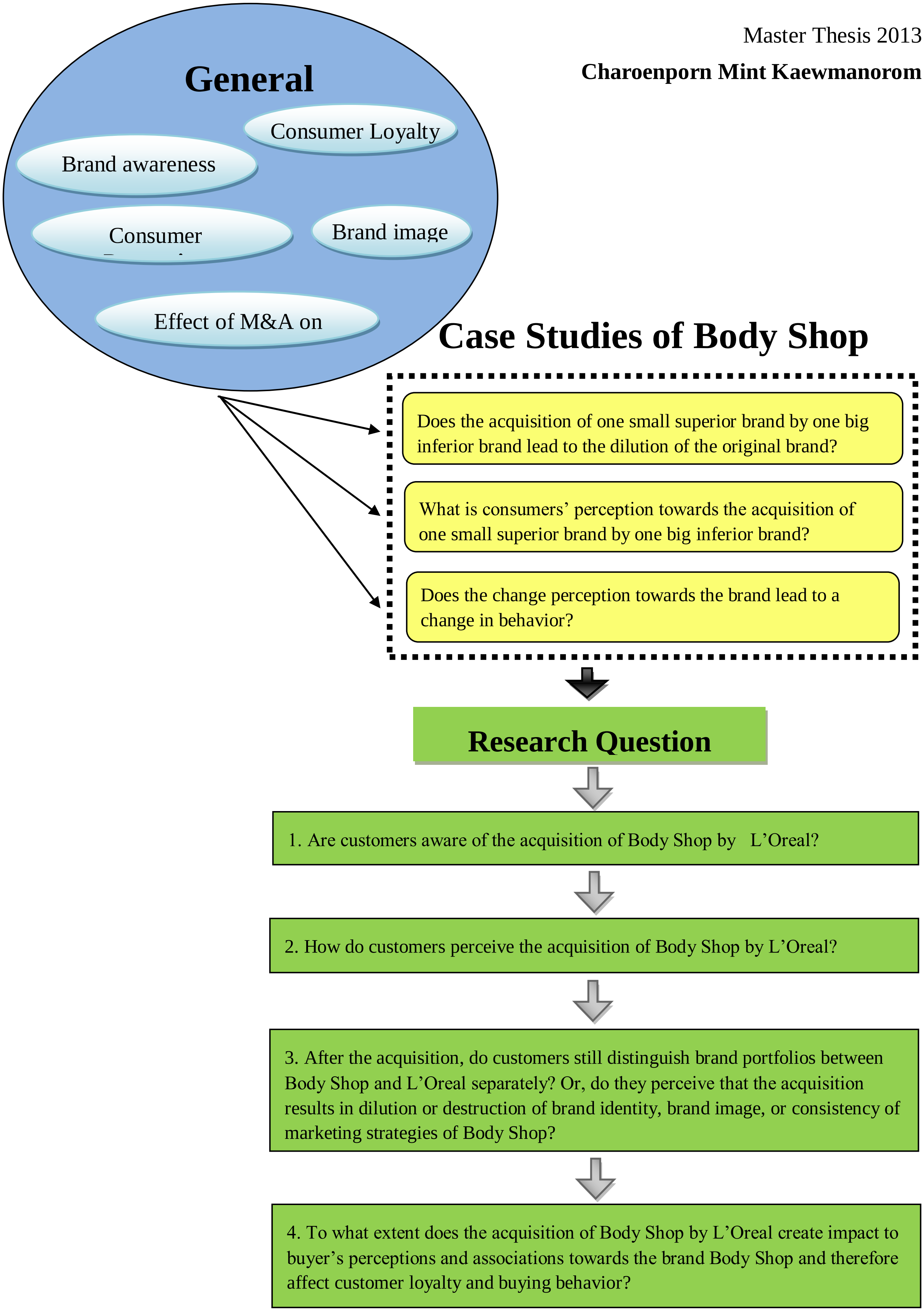
"Challenges of a giant global brand with a more negative brand image to acquire a smaller brand with a very specific philosophy and superior positive brand image"

There are certain challenges with the brands to cope with: different brand values, what the giant brand actually buys after purchasing the smaller brand, or how to effectively manage the two brands are merged, change in consumer perception and also behavior towards the acquired brand. The question is very broad and challenges can **be applied and defined into at least two perspectives**: company and consumer. In this case, as mentioned before, the author focuses on the consumer perspective. After gathering information and theories from literature, the author found out the theories from literature reviews and also current studies cannot fully answer the generic question at once due to these reasons:

- The theories explain what the challenges are after M&As but limited information regarding to the effect on brand after M&As is found.
- The theories answer the general question only in the perspective of company, not consumers. The current studies already prove what leads the big company to M&As with smaller company with different brand image. In addition, they examine effects on brand equity of the acquired brand and the acquiring brand after M&As under the company perspective. Or even though the theories touch upon the perspective of consumer, they just explain why brands are important. They explain what consumers feel and why consumers react different once they are aware they are not consuming their favorite brands. However, in reality, not all the consumers are always aware of any changes of their favorite brands. "What if those consumers who are not aware of the change of ownership of their favorite brands later become aware of the change, what would be their immediate reaction?" are the questions that this paper can help answer.

Because of the fact that the given theories do not integrate all different concepts (brands, M&As) and that they cannot fully answer the general question themselves, the author searched for an actual case that falls into the same situation as the question stated for further studies. The found case is " the acquisition of Body Shop by L' Oreal". The reason why the case is chosen is already stated in the last paragraph under 1.13. After doing the initial sample survey about the awareness of the acquisition, the author found out that very few customers are aware of the acquisition. Therefore, the quantitative survey is divided into two levels: 1) if the customers know about the acquisition and 2) After they are aware or not aware of it, what are their perceptions and reactions in buying behavior towards it.

The general question is quite broad and composed of different elements of theories such as M&As, effects of M&As, brand awareness, brand image, acquisition awareness, brand loyalty, consumer perception of brand in relation to buying behavior, impacts of M&As on brands and etc. Consequently, the author breaks the general question into four sub questions to cover all those elements as many as possible with an intention to answer the question step by step (from consumer awareness to consumer buying behavior towards the acquisitions). The sub questions are used to support the general question. The sub questions will be linked to the case of Body Shop directly since the case exactly reflects the research purpose of this paper. The explanation in this topic can be illustrated as the diagram below.


General
Consumer Loyalty
Brand awareness
Consumer
Brand image
Effect of M&A on
Case Studies of Body Shop
Does the acquisition of one small superior brand by one big inferior brand lead to the dilution of the original brand?
What is consumers’ perception towards the acquisition of one small superior brand by one big inferior brand?
Does the change perception towards the brand lead to a change in behavior?
Research Question
1. Are customers aware of the acquisition of Body Shop by L’Oreal?
2. How do customers perceive the acquisition of Body Shop by L’Oreal?
3. After the acquisition, do customers still distinguish brand portfolios between Body Shop and L’Oreal separately? Or, do they perceive that the acquisition results in dilution or destruction of brand identity, brand image, or consistency of marketing strategies of Body Shop?
4. To what extent does the acquisition of Body Shop by L’Oreal create impact to buyer’s perceptions and associations towards the brand Body Shop and therefore affect customer loyalty and buying behavior?

1.4. RESEARCH QUESTIONS

1. **Are customers aware of the acquisition of Body Shop by L'Oreal?**

After the announcement of the acquisitions in 2006, have customers known about the acquisitions? Why and why not?

2. **How do customers perceive the acquisition of Body Shop by L'Oreal? (Ex. Negative , neutral, or positive?)**

- Negative: loss of trust, company's credibility and product reliability.
- Positive: more opportunities to generate new innovations of skin care or any cosmetics products.
- Neutral: No Change.

This question is to observe what customers think about what reasons that lead to the acquisition of The Body Shop. Do they think the acquisition is a result of an aim of the Body Shop to expand its existing business and aggressively pursue innovativeness? Do they think the acquisition is a result of The Body Shop's financial problems? Do they think the acquisition is just a common next step of The Body Shop's strategic decision making?

3. **After the acquisition, do customers still distinguish brand portfolios between Body Shop and L'Oreal separately? Or, do they perceive that the acquisition results in dilution or destruction of brand identity, brand image, or consistency of marketing strategies of Body Shop?**

This question is to observe how customers perceive the effect of marketing/ branding management activities of L'Oreal on The Body Shop. Do customers still perceive The Body Shop as an individual brand?

4. **To what extent does the acquisition of Body Shop by L'Oreal create impact to buyer's perceptions and associations towards the brand Body Shop and therefore affect customer loyalty and buying behavior?**

This measures how much confidence, trust, associations, and so on that customers have towards the brand The Body Shop have been changed after the acquisition. Moreover, does the impact of that change in perceptions lead to a change in buying behavior? To what extent do customers shift to use other brands?

1.5. LIMITATIONS

A. This thesis emphasizes on the influence of M&A on customer perceptions towards the original brand of the company acquired by another company holding different core values, mission, and brand identity. The research concerns only the perspective of customers, not employees either from the acquired or acquiring company.

B. Only Body Shop's customers are the people who complete the quantitative questionnaire in order for this research to understand buyer's perceptions towards the post merger situation. It is feasible to interview various group of people such as any working women or young female adults who are randomly in the shopping centers or department stores. However, those people might use products from other brands other than Body Shop. Consequently, gathering information from them will not reflect the best result since they do not directly create impact to Body Shop as the Body Shop's customers.

C. The research is handed to the people who actually buy Body Shop products (not just the ones who are familiar with the brand). At the time the questionnaires are handed in to the hand of consumers, those consumers at least used to buy the products of Body Shop once. This limitation is set up so that the result of this thesis will reflect the real perceptions of actual existing Body Shop customers. This research does not emphasize on perceptions of potential customers of Body Shop.

D. The research will be conducted only within Thailand. However, Body Shop's customers in Thailand do not always mean that they are all Thai. There are many expat families living in Thailand and consume Body Shop's products. Foreign women in Thailand are considered as the main target customers of Body Shop Thailand as well.

E. The research is conducted only in Thailand so the research result and analysis is applied only within the Thai market.

F. The research is applied only to this specific situation which is the acquisition of the smaller company by a bigger company having different brand values and images to each other in the skincare/ beauty industry.

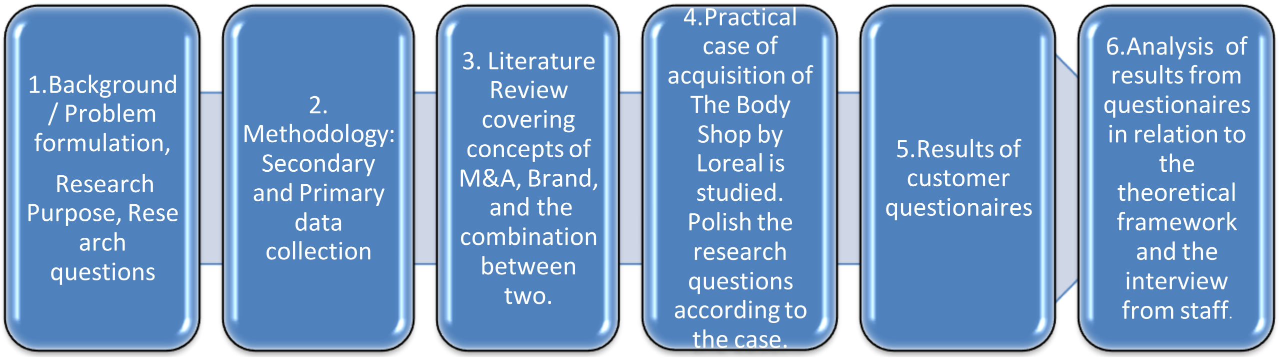
G. The attempt within the empirical data and analysis will be done only on the women customers ranging from 15 to 45 years old. The reason is that range already covers the main target group customers (26-35). In addition, respondents who are men or women with the age above 45 will be immediately taken out because of limited response and relevance.

H. Whether the decision of acquisition of Body Shop by L'Oreal gives positive outcome or not cannot be determined by this research alone because there are also other factors that affect the outcome. Moreover, it is not the focus of this thesis.

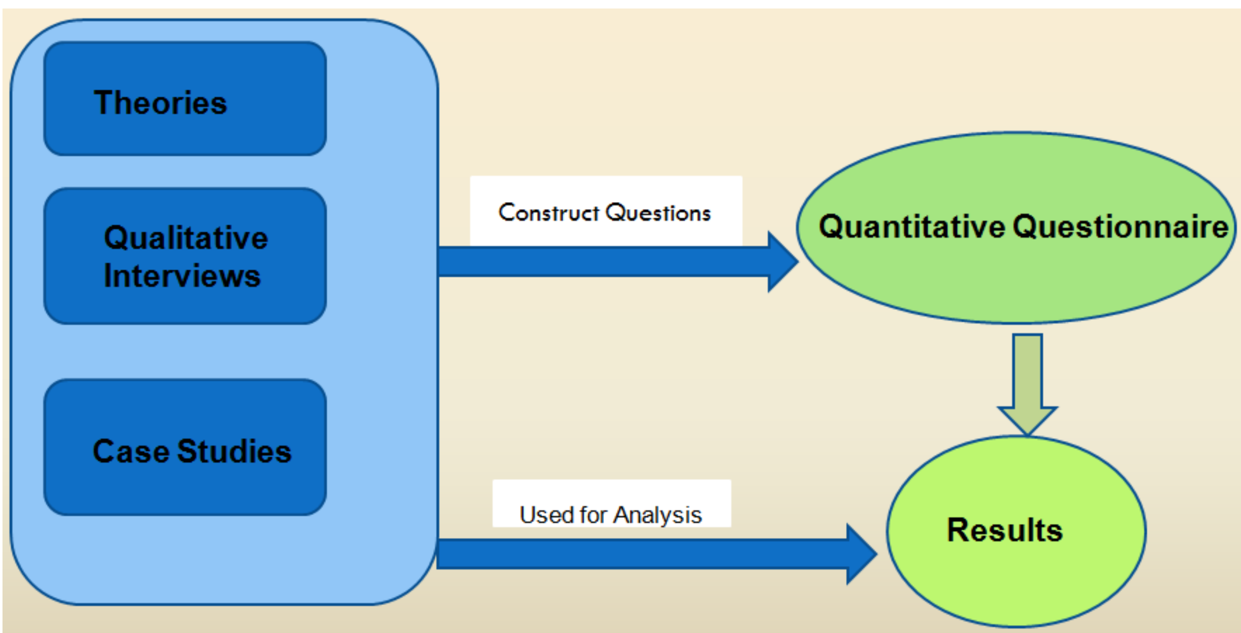
I. For the part of literature review, processes or mechanisms in building strong brand identities, awareness, and associations will not be included. This thesis works with brands that are already well established in the industry and instead aims to how the brand and overall customer perception are changed.

J. When the author mentions "Consumers", they refer to end users as individual person, not the organizations.

1.6. TRUCTURE OF THESIS



1.7 MECHANISM: "HOW DOES THIS THESIS WORK?"



2. METHODOLOGY

2.1. SECONDARY DATA COLLECTION

2.1.1. THEORY FRAMEWORK: Describe concepts of M&A, Brand, Consumer perception and its effect on the consumer's buying behavior.

- M&A: advantages and disadvantages of M&A
- Brand concepts
- Combination of two concepts: how does M&A affect brand?

2.1.2. CASE: Actual case of the acquisition of Body Shop by L'Oreal.

The information will be gathered through internet sites, newspapers, magazines, press releases and scientific journals in order to see the real effect of the acquisition, on both Body Shop and L'Oreal. This part describes how the two companies involve in the acquisition and investigate how Body Shop's marketing activities are operated after the acquisition. Does L'Oreal come to take over marketing activities?

2.2. PRIMARY DATA COLLECTION

Quantitative questionnaires are given to Body Shop's customers. They are target for conducting empirical research and center of investigation because research questions represent gap of knowledge about M&A effect of the brands on customer perspective. Primary data collection is required to test answer research questions. The theoretical framework from the literature review part identifies what information that needs to be acquired more through the information gathered from questionnaires. In order to create well-defined questionnaires that entail information directly relevant to the thesis, a research design, "the blueprint for conducting market research", is needed.

2.2.1. QUANTITATIVE SURVEY (RESEARCH PROCESS)

Questionnaires will be conducted offline and online. Body Shop's Customers will be surveyed right in front of Body Shop stores in Thailand. In addition, the survey will be distributed electronically for the people who claim usage of products of The Body Shop such as Email and Facebook. The number of sample size is determined by using the statistics formula. Before calculating the sample size, a few things about the target population and the sample need to be determined (Smith, 2013):

1. **Population Size** — How many total people fit your demographic? It is common for the population to be unknown or approximated (Ibid).
2. **Margin of Error (Confidence Interval)** —The confidence interval determines how much lower or higher than the population mean that the researcher is willing to let the sample mean fall. Usually +/- 5% are used when researchers have sufficient and reliable data (Ibid).
3. **Confidence Level** — How confident does the researcher want to be that the actual mean falls within his confidence interval? The most common confidence intervals are 90% confident, 95% confident, and 99% confident. The confidence level corresponds to a Z-score (Ibid).
4. **Standard of Deviation** — How much variance does the researcher expect in his responses? Since we haven't actually administered our survey yet, the safe decision is to use .5 – this is the most forgiving number and ensures that your sample will be large enough (Smith, 2013).

After these values are defined, needed sample size can be calculated as follows:

Necessary Sample Size = (Z-score)² – StdDev*(1-StdDev) / (margin of error)²

Assuming the author chose a 90% confidence level, 0.5standard deviation, and a margin of error (confidence interval) of +/- 7%. The author chose 10% of margin of error because the author has not received exact figure from staffs about the number of consumers and also sales volume, so there is possibility that this sample size might not reflect accurate information.

This equation is for an unknown population size or a very large population size (Ibid)

- 90% – Z Score = 1.645

Necessary Sample Size = {(1.645) ^2 x 0.5(0.5)}/(0.07)^2

= 138 samples

Therefore, according to the formula, the correct sample size is 138 people.

2.2.2. QUALITATIVE INTERVIEWS

Even though the core analysis is mainly derived from the quantitative customer survey, a qualitative interview in the form of a pilot study with Body Shop International is conducted to objectively find out target groups of participants for the survey. In another word, a qualitative method will be used as an ex ante pilot study.

The interview will be carried out with store managers face to face at few branches in Bangkok.

By deploying a qualitative questionnaire with open questions more value can be created than by using only quantitative methods. The pilot study fulfils two important aspects, which are essential for this thesis. Firstly, the target group of Body Shop can be defined accurately, which provides the basis for the quantitative consumer questionnaire. By narrowing down the target to a few demographic factors, such as gender and age, the initial group of respondents can be identified accordingly. Moreover, the qualitative expert interview serves another motive, namely to understand Body Shop's perspective. This refers not to financial aspects or reasoning behind the sale, but rather to present Body Shop's experiences with customers after the acquisition and their point of view concerning issues and conflicts involved. These statements can, later on in the analysis section, serve as means of comparison with the empirical results and might enable to back comments up or contrast them to the consumers' point of view.

3. LITERATURE REVIEW

There are three main sections in the literature review which serve as theory framework for justifying a deep analysis of the upcoming empirical findings. The first section generally describes the concept of mergers and acquisition, identifies both problems risen from and reasons in favor of undertaking M&A. The second section clarifies brand concepts which emphasize on the value or the importance of brands on companies in the eyes of consumers, how brands are anchored in the mind of consumers, how corporate brand and cause marketing affect consumers' perceptions and behaviors, and etc. The author focuses on consumer perspectives when giving discussion around the concepts. M&A does not involve only organizational cultures, operation activities, marketing practices, and etc, but also brands. Therefore, in this research thesis, concepts of brands are necessary to be discussed in relation to M&A which will be presented as the third section in this literature review. The third section will integrate the first two sections together by explaining key challenges of brands in transition in M&A process.

3.1. MERGER & ACQUISITIONS

3.1.1. REAL MEANINGS

Mergers and Acquisitions (M&A) have become a strategic tool that is used effectively to acquire established brands and to expand to emerging and often low cost markets, particularly markets that provide an enormous number of skilled workers. M&A reflects a very high degree of integration between individual enterprises, compared with cooperative agreements and joint ventures (Aurora, 2011).

The term of mergers and acquisitions both refer to consolidation of organizations (Risberg, 2006). These represent the basic corporate restructuring activities that bring in inorganic growth of an organization. Both terms are usually used together too often and interchangeably that many people think they are the same words. However, actually the two terms are slightly different (Ibid).

A merger describes a combination of two companies leading to the formation of a new company (Gaughan, 2011). In another word, a merger occurs when one firm assumes all the assets and all the liabilities of another, or corporation is combined with and disappears into another corporation. A merger happens when two firms agree to go forward as a single new company rather than remain separately owned and operated. The acquiring firm retains its identity, while the acquired firm ceases to exist. A merger is just one type of acquisition. A merger is usually more expensive than acquisitions, with the parties incurring higher legal costs (Ibid).

An acquisition is the purchase of one company by another that does not result in the formation of a new company (Haspeslagh, 1991). It describes a transfer of ownership. In a simple word, when one company takes over another and clearly establishes itself as the new owner, the purchase is called an "acquisition". From a legal point of view, in an acquisition, the target company still exists as an independent legal entity, which is controlled by the acquirer. There are three types of transactions in the acquisition of a business: 1. the purchase of the assets of the business; 2. a merger of the buyer with the business; and 3. the purchase of the stock of the business owning the assets (Ibid).

The stock of the acquiring company goes on to be traded in an acquisition while in a case of a merger, the stocks of both entities are surrendered and the stocks of the new company are issued (Aurora, 2011).

3.1.2. POSITIVE ASPECTS OF M&A (COMPANY PERSPECTIVE)

3.1.2.1. REASONS FOR M&A

Liberalization, privatization, and globalization have changed the rules of the game. These three factors have compelled companies to restructure their operations since only the most cost effective producers can survive in the current global markets. Moreover, there three stimuli have given rise to a whole new set of regulations and laws. Survival has become a function of adapting to these stimuli (Aurora, 2011).

International M&As are a response to and also contributes to globalization (Child, 2001). M&As are urged by the liberalization of markets and global interaction, so it can be said that they are a part of globalization. Globalization means a growing interdependence of nations, exchanging services, goods, know-how, and capital across boundaries (Ibid). The growth of globalization relies on the increase in communication /interaction techniques and the ability of the opening of international markets. Consequently, M&As are considered as response to globalization and represent an attractive strategic option for companies to position themselves in the global environment. According to David B. Jemison, government, competitive, cost, and market drivers all are responsible for the rise in acquisitions, especially cross-border acquisitions (Haspeslagh, 1991).

Changed fiscal and governmental policies such as deregulation have brought many companies to capture new markets and customer segments (Gaughan, 2011). A few sectors have been hit hard by the withdrawal of government patronage as they have to look after their own financial requirements and face competition from powerful giants at the same time (Aurora, 2011). In addition, government constitutes the most importance force behind cross-border acquisitions. Governments play an active and a supportive role in the boom of international M&As by eliminating or reducing trade barriers, establishing common market regulations, and liberalizing markets (DePamphilis, 2008).

Competitive drivers occur when a competitive pressure is created by other companies developing global strategies, moving to expand business worldwide, etc (Aurora, 2011). However, it is crucial to find a balance between completely local market responsiveness and fully global standardizations.

Cost drivers pressure companies to restructure themselves to become cost-effective (Ibid). Achieving economies of scale (even in few or only one of the operational areas) and economies of scope through implementation of M&As, for example when involving in international standardization, helps companies gain cost advantage (Gaughan, 2011).

Market drivers refer to the growing homogeneity of customer needs and ways to handle with them (Ibid). The existence of international distribution channels, global customers, and international marketing means lead to an interchangeability of skills and resources across countries.

3.1.2.2. RISE IN ACQUISITIONS

Theories and empirical studies suggest that the value of M&A transactions tend to increase in periods of high growth, low interest rates, and rising stock markets, following economic cycles (DePamphilis, 2008). However, M&As also grow when the economy slowdown in terms of frequency, despite not the magnitude of acquisitions. Indeed, it can be said M&As are a strategic tool for all economic condition (Mitchell, 2002).

Acquisition activities in recent years have lied in industries that are subject to significant deregulations. Those industries refer to health care, financial services, utilities, media, telecommunications, and defenses (Aurora, 2011). Lots of empirical studies show that takeover activity is higher in deregulated industries that in regulated ones (Ibid). The advent of deregulations broke down artificial barriers in these industries and stimulated competition. For example, during the first half of 1990s, the U.S. Department of Defense actively encouraged consolidation of the nation's major defense contractors to improve their overall operating efficiency (Ibid).

Those new business sectors in M&A reflect changes in regulations deregulated by the government. Other than changes in regulations, there are changes in technology which lead to an increase in M&A activity as well. As the pace of technological change accelerates, acquisitions are viewed as a way of quickly exploiting new products and industries made possible by the emergence of new technologies (Ibid). Most bureaucratic companies fail to generate creativity and speed niche player displays, so they often look to acquisitions as a fast and sometimes cheaper way to acquire new technologies and proprietary know-how to fill gaps in their current product offering (Child, 2001). In addition, acquiring technologies can be used as a defensive weapon to keep new technologies out of hands of competitors. For example, in 2006, eBay acquired Skype Technologies, the Internet phone provider, for$ 2.6 billion in cash and stock (Aurora, 2011). eBay aims that this move will boost up trading on its online auction site and also prevent competitors from gaining access to the technology.

M&A is a one of major means when big companies enter in foreign direct investment (FDI)(Child, 2001). According to World Investment Report 2006**,** inflows of FDI in the world in

2005 increased 29% from the previous year. It hit $916 billion which reflect an increase in inflows in 126 countries out of 200 countries which are members of UNCTAD. Within that value of tremendous FDI values, cross-border acquisitions increased more than 85%. Cross-border acquisitions refer to the control of operations and assets is transferred from a local to a foreign company, and the former company becomes an affiliate of the latter (Child, 2001). Country members of European Union were considered as being desirable FDI destinations, proven by the inflows of $422 billion among the region (World Investment Report 2006). Because FDI through M&A is a substantially growing phenomenon in the world, especially among EU region, and L'Oreal acquisition is classified as such, this paper will focus on cross-border acquisition of L'Oreal. In 2006, there were more than 140 mega deals (Child, 2001) which each of them has transactional value of at least $1 billion and Body Shop was one of those deals.

3.1.2.3. COMMON MOTIVES FOR ACQUISITIONS – BUYER PERSPECTIVE.

3.1.2.3.1. SYNERGY

Companies usually execute acquisitions from the idea that, the joint company will be able to generate more value than the separate firms. When a company buys out another, it expects that the newly generated shareholder value will be higher than the value of the sum of the shares of the two separate companies (Annis, 2009). Such statement is the definition of "Synergy". As it is used here, it means two or more companies merging such that the combined resources of the merged unit have more than the sum of the value they had individually. There are two types of synergy: financial and operating (DePamphilis, 2008).

> Financial synergy refers to the impact of acquisitions on the cost of capital (ex. The minimum return required by investors and lenders) of the acquiring firm or the newly formed firm resulting from the acquisitions (Ibid).
>
> Operating synergy can be achieved by factors of economies of scope and economies of scale which lead to improved results and operating efficiency (Ibid). Economies of scale is when fix costs are spread over increasing production. Such costs are fixed in the sense that they cannot be altered in a short run. On the one hand, economies of scope refer to using a specific set of skills or an asset currently employed in producing a specific or service to produce related products and services.

3.1.2.3.2. DIVERSIFICATION

It refers to a strategy of buying firms outside of company's current business line. In general, there are two justifications for diversification (DePamphilis, 2008). The first involves the creation of financial synergy resulting in a lower cost of capital. The second justification is for firms to shift from their core markets or product lines into ones that have higher growth prospects. Such diversification can be both unrelated and related to the firms' current markets or products.

Table 1: Product Market Matrix

Markets / Products	Current	New
Current	Lower Growth/ Lower Risk	Higher Growth/Higher Risk (Related diversification)
New	Higher Growth/ Higher Risk (Related Diversification)	Highest Growth/Highest Risk (Unrelated Diversification)

Source: DePamphilis, 2008

The table 1 shows firms' primary diversification options. If a firm is having a slow growth in its current markets, it can accelerate growth by selling its current products in new markets (Ibid). However, not all options of diversifications create motive for firms to engage in acquisitions. Empirical studies have found that investors do not really benefit from unrelated diversifications (Ibid). Investors often perceive companies diversified in unrelated areas (in different standard industrial classifications) riskier because they are difficult for management to understand and management often fails to fully fund the most attractive investment opportunities (Ibid).

3.1.2.3.3. ACQUIRING NEW TECHNOLOGIES

Companies need to constantly upgrade their technology and business applications to enhance its competitiveness. By buying another company with unique technology, the buying company can maintain or develop a competitive edge (Mercantile, 2013).

3.1.2.3.4. IMPROVED PROFITABILITY

Companies explore the possibilities of acquisitions when they anticipate that it will improve their profitability (Gaughan, 2011). The survey of the International Business Owner, conducted by Grant Thompson across 26 countries in Africa, Europe, Asia-Pacific, and the US, showed that 34% of businesses use acquisitions to improve or maintain profitability (Aurora, 2011). For example, Pearson has driven their growth by expanding into the USA through acquisitions (Ibid).

3.1.2.3.5. ACQUIRING A COMPETENCY

Companies opt for acquisitions to acquire capability and competency they do not own and which other firms do (Child, 2001). Acquiring the competency of well-distribution channels from the target company allows the acquiring firm to introduce its new products that it has developed from its own R&D wing (DePamphilis, 2008).

3.1.2.3.6. ENTERING INTO NEW MARKETS

It can be done successfully through the route of acquiring established firms (Risberg, 2006). Under normal conditions, companies face stiff competition and unavoidably battle out for market shares from existing companies when entering into the new markets (Ibid). Nevertheless, if the acquisition route is adopted, one can enter the market with greater ease and avoid too much competition by for example using existing distribution channels or established relationship with other stakeholders (customers, suppliers, and etc) of the acquired firms (Ibid).

3.1.2.3.7. MARKET POWER

It is also one of the motives for acquisitions, even not the most important (DePamphilis, 2008). This theory suggests that firms engage in acquisitions since they want to improve their monopoly power to set product prices at levels not sustainable in a more competitive market. Nevertheless, very few empirical studies agree with that theory. Many recent studies conclude that the increased acquisition activity is more likely to contribute to improved operating efficiency of the combined firms than to increased market power (Aurora, 2011).

3.1.2.3.8. MISEVALUATION

The misevaluation approach to takeovers has traditionally been over shadowed by the presumption that markets are efficient (Haspeslagh, 1991). Efficiency implies that target's share price will reflect accurately its true economic value (ex. cash generation potential) (Ibid). Even though there are lots of empirical studies showing that over time asset values reflect their true economic value, there are growing numbers of evidences showing that assets may temporarily not reflect their underlying economic value (Ibid). The internet bubble in the late 1990s is an example of market inefficiencies. Just as these market inefficiencies affect investor decisions in buying individual stocks, they affect the acquisition market as well (DePamphilis, 2008).

3.1.3. NEGATIVE ASPECTS OF M&AS

In common, M&As destroy rather than add value to the acquirer's business. Research shows that up to 75% of mergers and acquisitions failed to deliver their identified value (Cornell, 2010). The reasons are due to these following problems.

3.1.3.1. UNREALISTIC PRICE PAID FOR TARGET

Many empirical studies show that the price paid to the target company is a lot more than what should have been paid (Mercer Management Consulting, 1998). Even though the shareholders of the target company get benefits, shareholders of the acquirer end up in loss (Ibid). The reason is that they have to carry the burden of the overpriced assets of the target company which dilutes the future earnings of the acquirer (Ibid).

3.1.3.2. INADEQUATE DUE DILIGENCE/FLAWED UNDERSTANDING OF THE TARGET BUSINESS

'Due diligence' is all too often focused on accounting, financial, legal and technical elements of the deal. Problems will arise if inadequate attention and analysis is given to what you are buying and the value-adding strategies that justify your bid as the natural owner of these assets (Cornell, 2010). Discovering the cause of this situation during due diligence is essential (Ibid)

3.1.3.3. HIGH LEVERAGE/ FORM OF PAYMENT

The acquirer may decide to acquire the target through cash. The acquirer may borrow heavily from the market in order to pay for the price of the acquisition. This creates a high leveraged structure and increases the interest burden of the company (Sanford, 2000).

3.1.3.4. OVERSTATED SYNERGIES

M&A are looked upon as an important way of creating synergies through reduced costs, increased revenues, improvement in the investment intensity, and reduction in networking capital (Aurora, 2011). Overestimation of those can result in failure in M&A.

3.1.3.5. POOR STRATEGY/FLAWED BUSINESS LOGIC

Too many business executives are making acquisitions with no apparent strategic rationale. Consistent with our own observations, a recent study revealed that less than 1 in 3 executives had a sound logic for making the acquisition and 40% revealed they did not fully quantify how the deal would boost profits, underlying business value and hence their share price. Half of those with a strategic rationale had to rethink their strategy within two years (Cornell, 2011).

3.1.3.6. BOARDROOM SPLIT

It is crucial to assess the composition of the boardroom and compatibility of directors. Directors who are suddenly deprived of authority and power can be bitter. Specific personality clashes between executives from two companies can happen and also result in a major problem, slowing down integration of entities (Aurora, 2011).

3.1.3.7. HR ISSUES

M&A brings in job loss, restructuring, and the imposition of a new corporate identity, brand image, and culture. This can generate anxiety, uncertainty, and resentment among the company's employees. Research has shown that the productivity of firms can drop by 25-50% when experiencing a large scale change, primarily because of demoralization of the workforce (Mitchell, 1998). After entering into M&A, companies usually pay attention to the short term financial and legal considerations and ignore crucial HR issues associated with corporate identity (corporate brand image, brand culture, etc) and communication, which affect workers' moral and productivity (Ibid). This issue refers to failure to communicate. Management must be upfront in communicating the goals for the merger as well as how business processes will change in the combined company (Ibid). Indeed, clear, decisive and consistent communication is essential, along with strong leadership and a significant commitment of dedicated resources to the integration team (Cornell, 2010). The fear of the unknown can be very real for those affected by the merger, and it can have a significant effect on productivity (Mitchell, 1998). In relation to the corporate brand, employees had had a strong sense of brand loyalty towards their old company and so had a strong bond with the original brand. Once employees work in a newly merged company, it is highly possible that they lose their bond, a sense of community, and also brand loyalty to the company (Ibid). They may become confused of their brand equity, brand image, or brand associations after M&As and as a result cannot deliver the services that reflect core values of the brand like before.

3.1.3.8. POST ACQUISITION INTEGRATION DIFFICULTIES

Post acquisition integration is a process of administrative and strategic combination of the acquirer and the target firms. Individuals from two organizations work together to cooperate in the transfer of the strategic capabilities (Haspeslagh, 1991). The integration is a complex process; therefore, a comprehensive plan should be developed and implemented to manage difficult decisions and help maximize the potential of the new organization (Cashin, 2013). The process includes the integration of financial, human resource, production, marketing, information, distribution systems, purchase, planning, and also PR policies (Ibid). Integration is the vehicle of development in acquisition-based growth and organizational change and has an important role in overall corporate renewal strategy (Yunker, 1983). The process changes organizational structures, cultures, functional activities, and systems throughout the corporation (Mercer Management Consulting, 1998). The first operational field that is usually integrated in the post acquisition phase is financial, followed by the management team, organizational structure, and then individual departments (sales and marketing) (Ibid). The degree of changes depends on the degree of the operational autonomy both firms want to maintain. It is highly recommended for M&A firms to prioritize divisions and projects that offer the most immediate pay-off before critical projects that result in loss (Ibid).

3.1.3.9. CONFLICTING CORPORATE CULTURES

Combining of two or more different companies is a key aspect of every M&As. These companies possess different corporate cultures (brand image), differing employee expectations, different styles of leadership and etc (Mercer Management Consulting, 1998)). If M&A is executed in a way that does not carefully consider with the companies' people and their different corporate cultures, the process may turn out to be a disaster (Aurora, 2011). There will be conflicts between the values and attitudes of the two companies, especially when the new partnership crosses national boundaries. These differences are known but usually ignored and as a result lead to failure of M&A (Ibid).

According to Interbrand, culture is the sum total of the beliefs, history, practices, policies, values, and activities that define its unique personality. A company's brand is part of its culture and a brand has culture of its own, represented by people who work for, their operating style, and behavior (Swystun, 2006).

3.2. CONCEPTS OF BRAND

Because there are abundant theories and different definitions surrounding concepts of brand, the author would select only definitions, theories, and models that are consumer perspective related in order to ensure consistency of this paper and most accurately respond to the thesis topic.

The author aims to answer all these major following questions: What is actually a brand? What is the importance of brand? , What do different brands mean to consumers? , What makes the brand strong? How are brands anchored at the hearts or minds of consumers so that they become loyal to the brand? How does the brand knowledge of consumers affect their response to marketing activity? How do corporate reputations impact consumers' perception towards companies and their products? How do cause marketing affect consumers' perceptions and altered behavior? How do perceptions of brands relate to buying behavior? In order to answer these questions, different definitions and models concerning the brand are gathered from literatures. These questions will be a starting point to help us understand the fundamental mechanism of consumers' constructed perceptions towards the brands, which then show linkage with buying behavior. This part will be the basis for further justified analysis of the empirical data findings from quantitative survey and qualitative interview.

3.2.1. WHAT IS A BRAND?

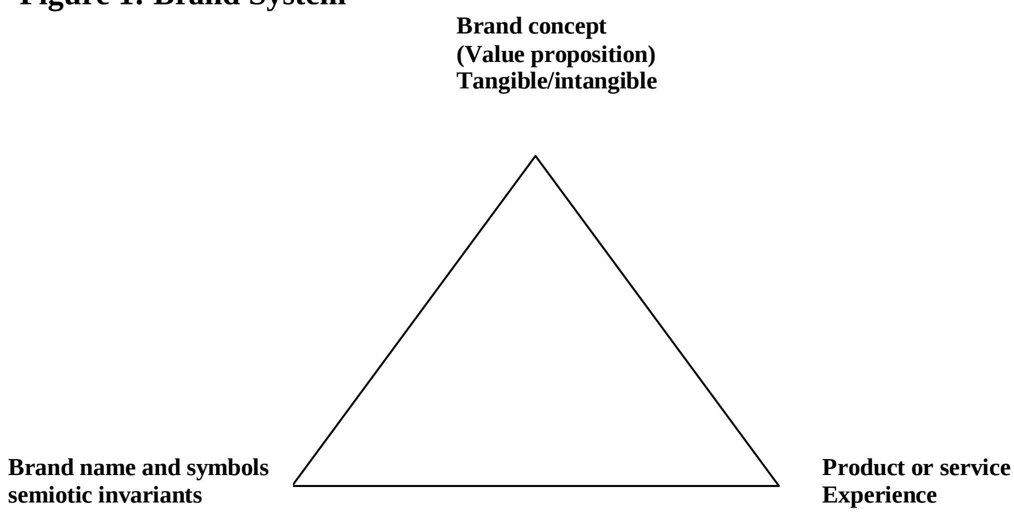
According to the American Marketing Association (AMA), a brand is a "name, term, sign, symbol, or design, or a combination of them, intended to identify goods and services of one seller or a group of sellers and to differentiate them from those of competition" (Keller, 2008). A brand is different from a product. A product is anything we can offer to a market for attention, acquisition, use, or consumption that might satisfy a need or want. Therefore, a product can be a physical good, a service, a retail outlet, an organization, a place, or even an idea. A brand is more than a product because it can have dimensions that differentiate it in some way from other products designed to satisfy the same need (Ibid). These differences may be tangible and rational (related to product performance of the brand) or more symbolic, emotional, an intangible (related to what the brand represents). Brands that create competitive advantages through non-product-related means are, for example, Coca-Cola or Chanel No.5. They understand consumer motivations and desires and creating appealing relevant images surrounding their products. On the other hand, brands that create competitive advantages with product performance are, for example, Gillette or Merck because of their continual innovation. Steady investment in R&D has produced leading edge products and mass marketing practices have ensured rapid adoption of new technologies in the consumer market (Ibid).

Brands have financial value because they have created assets in the minds and hearts of customers, distributors, opinion leaders, etc (Kapferer, 2008). These assets are brand awareness, beliefs of exclusivity and superiority of some valued benefits, and emotional bonding.

The now classic definition of a brand is **"a set of mental associations held by the consumer, which add to the perceived value of a product or service."** (Keller,2003). These associations should be unique (exclusivity), positive (desirable), and strong (saliency) (described more in the brand image part). This definition emphasizes on the gain in perceived value brought by the brand. The product itself is left out of the scope of the brand: "brand" is a set of added perceptions.

"A brand is a name that influences buyer" (Kapferer, 2008). This definition captures the essence of a brand: a name with power to influence buyers. What makes a name become a brand are saliency, differentiation, intensity, and trust attached to these associations. What makes a name acquire the power of a brand is the product or service, as well as the people at points of contact with the market, the price, the places, the communication- all the sources of cumulative brand experience (Ibid). This is why one should speak of brands as living systems made up three poles: products or services, name and concept (See figure 1)

Figure 1: Brand System



What distinguishes a brand from its unbranded commodity counterpart and gives it equity is the sum total of consumers' perceptions and feelings about the product's attributes and how they perform, about the brand name and what it stands for, and about the company associated with the brand (Ibid).

To sum up, a brand is a mixture of attributes, tangible, and intangible, symbolized in a trademark which, if managed properly, creates influence and value. Value has different interpretations: from a business perspective it is the security of the future earnings; from a legal perspective it is a separable piece of intellectual property; from a marketing or consumer perspective it is the promise and delivery of an experience. A brand is intended to ensure relationships that create and secure future earnings by growing customer preference and loyalty. Brands simplify decision making, represent an assurance of quality, and offer a different and credible choice among competitors (elaborated more in “why are Brands important?” (Swystun, 2006).

3.2.2. WHY ARE BRANDS IMPORTANT?

What functions brands perform that makes them very valuable to marketers is the main focus in this topic. Since this paper is to discover perception of consumers towards the acquisition of established brands, the author will focus only on consumer perspective.

Brands identify the source or maker of a product and allow consumers to assign responsibility to a particular manufacturer or distributor. Because of past experiences with the product and its marketing programs over the years, consumers find out which brands satisfy their needs. Indeed, brands provide a means of simplification for their product purchase decisions (Keller, 2008).

From economic perspectives, brands allow consumers to lower search costs for products both externally (in terms of how much they have to look around) and internally (in terms of how much they have to think) (Ibid).

The meaning imbued in brands can be quite profound which allows us to think of the relationship between the consumer and a brand as a type of bond. Consumers offer their trust and loyalty with the implicit understanding that the brand will behave in certain ways and provide them utility through consistent product performance and appropriate price, promotions, and distribution programs(Kapferer, 2008; Keller, 2008).

The risks in product purchase decisions can be reduced by brands. Consumers perceive many different types of risks in consuming and buying a product (Keller, 2008):

- Physical risk: The product poses a threat to the physical health of the user or others.
- Financial risk: The product is not worth the price.
- Social risk: The product results in embarrassment from others.
- Psychological risk: The product affects the mental well-being of user.
- Time risk: The failure of the product results in an opportunity cost of finding another satisfactory product.

- Functional risk: The product does not perform up to the expectations.

Brands can serve as symbolic devices, allowing consumers to project their self-images. Certain brands are associated with certain types of people and thus reflect different values or traits. Consuming such products is a means by which consumers can communicate to others (or even to themselves) the type of person they would like to be (Keller, 2003).

3.2.3. BRAND EQUITY-CUSTOMER BASED BRAND EQUITY PERSPECTIVE

This part explains how the perceptions of consumers are created, changed, and influenced, what makes a brand strong in their perspective, and how companies build strong brands briefly. Again, this thesis focuses on consumer perceptions towards the company and its brand, so the author chooses to use the customer-based brand equity (CBBE) model. Nevertheless, in order to be neutral about the definition of brand equity, before CBBE is explained, the general definition of brand equity (commonly accepted by all the perspectives) will be given first.

Brand equity is the sum of a brand's distinguishing qualities, and is sometimes referred to as reputational capital. A product or service with a great deal of brand equity enjoys a competitive advantage that sometimes allows for premium pricing (Swystun, 2006). In general, brand equity defines the value of the brand and can refer to two understandings of brand value: a strategic, subjective understanding and a financial, objective expression of the value of the brand (Heding, 2009). The subjective understanding of brand equity refers to consumers 'perception of the brand and is strategically valuable of brand management. Consumers are the ones who experience the brand, and their perception of brand equity can be defined as: A consumer perceives brand equity as the value added to the functional product or service by associating it with the brand name (Keller, 2008). In the financial understanding of brand equity, the concept refers to how much value a brand holds. Brand equity is one of the intangible entries on the balance sheet (like goodwill, know-how). Being able to account for how much value the brand hold is crucial, both in terms of financial statements, M&A and etc.

The brands that have strong brand equity always sustainably succeed in the market. According to a survey carried out by the agency DDB, the followings are main characteristics of a strong brand (Kapferer, 2008):

- Brand awareness (65%)
- The strength of brand positioning, concept, personality, a precise and distinct image (39%)
- The strength of signs of recognition by the consumer (logo, codes, packaging)(36%)
- Brand authority with consumers, brand esteem, perceived status of the brand and consumer loyalty (24%)

The CBBE model approaches brand equity from the perspective of consumer. The basic premise of CBBE model is the power of a brand lies in what resides in the minds of customers (Keller, 2008). Customer-based brand equity is defined as **the differential effect that brand knowledge has on consumer response to the marketing of that brand**. A brand has positive brand equity when consumers react more favorably to a product and the way it is marketed when the brand is identified than when it is not (when the product is unnamed). Indeed consumers might be more accepting of a new brand extension for a brand with positive brand equity, less sensitive to price increases or more willing to look for the brand in new distribution channel. Regarding to the definition of CBBE, it is consisted of three elements: (1) differential effect, (2) brand knowledge, (3) consumer response to marketing. First, brand equity arises from difference in consumer response. If there is no difference occurred, the brand name product can be essentially classified as commodity or generic version of product. Second, these differences in responses are a result of their experiences over time or their knowledge about the brand (what they have learnt, seen, felt about the brand). Third, customers' differential responses are reflected in preferences, perceptions, and behaviors related to all aspects of brand marketing such as their choice of brand, response to a sales promotion, or recall of copy points form an advertisement. From this theory, conclusive evidence shows that consumers' perceptions of product performance are highly dependent on their impressions of the brand that goes a long with it (Keller, 2008). Knowledge about the brand, created by any means (word of mouth, marketing activity, and etc) has somehow changed consumers' product perceptions and then perceptions affect buying behavior.

According to CBBE model, brand knowledge creates brand equity because it entails differential effect that creates brand equity. Indeed, the next question that has to be answered is how the brand knowledge exists in consumer memory. This can be explained by the associative network memory model which views memory as consisting of a network of nodes and connecting links. Nodes represent stored information or concepts while links represent the strength of association between the information. Based on the associative network memory model, brand knowledge is consisted of two components: brand image and brand awareness (Keller, 2003).

3.2.3.1. BRAND IMAGE

Brand image is the perception of the brand by consumers, as reflected by the brand associations held in consumer memory (Keller, 2008). Brand associations are the other informational nodes linked to the brand node in memory and contain the meaning of the brand for consumers. Associations come in all forms and may reflect characteristics of the products or aspects independent of the product. For example, McDonald's marketing program attempts to create brand associations in consumers' minds between its products and "quality," "cleanliness," "service," "value." McDonald 's rich brand image also includes strong associations to "Ronald McDonald, " "golden arches," "for kids," and "convenient," as well as perhaps potentially negative associations such as "fast food." Brand image varies depending on the consumer or market segment (Aperia, 2004). From a brand association perspective, Aaker felt that brand equity is closely related to brand association. "A brand association is anything linked in memory to a brand". Keller suggested that brand association can be divided into three major categories: attributes (including product-related attributes and non-product-related attributes such as price, brand personality, emotions and experience), benefits (what customers think the product or service can do for them, including functional benefits, symbolic benefits and experiential benefits) and attitudes (customers' overall evaluations of the brand). The most powerful brand associations are those that deal with the intangible or abstract traits of a product. Brand association can assist with spontaneous information recall and this information can become the basis of differentiation and extension. Strong association can help strengthen brand and equity. Similar to perceived quality, brand association can also increase customer satisfaction with the customer experience (Lee, 2011).

The goal of working strategically with brand image is to ensure consumers hold **strong, favorable, and unique** associations of the brand in their minds (Heding, 2009). When consumers have a favorable brand image, the brand's messages have a stronger influence in comparison to competitor brand messages. Therefore, brand image is an important determinant of a buyer's behavior (Lee, 2011) Creating a positive brand image takes marketing that link strong, favorable, and unique associations to the brand in memory. Strength of brand associations means “the more deeply a person thinks about product information and relates it to existing brand knowledge, the stronger the resulting brand association will be”. Favorability of brand associations are those associations that are desirable to consumers- convenient, colorful, efficient, effective, reliable- successfully delivered by the product, and conveyed by the supporting marketing program. Uniqueness of brand associations refers to the brand’s sustainable competitive advantage or unique selling proposition that gives consumers a compelling reason why they should buy it. Marketers may base uniqueness on product-related or non-product -related attributes or benefits. Marketers can also make this unique difference explicit through direct comparison with competitors or highlight it implicitly (Keller, 2008).

Consumers can form their brand knowledge (brand image) from variety of ways other than marketing activities: from direct experiences; through information from other commercial or nonpartisan sources such as Consumer Reports or other media; from word of mouth; and by assumptions consumers make about the brand itself, its name, logo, or identification with a company, channel distribution, or place or etc. The great example of establishing strong brand image by considering the influence of these other sources of information is The Body Shop (Keller, 2008).

The Body Shop created a global brand image without using traditional advertising. Its strong associations to personal care and environmental concern occurred through its packaging (simple, recyclable), products (never tested on animals, only natural ingredients), staff (encouraged to be informative concerning environmental issues), sourcing policies (using small local producers from around the world), merchandising (detailed point of sales posters, displays, brochures), social action program (requiring each franchisee to run a local community program), and public relations programs (taking visible and outspoken stands on various issues) (Keller, 2008).

3.2.3.2. BRAND AWARENESS

Brand awareness is related to the strength of the brand node or trace in memory, which we can measure as the consumer's ability to identify the brand under different conditions. Brand awareness consists of brand recall and brand recognition. Brand recall is consumers' abilities to retrieve the brand from memory when given the product category or usage situation as a hint (Keller, 2008). On the one hand, brand recognition is consumers' ability to confirm prior exposure to the brand when given the brand as a hint. In other words, when they go to the shop, can they recognize the brand as one to which they already have been exposed? (Aperia, 2004)

Raising brand awareness increases the likelihood that the brand will be a member of the consideration set, the handful of brands that receive serious consideration for purchase. Lots of researches have shown that consumers are rarely loyal to only one brand. Instead, they have a set of brands they would consider buying and another, probably smaller, set of brands they actually buy on regular basis (Aperia, 2004).

In addition, high level of brand awareness can affect choices among brands in the consideration set even though there are no other associations to those brands. Consumers have been shown to adopt a decision rule in some cases to buy only more familiar, well established brands. Therefore, in low-involvement decision settings, a minimum level of brand awareness is enough for product choice, despite the absence of a well-informed attitude. Consumers make choices based on their brand awareness considerations when they have low involvement. Low involvement results when consumers lack either purchase ability (consumers do know anything about any brands in a category) or purchase motivation (they do not care about the product or service because they perceive no difference among the products) (Keller, 2008) (the reason will be elaborated more in a part of Consumers' perceptions of brands in relation to buying process). Level of involvement refers to how personally important or interested consumers are in consuming a product. Low-involvement products are usually inexpensive and pose a low risk to the buyer if she makes a mistake by purchasing them. Consumers often engage in routine response behavior when they buy low-involvement products—that is, they make automatic purchase decisions based on limited information or information they have gathered in the past (The Consumers' Decision Making process, n.d.). On the other hand, high-involvement products bear a high risk to buyers. They usually have high price tags such as a house or an insurance policy. These items are not purchased often. Buyers don't engage in routine response behavior when purchasing high-involvement products. Instead, consumers engage in what's called extended problem solving, where they spend a lot of time comparing the features of the products, prices, warrantees, and so forth (Dr. Hassan, 2012).

3.2.4. EFFECTS OF BRAND IMAGE ON CUSTOMER-BASED BRAND EQUITY

A favorable brand image would have a positive influence on consumer behavior towards the brand in terms of increasing loyalty, commanding a price premium and generating positive word of mouth. Marketing studies argue that brand image is an important factor affecting brand equity Faircloth *et al* also found that the more positive the brand image, the more consumers are willing to pay and thus the greater the brand equity (Lee, 2011).

Many successful companies with an inferior brand image merge and acquire companies with a superior brand image in order to increase their market share. Meanwhile, companies also want to take advantage of a stronger brand image to improve their own image. In this acquisition, companies endeavor to change consumer perception of the inferior brand, and maintain their cognitive consistency towards brands with an inferior and superior image, as per the balance theory. The balance theory originated by Heider proposes that, "consumers' value harmony among their thoughts and they are motivated to reconcile incongruent thoughts". Therefore, when there is imbalance, people change their attitudes or behaviors to restore balance. According to Russell and Stern, this theory states that an individual wants to maintain consistency among the triad of linked attitudes. A balanced relationship comprises of two people who have the same attitude towards an object. When a relationship is imbalanced, it will cause systematic tension. If the tension persists, then the individual will attempt to both mentally and physically, decrease tension and move towards a balanced state. A relationship is imbalanced if there are two people in a relationship with opposing attitudes towards the object another (e.g. A dislikes the object but B likes it). These circumstances, in cognitive tension, would lead to behavior that attempts to balance the system; that is, A can change his attitude to be consistent to B's attitude in order to rebalance the system, claimed by Homburg and Stock (Lee, 2011).

In addition, the stronger the attitude towards the original objects, the more likely it is that similar attitudes will be held towards other associations related to that object). This image improvement is the most important goal that a company, with an inferior brand image, desires to accomplish after completing the M&A. Based on the aforementioned point, if consumers have a positive attitude towards the obtained brand, they may adopt a positive attitude or change their existing attitude towards the obtained brand. That is, the stronger the image of a company with an inferior brand, the greater a company's brand equity. The relationships between brand image and consumer-based brand equity sub-dimensions are as follows (Lee, 2011):

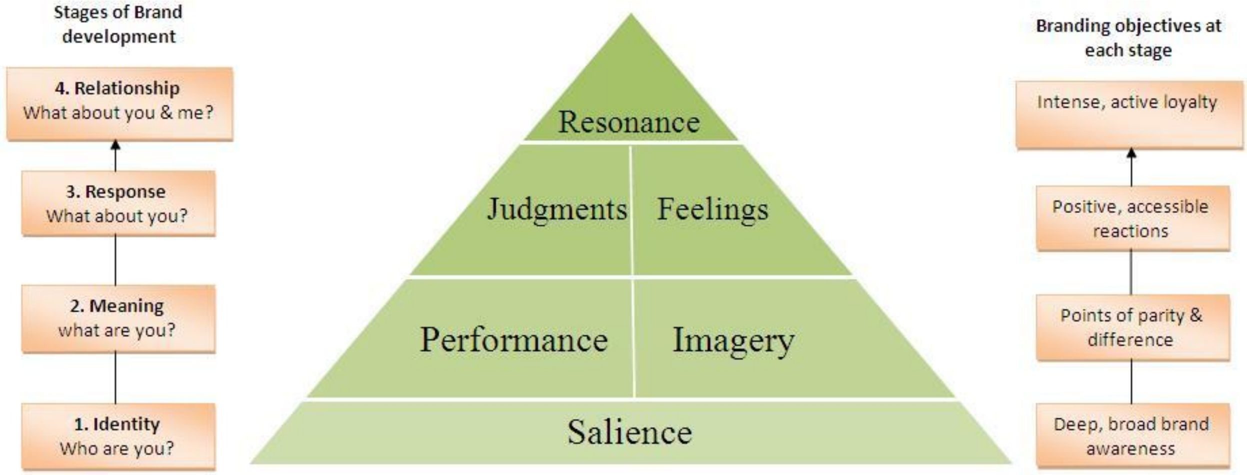
Brand association can help consumers' process and recall information, serve as the basis of dissimilarity and extensions and provide a reason to purchase and create positive feelings toward the brand. Brand association, based on the types of associations held, leads to a stronger market position in comparison to other brands. Such associations include brand image, price and country-of-origin. A brand image can be an association set and is usually organized in some meaningful way. Keller has argued that if a brand's image is related to association (e.g. attribute and attitude), the brand's association gains, favorable strength and uniqueness in the mind of the consumer. A positive brand image is created by marketing programs that link powerful and unique associations to a consumer's memory of the brand. That is, brand image can create associations that elicit positive feelings and attitudes towards the brand. Besides, Biel has argued that brand association could also arise from corporate image, product image and user image (Lee, 2011).

3.2.5. BRAND LOYALTY

Achieve a high degree of loyalty is an important goal in the branding process. Loyal consumers are valuable because it is a lot more expensive, in terms of marketing program spending, to recruit new customers than keeping existing ones (Heding, 2009). Brand loyalty is “a deeply held commitment to rebuy a preferred product or service consistently in the future and also characterized by a refrain from switching to other alternatives (Swystun, 2006). Brand loyalty encourages repeated purchase from consumers and discourages them from switching to competitor brands. Therefore, the greater the customer loyalty, the higher the brand equity will be (Lee, 2011).

Brand loyalty is a successful relationship between a brand and its customers. The nature of relationship is explained by two dimensions: activity and intensity (Keller, 2003). Activity refers to consumers’ action in executing loyalty upon the product or the brand or how brand loyalty is reflected in everyday consumer behavior and consumption situations. On the other hand, intensity refers to the sense of community, the sense of strong attachment experienced by consumers. Intensity is the depth of psychological bond that customers have with the brand (Keller, 2008). The customer-Based Brand Equity (CBBE) Pyramid illustrates how brand loyalty is established. Significant brand equity only results if brands reach the top of pyramid. The CBBE consists of six different building blocks. Loyalty is the outcome of achieving the last building block: brand resonance. In order to successfully create brand loyalty, all other five building blocks have to be fulfilled: Brand salience, Brand performance, Brand imagery, Brand judgment, and Brand feelings (see figure 2). Brand salience, Brand performance, and Brand imagery are basic aspects while Brand judgments and Brand feelings directly influence loyalty since they are directed to response of consumers (Keller, 2003).

Figure 2: CBBE Pyramid (Keller, 2008)



Brand salience measures awareness of the brand, for instance, to what extent is the brand top-of-mind and easily recalled or recognized? Building brand awareness helps customers understand the product category in which the brand competes and what products are sold under the brand name. In addition, it ensures that customers know which of their needs the brand is designed to satisfy (Keller, 2008).

Brand performance describes how well the product meets customers' more functional needs. How well does the brand rate on objective assessment of quality? There are five important types of attributes and benefits underlying brand performance (Keller, 2008):

- Perceived quality or Primary ingredients (for a product to work) and supplementary features (secondary elements that allow for customization and more versatile usage) (Ibid).
  Perceived quality is another dimension of brand value that can encourage customers to choose a product or service. "Perceived quality can be defined as the customer's perception of the overall quality or superiority of a product or service with respect to its intended purpose, relative to alternatives. Hence, perceived quality is generally associated with brand equity, and the better the perceived quality, the greater the brand equity (Lee, 2011).
- Product reliability, durability, and serviceability. Reliability is consistency of performance over time and from purchase to purchase. Durability is the expected economy life of the product. Serviceability is the ease of repairing the product if needed (Ibid).
- Service effectiveness, efficiency, and empathy. Service effectiveness refers to how well the brand satisfies customers' service requirements. Service efficiency refers to the speed and responsiveness of services. Service empathy refers to the

extent to which service providers are seen as trusting, caring, and having the customer's interests in mind (Ibid).

- Style and design
- Price. There should be positive relation between perceived quality and price.

Brand imagery refers to intangible aspects of the brand. Consumers can form imagery associations directly from their own experience or indirectly through advertising or by word of mouth. It depends on the extrinsic properties of the product and service, including the ways in which the brand attempts to meet customers' psychological or social needs. It is the way people think about the brand abstractly, rather than what the brand actually does (Keller, 2008).

Brand judgments are customers' personal opinion about and evaluations of the brand which consumers form by putting together all the different brand performance and imagery associations. There are at least four types of judgments that customers particularly make (Keller, 2008):

- Brand quality. Brand attitudes are consumers' overall valuations of a brand and often form a basis for brand choice. Brand attitudes usually depend on specific attributes and benefits of the brand. Consumers can hold a host of attitudes toward a brand, but the most important relate to its perceived quality and to customer value and satisfaction (Ibid).
- Brand credibility. Customers may form judgments about the company behind the brand. Brand credibility describes the extent to which customers see brand as credible in terms of three dimensions: **trustworthiness, likability, and perceived expertise** (elaborated more in a part of Corporate Reputation). Is the brand seen as keeping customer interests in mind, as fun and worth spending time with and finally as innovative and a market leader? (Ibid)
- Brand consideration. Favorable brand attitudes and perceptions of credibility are important but not sufficient if customers do not actually consider the brand for possible purchase or use (Ibid).
- Brand superiority. Superiority measures the extent to which customers view the brand as unique and better than other products (Ibid).

Brand feelings are customers' emotional responses and reactions to the brand. What feelings are evoked by the marketing program for the brand? How does the brand affect customers' feelings about themselves and their relationship with others? These feelings can be mild or intense and can be positive and negative (Ibid).

All types of responses are possible but what matters is **how positive** they are. Brand judgments and brand feelings can favorably affect consumer behavior only if consumers think of positive responses in their encounters with the brand (Keller, 2003).

Brand resonance is the final step of the model focusing on the ultimate relationship and level of identification that the customer has with the brand. It describes the nature of this relationship and the extent to which customers they feel they are in sync with the brand (Keller, 2008).

3.2.6. BRAND COMMUNITY

Brand community is a social entity where consumers interact socially with a brand as the pivotal point of their interaction. Brand communities occur in geographically bound clubs, internet based settings, and any brand fests (social gatherings arranged by the marketer). The existence of brand communities transfers the negotiation power in influencing marketing activities from marketers to consumers because consumers can claim more power when acting in groups (Swystun, 2006).

3.2.7. BRAND CULTURE

It refers to the organizational culture of the brand or to the brand as part of the broader cultural landscape (Schroeder, 2006). It is an overarching process of ensuring that employees of an organization are the first audience to be exposed to and to deeply understand what the brand is meant to achieve. Incredibly, for many years, the internal audience was the last to know about the brand, and that caused performance issues as these were the individuals who were meant to deliver on the promise made through external communications. This specialty within branding goes far deeper than internal communications and launch events. It includes HR practices encompassing rewards and recognition, compensation, and career path development (Swystun, 2006)

3.2.8. BRAND IDENTITY

Brand identity refers to the identity of the brand. Common definition of brand identity is "a set of associations that the brand strategists seek to create or maintain (Aaker, 2002). Indeed, the brand identity is something that the marketer has as well as something he tries to create through the right brand strategy. The brand identity must express the particular vision and uniqueness of the brand (what the brand stands for). In addition, the brand identity must be of a long lasting or permanent nature. If the brand identity has all characteristics mentioned earlier, it can create the basis of a solid, coherent, and long lasting brand and be the main driver of all brand activities (Keller, 2008).

3.2.9. BRAND PORTFOLIO

A brand portfolio is the range of brands a company has in the market, the sum of the brand's architecture, or all the brand holdings under control of ownership. The portfolio is managed individually and holistically in an attempt to derive benefits of association and individuality (Swystun, 2006). How the brand portfolio is managed relates to strategic issues of brand architecture, market segmentation, and product versus corporate branding (Heding, 2009). Brand architecture is how a company structures and names its brands and how all the brand names relate to each other. Architecture is a critical component for establishing strategic relationships, and there are three types: monolithic (master brand), where the corporate name is used on all products offered by the company; endorsed, where all sub-brands are linked to the corporate brand by either a visual or verbal endorsement; and freestanding, where the corporate brand operates only as a holding company, and each product is individually branded for its target market (Ibid). The key requirement is that any architecture be devised with the customer as primary focus, rather than by internal influences such as people organization, accounting, or history (Swystun, 2006)

3.2.10. CORPORATE REPUTATION (CORPORATE BRAND)

Companies these days become very sensitive about their reputation more than images because reputation has more depth. Reputation is a judgment from the market which needs to be preserved. In any case, reputation has become byword, as witnessed by the annual surveys on the most respected companies that are now made in almost all countries on Fortune's (as an example). According to Interbrand, reputation is the overall impression made by a company or brand based on values, belief systems, and practices (Swystun, 2006). Reputation takes the company as a whole and reunifies all stakeholders and all functions of the corporation. According to Fombrun, the global reputation is based on six factors (Kapferer, 2008):

- Emotional appeal (trust, admiration, and respect);
- Products and services (quality, innovativeness);
- Vision and leadership;
- Workplace quality (well-managed, appealing workplace, employee talent);
- Financial performance;
- Social responsibility.

Companies need to build reputational capital among all of stakeholders because even specialized stakeholders wish the company to be responsive to all stakeholders (Ibid). Companies cannot grow without support of their stakeholders. As a result of this growth of the reputational concept, companies have realized they cannot stay invisible. They must manage their visibility and that of their actions in order to maximize their reputational capital (Ibid). Indeed, the corporate brand becomes more and more visible. The **corporate brand** speaks on behalf of the company and draws the company profile in the eyes of all those who do not have direct interactions with it. Methods to manage the corporate brand are both identity (internal identity/core values that the company bears) and market oriented (Fombrun, 1996). Therefore, corporate brands must tailor their profile to meet the expectations of multiple publics. The core value must be tailored for this global audience, which symbolically has to buy the company as an employee, a supplier, an investor and etc. The goal to manage the corporate brand and its communication is to make the company as those stakeholders' first choice (Fombrun, 1996) which is the reason that the stakeholders, especially consumers and employees, become loyal to the organization.

The following section will highlight some of different types of associations that are likely to be linked to a corporate brand and can potentially affect brand equity.

There are two specific product-related corporate image associations-high quality and innovation (Hannington, 2004; Keller, 2008):

- A **high-quality** corporate image association creates consumer perceptions that a company makes products of highest quality. Quality is one of the most important, if not the most important, decision factors for consumers.
- An **innovative** corporate image association creates consumer perceptions of a company as developing new and unique marketing programs, especially with respect to product introductions or improvements.

Being innovative is seen as being modern and up-to-date, employing the most advanced manufacturing capabilities, and introducing the newest product features. Keller and Aaker found that corporate image of **"being innovative environmentally concerned and community involved"** can affect corporate credibility by increasing the acceptance of brand extensions as a result (Keller, 2008). Specifically, they showed how corporate images of being environmentally concerned and community involved affected consumer perceptions of corporate trustworthiness and likability but not corporate expertise. Consumers view that corporate as being caring to them, more dependable than other firms, and also being likable for "doing the right thing".

Consumers may form more abstract judgments or even feelings about company such as perceptions of the personality of a corporate brand. An important set of abstract associations to a corporate brand is **corporate credibility**. Corporate credibility measures the extent to which consumers believe a firm can design and deliver products that satisfy consumer needs and wants. It is the reputation that the firm has achieved in the market place (Fombrun, 1996; Keller, 2008). Corporate credibility depends on three factors:

- Corporate expertise: the extent to which consumers see the company as able to make and sell its product competently.
- Corporate trustworthiness: the extent to which consumers believe the company is motivated to be honest, dependable, and sensitive to customer needs.
- Corporate likability: the extent to which consumers view the company as likeable, attractive, prestigious, dynamic, and so on.

Corporate image associations may reflect **values and programs** of the company that do not always directly relate to the product it sells. Firms can run campaigns to describe employees, consumers and also others' philosophy and actions with respect to social, organizational, economic, and political issues. For instance, the recent focus of advertisement is put on environmental or social responsibility issues (Keller, 2008).

- An **environmentally concerned** corporate image association creates consumer perception of a company as developing marketing programs to protect or improve the environment and make more effective use of scarce natural resources (Ibid).
- A **social responsible corporate** image association creates consumer perceptions of a company as contributing to community programs, supporting social activities, and attempting to improve the welfare of society as a whole (Ibid).

Corporate image associations may reflect characteristics of the employees or consumers of the company. This image association is called **"people and relationships"** (Keller, 2008**.** Not only service companies, such as airlines (Southwest), rental cars (Avis), hotels (Ritz Carlton), etc, but also manufacturing companies (GE) emphasize on their employees in communication programs. The reason behind this focus is that the traits exhibited by employees will indirectly or directly have implications for consumers about the products the company makes (Keller, 2003). The image association is also linked to consumers primarily. The great example is Saturn: General Motors created an entire car division, Saturn< advertising itself as "Different Kind of Car Company" in an attempt to build unique relationships with consumers. The entire marketing program created associations to Saturn as coming from a "dedicated and caring" car company. Indeed, a customer-focused corporate image association creates consumer perceptions of a company as responsive to and caring about its customers. Consumers believe that their voices will be heard and that the company has their best interests in mind (Keller, 2008).

Many types of associations may link to a corporate brand and transcend physical product characteristics. These intangible associations provide valuable sources of brand equity (Ibid).

3.2.11. CAUSE MARKETING & CONSUMERS' PERCEPTIONS

As mentioned earlier that the conventional or conservative advertising is not always an effective method to evoke rapid market penetration. Good reputation and high consumer trust often achieves that with a lot less marketing expenditure (Keller, 2008). The conventional advertising is proved to be less cost-effective than the marketing activities dependent on networking with key influentials (Fombrun, 1996). Networking with environmental organizations or any cause organizations is an efficient strategy to convince consumers (Keller, 2008). Similar to the case of achieving the positive corporate reputation, companies again have to assure their good relationship with both internal and external stakeholders. Companies have to ensure that their internal stakeholders have their goals consistent to the companies' strategic objectives and also deliver their performance most effectively. For example, shareholders and employees who are internal stakeholders have to be well communicated about companies' objectives from the beginning. On the one hand, the companies have to fulfill satisfaction of external stakeholders: consumers, media, environmental organizations, government, regulator, or any advocacy groups. By establishing partnership, mutual goals can be reached, attention is drawn to the companies' subject matter, and eventually companies can get connected with social engagement (Fombrun, 1996).

Cause Marketing is "the process of formulating and implementing marketing activities that are characterized by an offer from the firm to contribute a specified amount to a designated cause when customers engage in revenue-providing exchanges that satisfy organizational and individual objectives" (Keller, 2003). One main reason for the use of cause marketing is the positive response from consumers. According to Cone Communications (a firm advising companies on cause marketing), 80 percent of Americans have a more positive image of companies that support a cause they care about, 86 percent claimed they would be likely to switch brands to one associated with a good cause and almost 75 percent approve of cause program as a business practice (Keller, 2008). Issues of corporate social responsibility, environmental concern (green marketing), or people and relationships (see more details in the part of Corporate Reputation) are all categorized into cause marketing (ibid). However, more specifically, Chen stated that corporate social responsibility has a broadest scope of definition among those since it is consisted of community links, environmental responsibility, and cultural references (Chen, 2001)

Green marketing is a special case of cause marketing. A growing social trend reflected in the attitudes and behavior of both consumers and corporations are concern for environment. One survey discovered that 83 percent of American consumers said they preferred buying environmentally safe products (Dagnoli, 1991). Another survey found that 23 percent of Americans claim to make purchases based on environmental considerations (Joseph, 1991). In addition, 85% of those consumers are found to have a more positive perception of a company if it supports values or causes they concern about (Ibid). The green marketing movement was originally created by firms' intention to capitalize on consumers' perceived increased sensitivity to environmental issues. This green marketing attracts green consumers: consumers that take ethical issues into consideration when they make purchase decision are willing to pay premium price for eco-friendly products (Dagnoli, 1991).

The success of cause marketing is highly dependent on the ability to attract strong support or advocacy institutions (Fombrun, 1996). In addition, the success can be shown by the increase in volume of easily accessible information written by external sources about the companies (Ibid). Activist or environmentally concerned consumers usually engage themselves in any kinds of media including widespread usage of internet, consumer report, etc to track information (Ibid). Even though companies try to create lots of information and make it available for consumers to access, many consumers do not really make use of it due to their limited capacity to absorb information (see more details in the part of Consumers' Perceptions of Brands in Relation to Buying Process). Moreover, although they absorb the necessary information of the companies, that does not mean consumers will act upon it and engage themselves in ethical buying behavior (Ibid). The theory of "Attitude-behavior gap" (information has asymmetric effects on attitudes) explains why some consumers who possess necessary information of company about cause marketing and positive reputation do not transfer the knowledge in changed behaviors (Carrigan, 2001). There would be punishment or boycott against unethical behavior but at the same time there is no reward for ethical behavior. One survey found that just about 26 percent of interviewed respondents could identify companies that have high cause marketing or portray themselves as corporate- social-responsible or environmentally-friendly firms. On the other hand, only 18 percent of them could recognize the least social responsible firms or were aware of the unethical business practice of Nike and Nestle, even highly publicized (Ibid). This can be explained by the complexity of media settings and also impact of different culture and social context (Ibid). Perceptions towards social responsibility strongly vary across cultures. In general, most of the cases, customers do not acknowledge companies' social engagement, and so corporate social responsibility should be done only if it really increases the value of the brand, as in a case of Ben & Jerry's and Body Shop. Both of the mentioned companies' brands are interlinked with their social identity (Chen, 2001).

However, from a branding perspective, green marketing programs have not been entirely successful (Keller, 2008). The main obstacle is "**a complexity of consumer behavior**". Similar to many well-publicized social trends, corporate environment awareness is complex in reality and does not always fully match public perceptions. One research stated that, under products in six categories (paper, gasoline, aerosols, plastics, detergents, and autos), the average price increases that consumers were willing to pay for, in order to buy product that causes less pollution, are 6.6 percent. About 35 percent of those sampled people were not willing to pay anything more (Rickard, 1994). Moreover, about 75 percent of them claimed that the environmentally friendly products should not result in higher price since they use natural ingredients. That research concluded that the products needed **to achieve points of parity on quality and price and credible environmental claims** for green marketing to work. One study found that consumers act in their own interest and base their buying decision primarily on the stimulus price (Rickard, 1994). The research claimed that environmentally-friendly theme were more likely to work out only for certain market segments such as 31 to 45 year old women and in certain product categories such as cleaners, detergents, or fabric softeners. The main conclusion for this research is consumers as a whole are not willing to pay a premium price for environmental benefits even though some market segments will (Rickard, 1994). Environmental knowledge does not create great impact on behavior but rather reflects higher sensitivity to the topic (Martin, 1995).

Corporate reputation of corporate social responsibility (CSR) (see more details in the part of Corporate Reputation), green marketing, or any cause marketing do not account as the most important criteria determining a purchase decision. CSR is a negligent field beside the core business and is degraded to an image enhancement opportunity with no tangible gains (Hannington, 2004). Consumers that strongly favor social responsibility value still exist but are minorities. For the product to be succeeded, most consumers agree that CSR needs to be followed by quality, convenience, nice design, and image or any attributes (Ibid). Price, quality, value, and brand familiarity were ranked higher than CSR. In addition, social reasons were identified less influential than personal reasons. And surprisingly, human rights raise less sympathy than animal rights (Ibid).

3.2.12. CONSUMERS 'PERCEPTIONS OF BRANDS IN RELATION TO BUYING PROCESS

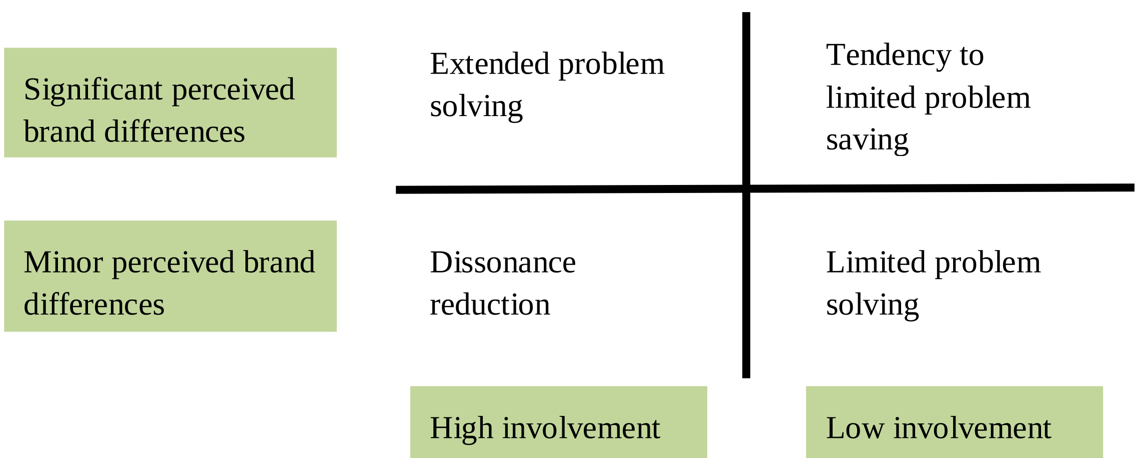
This part describes how consumers' buying processes work and how consumers process information. How consumers process information basically depend on the extent to which consumers perceive competing brands to differ and on their involvement in the brand purchase, four buying processes can be identified. This part shows how consumers search for information about brands, explains why the search is limited, reflects arguments for giving consumers only a few pieces of high quality brand information, addresses the influence of perception on branding, and finally answer these following questions: How much information consumers need in order to make a purchase decision? How much information can they absorb? How do they perceive brands? These questions will help explain how buying behavior is made since they all refer to effects of consumers' perceptions of brands on buying behavior.

Many researchers have shown that consumers do not acquire perfect information-in fact even they are presented with perfect information, they cannot comprehend it. Indeed, consumer buying decision process occurs as a result of consumers' seeking and evaluating small amounts of information to make a brand purchase. Consumers rely on a few pieces of selective information which, they feel confident, will help them decide the brand might perform. They might choose one brand from another just because the first brand sounds more familiar to them (DeChernatony, 2011). Consumers normally have a set of brands in a given product category in their minds (Aperia, 2004), called "brand consideration" (mentioned in the part of Brand Loyalty). Then, under brand consideration (a set of acceptable brands in consumers' minds), they will buy products of one brand more often than other brands based on their preferences and once buying pattern is formed, it is difficult to change (Ibid).

The consumers' perceptions of the brand quality reflect attitudes towards the products and the likelihood of buying the brands because the perceived quality is related to the perceived value (James, 2005) (as described in more details in the part of Brand Loyalty). The higher perceived brand quality, the more probability consumers choose to buy such brand in any purchase situations and also are willing to pay for premium price (Ibid). Brand performance (price, style/design, product reliability, service effectiveness, primary /second ingredients) is a key factor that determines consumers' perceptions because it refers to how well the product meets customers' more functional needs (see more details in the part of Brand Loyalty). Brand imagery, brand judgment, brand feelings and brand resonance are all influential factors to consumers' perceptions. Indeed, brand loyalty can influence consumers' perception in a large extent. Which element (brand imagery, brand performance…) has the most influential force on consumers' perceptions depends on purchase situation (ex. what product category, what level of involvement, to what extent of loyalty that customers involve with, how much brand knowledge that consumers have, any past experiences, etc) (Keller, 2008). In addition, perception depends on a person's previous knowledge, expectation, information presented by stimuli (Ibid). However, most of the cases, price and quality come before other elements when consumers are not yet loyal to certain brands (Ibid).

The stages in buying process, when consumers seek information about brands and the extent of the information search, are influenced by an array of factors such as time pressure, previous experience, their situation, advices from their friends (DeChernatony, 2011). There are two factors particularly useful explaining how consumers make purchase decision: the extent of consumers' involvement in the brand purchase, and the perception of any differences between competing brands (Tarnovskaya, 2011). The matrix derived from those two factors which categorize different decision process is as follows:

Figure 3: Typology of consumer decision process



Extended problem solving occurs when consumers are involved in the purchase and where they perceive significant differences between competing brands in the same product category. The type of decision process is likely for highly-priced brands that are perceived as risky purchases due to their complexity such as cars, TV, home computers, etc or brands that reflect self-image (cosmetics, clothing, jewellery). Consumers will actively search for information to evaluate alternative brands. Indeed, branding advertising may succeed by presenting detailed information explaining the benefits of the brand as well as reinforcing its unique differential positioning. In addition, firms have to ensure that all retail assistants likely to come in contact with these active consumers are well versed in the capabilities of the brand (Dechernatony, 2011).

Dissonance reduction occurs when there is high level of consumer involvement but consumers perceive minor differences between competing brands. Such consumers may be confused by the lack of clear brand differences. Without any firm beliefs about the advantages of particular brands, a choice will be made by a friend opinion, advice given by shop assistant. Following the purchase, consumers may feel unsure, especially when they receive information that seems to conflict with their reasons for buying, the consumers would feel mental discomfort ("post purchase dissonance") and would attempt to reduce this state of mental uncertainty by ignoring negative information or by seeking information that confirms their prior beliefs. The advertising should reduce post purchase dissonance by offering reassurance after the purchase (Ibid).

Limited problem saving occurs when consumers do not regard the buying of certain products as important issues and they also perceive minor difference between competing brands in these product fields (packaged groceries or household cleaning materials). In low involvement purchasing, consumers sometimes show variety-seeking behavior. There is little involvement with the product and therefore the consumers feel little risk in switching between brands. However, over time, consumers feel bored buying the same brand and eventually seek variety by switching. Indeed, manufacturers should ensure widespread availability since consumers are not motivated to search out low involvement brands. In addition, Trial is a crucial method by which consumers form favorable attitudes after consumption, so money coupons, in store trial, or free sachets are effective (Ibid).

Tendency to limited problem solving describes low involvement purchasing with significant differences between competing brands. When consumers feel minimal involvement, they will not be sufficiently motivated to undertake extensive search for information. In fact, even though there are significant differences between brands, they are less likely to be concerned about any differences. Brand trial would take place and the consumers would develop brand loyalty. In this case, some consumers may pick up the products of the leading brand when they go shopping (Ibid). The marketing issue is similar to limited problem saving.

Consumers' low involvement with brands: For many products, consumers exhibit a low level of involvement changing between brands. Consumers show low level of interest and limited absorption of brand communications. Decisions are often affected by data sensed and stored in memory some time ago, rather than by undertaking detailed search activities. Heath suggests that consumers now expect reputable brands to be similar, so they do not regard brand learning as very important. Indeed, brand decisions are made intuitively instead of rationally. Low involvement processing is used, requiring little working memory and thus messages are stored as simple associations with the brand. The consumers find it difficult to explain the reasons for their choice. For example, under the luxury toilet paper category, one advertisement uses a “puppy“to suggest softness, the other uses the term “quilted”. As time passed by, consumers’ involvement will be low since they are not working at involvement (Dechernatony, 2011; Tarnovskaya, 2011). Therefore, consumers store puppy for one brand and quilted for the other brand. When consumers stand at the shelf and have to make a quick choice, they choose the brand that has the best associations. In this case, puppy association links to “loving”, “family”, and so they more influence consumers’ brand choice.

The extent to which consumer search for information is limited: The consumers gain information from either their memories or external sources. Information may be stored in the memory as a result of an earlier active search (assessment of the newly-bought brand immediately after the purchase) or as a result of a passive acquisition process (advertisement or newspaper). Two factors that influence the degree that consumers search for new information are the amount of stored information and its suitability for the particular problem. For example, those who repeatedly bought the same brand of car over time would undertake less external search than those who had switched between brands. Repeatedly buying the same brand of car increased the quantity of suitable information in the memory and limited the need for external search (DeChernatony, 2011).

Several reasons exist for limited external search. Consumers have finite mental capacities, which are protected from information overload by perceptual selectivity. One study found that only 35% of magazines readers exposed to a brand advertisement noticed the brand being advertised. Information is continually bombarding consumers and information is a continuous process (Temporal, 2010; DeChernatony, 2011). Perceptual selectivity explains the fact that only small fraction of the information is accepted and processed by consumers. Moreover, consumers are likely to ignore information that do not conform to their prior expectations and interpret some of the other information within their own frame of reference. However, even though information is not an influential factor on consumers’ perceptions and decision making, it can affect the purchase subconsciously (Keller, 2008)

3.2.13. IMPACT OF M&AS ON BRANDS

As mentioned earlier, M&As are a growing phenomenon and a very popular strategic decision made by most of the companies in every industry when aiming for business growth. Moreover, the merging does not occur only in organizational or financial structures, but also in structures of brands. Over the past decades, many acquisitions are conducted mainly for acquiring intangibles. Intangibles or “Goodwill” in balance sheet represents the critical part that generates huge income for companies (for example, coke). Many acquirers make decision to pay premium price (pay over companies’ book values) from goodwill (Dechernatony, 2011). According to Investopedia, “Goodwill” is seen as an intangible asset on the balance sheet because it is not a physical asset like buildings or equipment. Goodwill typically reflects the value of intangible assets such as a strong brand name, good customer relations, good employee relations and any patents or proprietary technology (Investopedia, 2013). One research found that the reasons why mergers recently have taken place mainly in intangibles/ brand equity (rather than mergers with the purpose of financial or organizational synergy as before) are as follows. First, the value of brand equity refers to the strength of the brand among consumers' perceptions and as a result represents the future potential of the brand (the future income that the brand can generate). And second, purchasing a company with strong brand equity, which has established strong relationship with consumers, is more likely to achieve business profitability than building a new brand from zero (Myers, 2003).

Even though there is an increasing trend of M&A in brand portfolio, very few literatures about such issue are found. There is limited amount of research conducted about how can brands (of both the acquiring and acquired ones) sustainably be developed after M&A occurs. Most of researches have only discussed potential problems arisen from M&As on brands and showed lots of examples of companies who failed in their brand management after creating brand confusion to consumers. Moreover, most of researches usually touch upon **brand extensions** or **brand stretching** as ways in creating new brands cost-effectively. Brand extensions is the way to get the best financial return out of a strong brand by extending a known and much loved brand into new countries and categories. Extension into new product categories poses an interesting challenge for a strong brand. There needs to be a good fit between what the brand stands for and what people look for from the new product category. But the fit between the brand and the category does not need to be based on a direct application of the brand's functional credentials. The fit can be more conceptual. Sometimes this makes for giant leaps into categories not remotely connected to the brand's origins (Daye, 2012). In general, there are characteristics specific to these brand growth options (brand extension, and merged brands) but common risks lie between them. The risks are "dilution of the original brand" (EURIB, n.d.). One study found that brand associations, which are positive on an individual basis, can change when transferred to a new product category with a brand partner. Alliances with poor overall attitudes were often linked to associations of attributes of the original product class, whereas alliances with strong attitudes were linked to favorable associations related to the fit between the alliance partners. The value of this study is that it has identified that consumers can become "locked in" to brand-specific associations that may be hard to shift in a brand leverage strategy. Indeed, practitioners should factor into their decisions about whether or not to form a brand alliance not only concrete measures, but also the abstract nature of brand associations (James, 2005). Consumers perceive brands as having individual sets of attributes. Indeed, by combining them, the consumers form a composition of the two brands, called "composite concept" (Ibid). Therefore, if one company with established brand is acquired by another established brand company, the crucial question should be "**Will such M&As risk diluting core values of the original brand and disconnect it from its original identity?"**

In terms of brand extensions, since extensions also lead to a dilution of the brand and firms usually involve with meaningless extensions and over-proliferation to pursue their growth (DelVecchio, 2000), the main concern that needs to be aware of are "How far can firms extend their brands in order to capture their strengths and equities without their core values being damaged (or damaged as least as possible)? What brand associations are most closely tied to the brand? Any brand extension into a new product category must reinforce one of those primary associations without creating new negative, conflicting or confusing associations for the brand. If this rule is followed, the brand extension will actually reinforce what the brand stands for. If this rule is not followed, the brand extension could be confusing or negative for the brand as seen many times with brand extensions like the Cosmopolitan (Magazine) Yogurt, Cheetos-flavored Lip Balm, and Lamborghini Notebook Computers (VanAuken, 2012).

Similar to brand extensions, merged brands (like Sony Ericsson) require each company's original brand essence to be applicable to the combined company with all the brands that are incorporated. The associations formed for one brand need to fit for a newly integrated one. Despite each brand has separately strong and positive associations, consumer perceptions toward the combined entity have to be re-examined (James, 2005). In addition, the acquirer has to be able to deliver product claims of the formerly independent brand, referring to know-how and expertise transferability. The main challenge (which sometimes cannot be accomplished) is to find two companies of which concepts fit, match, complement to each other (Reast, 2005). One example of the failing corporate mergers is Daimler Chrysler. In 1998, Mercedes-Benz manufacturer Daimler Benz merged with U.S. auto maker Chrysler to create Daimler Chrysler for $37 billion. The logic was obvious: create a trans-Atlantic car-making powerhouse that would dominate the markets. But by 2007, Daimler Benz sold Chrysler to the Cerberus Capital Management firm, which specializes in restructuring troubled companies, for a mere $7 billion. What are the problems? The problems may be from corporate culture clash and also mismatch of brand associations between two firms. Chrysler was nowhere near the league of high-end Daimler Benz, and many felt that Daimler strutted in and tried to tell the Chrysler side how things are done. Such clashes always work to undermine the new alliance; combine that with dragging sales and a recession, and you have a recipe for corporate divorce (DiMaggio, 2009).

Other than the fit between concepts and associations of brands, quality and credibility of products and reputations between two formerly independent companies should be fit as well. Customers tend to have high acceptance towards brand extensions when there is high perceived credibility of the extended or extending brands. They would feel that the company drives for what is best for quality of products to increase values for customers. One study found that brand credibility lends customer support to the new venture (M&A) even though they do not have knowledge about the future combined corporation by making their own assumptions from their positive associations of the original brand holding high credibility (Reast, 2005). However, the company with strong corporate image can increase general acceptance of customers in relation to brand extensions only if that image refers to high innovativeness (Keller, 2003). As mentioned earlier, customers have established their set of associations and therefore can point out inappropriate extensions in their minds. They can usually identify what appropriate or inappropriate partners for the firms they feel attached to. As already mentioned in brand extensions, consumers' faith towards the parent brand can be destroyed by an incompatible integration of a new product, and these effects are also applicable to M&As. For the merged brands, even though it is often difficult to tell who the parent brand is, as long as there is a lack of strategic and operational fit, both brands ' strengths can be damaged (James, 2005). As a result, when firms decide to enter into M&A, instead of only focusing on financial and synergy gains, they should also consider possible damage to the integrity and core values of the brands. Financial advantage as a result of M&As might be beneficial in a short term. However, losing brand equity will be an insurmountable long term problem. At the end of the day, it is all about if consumers **have positive associations towards the integrated brand (the merged brand), if they give approval to the integrated brand and if they are willing to purchase the product with the integrated brand (Reast, 2005).**

According to Keller, brands serve as reflection of the past and also the future direction of the company. Consumers has accumulated their brand knowledge (concepts of appropriate or inappropriate associations related the brand) over a certain period of time (Keller, 2008). The value of the brand or brand equity is manifested in consumers' minds. Consumers will use their brand knowledge together with their own attitudes, past experiences, and values to judge whether or not the M&As are an appropriate strategic decision for the brand they attached to.

Throughout the activity of M&As, the main cause that the reputation of the formerly independent company is damaged is "loss of control". A loss of reputation and prestige of a brand name is usually destroyed when the company lost control over its operation, marketing, sales, PR and etc (Hannington, 2004). Indeed, it is crucial for companies to ensure that their operation, sales, and especially their marketing, PR, and brand management are maintained in a way that is similar to or at least close to how they had controlled before. Since safety and precaution measure towards brand management only count for a small fraction of cost resulted from brand damage (Fombrun, 1996), the company should more emphasize on it. Many studies found that most companies engage in programs that favor valuable reputations and solve poor management when crises already occurred. Drop in company's share price or drop in sales revenues only represent the immediate result of a damaged brand, yet most importantly the future potential profitability of the company will be affected severely and extensively. In some cases of a damaged brand, the short term result has not yet showed a sign (The Company still sees a positive sale figure) and so they ignore the importance of brand management until the damaged brand creates an obviously painful impact to the company (Fombrun, 1996)). Indeed, corporate image/ brand equity/ reputation are important issues that the company involving in M&As should emphasize on. According to Formbrun (1996), image and reputation matter both in good and bad times.

Companies with well-managed brands that have a credible position in the market over years, in general, can sustainably survive in the market even in the crisis due to their strong brands that maintain strong connection with consumers (Ibid).

3.3. ASSUMPTIONS FOR QUESTIONNAIRES

The data gathered from quantitative questionnaire will be used for analysis which answers all research questions stated above. Hypotheses are constructed and used as basis for the questionnaire formulation in order to answer research questions in different levels: 1) are customers aware of the acquisitions?, and 2) Once they are aware of that , are their perceptions and buying behavior changed?. Hypotheses will be tested and proven. After gathering and examining the theory which focuses on brand concepts, M&A, and the relation between the acquisitions and their effect on brands, assumptions are set as follows: (This assumptions are based on the literature and also qualitative interview. The assumptions act as starting point for the questionnaires.)

A1: Customers of Body Shop Thailand are generally categorized into various groups based on different age ranges and genders. Different group of customers (different age, income, nationality) buy Body Shop products with different reasons. However, the target group of customers is females with the age from 26-35 years old.

A2: Against-animal-testing and environmentally- friendly policies are key attributes that attract all Thai customers.

A3: Most of customers are not aware of the acquisitions.

A4: Once customers are aware of the acquisition, it seems that they perceive the acquisition dilutes the brand image of Body Shop by mixing new associations from L'Oreal with old ones of Body Shop and therefore their perceptions towards the brand of Body Shop change.

A5: Consequently, this change in brand perception leads to the change in consumers' purchasing behavior.

4. EMPIRICAL RESULTS

4.1. THE CASE DESCRIPTION

L'Oreal is one of the big multinational players in the cosmetics industry while Body Shop is a smaller actor which serves a niche market of socially-conscious customers in the same industry. Both companies need to be looked at in details separately in order to understand possible issues arisen from the acquisition of one by another.

4.1.1. BODY SHOP INTERNATIONAL

In 1976, Annita Roddick opened the first Body Shop in Brighton, London. In her first store, she offered only 25 natural body products. Now the Body Shop has over 2,400 branches in 60 countries and many of them are franchised (The Body Shop, 2012). The company offers over 400 naturally based body care products, over 550 sundry items, and customized care. Its colorful and fragrant products are based on natural ingredients (Ibid). The Body Shop has attempted to avoid the narrow images of "flawless beauty" portrayed in conventional cosmetics advertising. It has avoided direct advertising and heavily relying on word of mouth, in-store promotion, and public relations (third party supporting). In-store promotion is abundant and visible. Bright posters announcing holidays, supporting AIDS protection, or promoting particular product lines are in all display windows. All over the world, the Body Shop store look and feel the same. The typical outside look is a dark green wooden façade with large floor- to- ceiling display windows accented with colorful campaigns and promotional posters (Ibid).

The Body Shop build brand equity with its corporate philosophy of "Profits with Principles" and "Doing good by Doing well". All products are known as being made of natural and not supported by animal testing. The Body Shop is against animal testing, actively attempts to minimize the company's impact on environment, engages in fair trading relationships, and encourages education, awareness and community involvement among its staff. In another word, the company is constructed based on five values: against animal testing, activating self-esteem, defending human rights, supporting community trade, and protecting our planet (high business ethics, fair trade agreements, environmentally-friendly production and recycling policy) (Ibid).

Although initially quite successful, The Body Shop has struggled in recent years. Look-alike products from retailers like Bath and Body Works and Boots, and also from supermarkets like Tesco and Sainsbury, have chipped away at its market share, and its messages on social cause do not seem to arouse the same passion from customers. The Body Shop stores became overstocked and cluttered with a poor product mix and advertising efforts often missed the mark (Ibid).

In response to its troubles, Roddick stepped down as a head in 1998 and the firm underwent a radical makeover of its operation and management structure in a bid to cut costs and freshen its image. The firm embraced a" masstige" positioning (mass-market combined with prestige), with relatively low-priced products sold under the banner of its prestigious brand name. Although this approach met with some success, Dame Roddick stepped down as co-chair f the board in 2002 and remained as a consultant to the company. Eventually, the companied, in the early 2006, agreed to be taken over by French cosmetic giant L'Oreal in a deal worth $ 1.2 billion. L'Oreal stated that as it would allow The Body Shop to be run as a stand-alone business with Roddick continuing to provide advice.

Source: Based on published sources and a brand audit conducted as part of a Stanford Business School class project by Janet Kraus, Kathy Apruzzese, Maria Nunez, and Karen Reaudin (Keller, 2008).

4.1.2. L'OREAL

L'Oreal is the world's largest company of beauty and cosmetics industry. Its business first started with hair products in 1907. Since the beginning, it emphasizes on research. Operations were extended into new business areas namely skin care, perfumes, and make-up. Nowadays, L'Oreal has 19 global brands such as Garnier, Ralph Lauren,etc. L'Oreal 's brand portfolio is composed of professional products, consumer products, active cosmetics, and luxury products so that it can satisfy various market segments by reaching all customers and distributional channels from hair salon or pharmacies to the mass market. Consumer products constitute the most profitable segment, about 53 % of total consolidated sales. The name L'Oreal is well known as the brand of consumer products. On the other hand, other luxurious brands such as Ralph Lauren, Lancome, or Diesel are not well known by the public they are actually owned by L'Oreal. L'Oreal shows no connection with those brands. Those luxurious brands are promoted separately, no relation to the brand L'Oreal. They are sold in high end special cosmetic counters, unlike L'Oreal consumer goods sold on the shelves in hypermarkets.

Its values of "innovation in beauty, striving for excellence and valuing individual talent" are linked with its global expansion strategy and its attempts incorporate new brands into their existing product portfolio (L'Oreal Homepage).

4.1.3. THE COMBINATION BETWEEN THE TWO

This part explains why the combination between L'Oreal and The Body Shop is imbalanced and eventually brings in conflict of values. In addition, it describes why L'Oreal is seen as a negative brand while The Body Shop is seen as a positive brand.

After the deal of $1.2 billion of Body Shop (a premium price for a well-established Body Shop) was settled by "L'Oreal's acquisition, lots of debate occurred.

The public criticizes "how a company, known for its against-animal testing policy, is sold to the one that has yet to ban animal testing" (Pitman, 2006).

The difference in brand positioning through different distribution channels brings in the conflict of brand identity between the combination of the two companies, entailing negative reaction from many stakeholders. L’Oreal is well-known as the brand of cosmetic products in consumer markets, sold in hypermarkets, drug stores, pharmacies, etc. On the other hand, Body Shop is known as the brand of ecological products with strong ethical stand, sold in its own unique stores. Both of them are world-wide brands but capture different market segments. L’Oreal targets consumers in mass markets while The Body Shop targets consumers in niche markets who value green products and also support social responsible activities/ cause marketing. Many stake holders, especially animal campaigners, have often protested L’Oreal’s animal testing practice. Even though in 1989 L’Oreal officially claimed to have ceased all animal testing, they still continue testing ingredients on animals for some of their products (skin allergy reaction), accounted 1% of their total products (Burcham, 2013). This is quite significant taking into account how many brands and products under the L’Oreal umbrella. Garnier, Lancome, Helena Rubinstein, BioMedic, Vichy, Biotherm, Shu Uemura, Maybelline, Redken, Matrix, Kerastase, Giorgio Armani, Inneov, and many more are all cosmetics companies owned by L’Oreal and each company sells hundreds of products (Ibid). Indeed, even though their website emphasizes their commitment to ending all animal testing, they are still performing a significant amount of testing on animals (Ibid). Therefore, many stake holders express negative reaction towards L’Oreal due to its unethical stand when it comes to animal testing (Pitman, 2006).

As mentioned before, L’Oreal products are available in many different places: hypermarkets, drugstores, and pharmacies (L’Oreal Homepage). L’Oreal distribution channels are not unique and special as The Body Shop. L’Oreal products are located on the shelves together with other cosmetics/hair/skincare consumer market brands. There are no staffs describing the L’Oreal products, unlike The Body Shop which consumers can feel different shopping experiences (Keller, 2008). Consequently, the difference in ethical stand, unique selling point, and consumer target group explains the acquisition refers to the combination of unequal companies.

The success of the acquisitions will depend on the ability of L'Oreal to balance and satisfy all stakeholders' concerns and the long term integration (Pitman, 2006).

The European Commission approved and justified the acquisition by stating that the acquisition will add a complementary brand holding strong ethical reputation to the wide range product portfolio of L'Oreal. Body Shop would still be maintained as an independent entity within the corporation of L'Oreal. However, Body Shop would grant L'Oreal the access to a socially and ethically responsible segment covering a loyal customer base, superior brand image, unique product positioning, and premium-priced products. On the other hand, L'Oreal focuses in mutual benefits of this venture for both companies (Pitman, 2006).

4.1.4 THE BODY SHOP AFTER THE ACQUISITION

After looking at The Body Shop company webpage, there are no messages or official announcement on the first page identifying the ownership of the Body Shop is transferred to L'Oreal. The information about L'Oreal can be found only when customers access to the page of "Our Company". In addition, at The Body Shop stores, no posters or information shows connection to the brand L'Oreal. The staffs do not provide customers with any information regarding to the news of the acquisition unless customers directly ask. There are no L'Oreal products neither displayed nor sold in The Body Shop stores. Therefore, other than change of ownership, there are no visible changes made in The Body Shop's operation and marketing activities.

4.1.5 L'OREAL AFTER THE ACQUISITION

After looking at L'Oreal company webpage, there are also no messages or official announcement on the first page identifying the ownership of the Body Shop is transferred to L'Oreal as well. The information about The Body Shop can be found only when customers access to page of "Brands" and The Body Shop brand is shown as one of brands in the brand portfolio in a new market segment, illustrated as the picture below (Source: L'Oreal webpage):

The way L'Oreal manage the brand "The Body Shop" is similar to other acquired brands. The brand is added to the brand portfolios of L'Oreal and separately managed in different marketing and operation activities, corresponding to the brand' s specific market segment.

4.2. INTRODUCTION TO EMPIRICAL FINDINGS

The questionnaire is conducted on a basis of snowball sampling system, a nonprobability sampling technique. The sample group happens to grow like a rolling snowball, meaning the results returned in waves and credible rate of responses were reached. Enough data is gathered to be useful for research as the sample is built up. This sampling technique is often used when populations are difficult for researchers to access (Lewis-Beck, 2004). As there are no sales/customer reports about Body Shop Thailand available and Body Shop staffs could not reveal such information, the author uses snowball sampling system. The focus of this research is placed on the main target group of Body Shop customers in Thailand: Females with the age from 26 to 35 years old.

As a total, 138 questionnaires are collected, of which the proportion of collected questionnaires from each different group of customers (ex. different age ranges) are as follows:

- 94.3 % of all questionnaires are collected from people whose ages are up to 45 years old and all of them are females. 86% of them are the target group. This is justified by the fact that this sampling is conducted to reach the main target group of customers (females with 26-35 years old). The exclusion of male customers (every range of age) and female customers whose ages are above 45 years old allows this research to concentrate on the target group which establishes the majority of sales volume which has the great impact directly to Body Shop.
- The customers whose ages fall within 45 years old are still included in the analysis but the main focus is put on the target group. The customers whose ages are above the target group but below 45 are investigated in order to be used as a comparison with the target group so that peculiarity and deviances can be detected.
- Due to limited response from male customers (2%), this paper excludes the data gathered from male customers. The limited number of gathered data cannot reflect credible results.
- Cultural factors (nationality) will be neglected because Body Shop is a global company offering global products.

The following section will show the result of collected questionnaires which are categorized into different groups based on age.

4.3. EMPIRICAL RESULTS

4.3.1. MAIN TARGET GROUP: FEMALES (26-35)

As stated by Body Shop staffs, females between 26 and 35 years old are the target group of Body Shop Thailand. The statistics gathered from the consumer group are as follows:

Nationality

- **76 % Thai**
- **11% Asian**
- **8.3% European**
- **3.2% Australian/Kiwi**
- **1.5% etc.**

The result shows that this consumer group's monthly incomes are all above 15,000: 23% of the group earns 15,000-30,000 baht, 56.5% earns 30,000-45,000 baht, and 20.5% earns above 45,000 baht. The consumers all are aware of the brand "Body Shop". 72% indicate that they consume Body Shop products occasionally (rarely); 13.8 % buy the products sometimes; 7.6% consume the products often; and only 6.6% claims they have never bought Body Shop the products before. This shows that most consumer of this target group rarely made the repeated purchase.

When respondents are asked about which attribute influences their buying decision when it comes to cosmetics and beauty products in general (question 5), 52.6% rate the quality of the product as the most influential attribute. The second most influential attribute in this consumer group is price, at 50.1%. Both "price" and "quality" are rated as high influence on a purchase decision of any cosmetics products. The image and the brand of a company are rated as factors that affect the buying decision at a certain degree with a lot lesser extent than the price and the quality. The promotion (events and advertisements) and used ingredients are rated as the least influential factor. However, no one rates those two attributes with no influence. 54% refer promotion as having a little influence while 51.2% refer ingredients as having little influence as well. Such two aspects are classified as impacting the decision on a sub conscious level.

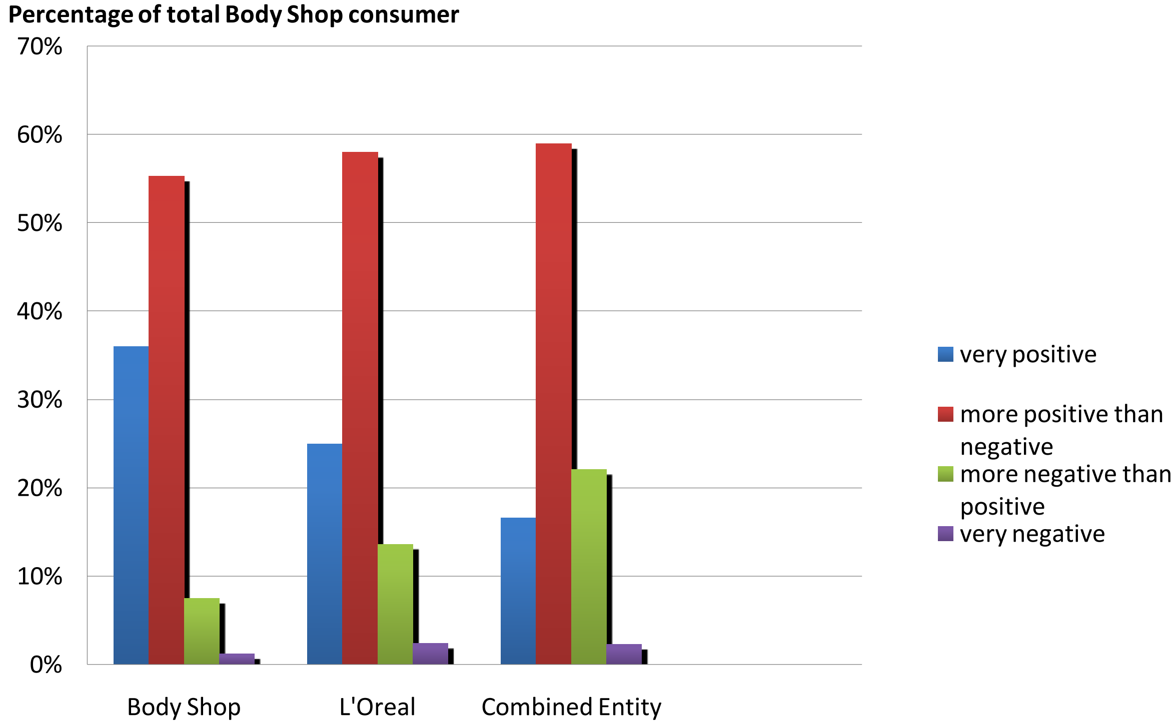
When the author aims to investigate the association consumers have when they think of the brand "Body Shop", respondents are asked to rate which attribute comes first to their mind. Their ratings give a deep insight about overall image of the company and associations that are actually embedded in consumers 'minds. The assigned number (1 to 6) allows the author to form order of significance of each attribute. According to the findings of the questionnaires, environmental awareness is the attribute that consumers most strongly connect with Body Shop, rated by 44.9% of all respondents. Anti-animal testing is rated as the second most strong attribute while high price is rated as the third place in the ranking. They are quite heavily connected to the brand Body Shop. Good quality of products captures the fourth place in the ranking. Attractiveness of products (good packaging, product range, scents) is also linked to the image of Body Shop but not as heavily as others. 40.5% relates attractiveness of products as having medium interconnection with Body Shop. Lastly, corporate social responsibility is not obviously interconnected with the brand Body Shop since 46% of respondents rate it as the least associable attribute. These results reflect consumers' perceptions toward Body Shop in general, not in a particular or specific purchase situation.

Next, the author examines aspects that influence consumers' buying decision against or in favor of Body Shop by again asking to rate the above mentioned characteristics (high prices, environmental awareness, high quality products, social responsibility, attractiveness of products, and anti-animal testing), ranging from least influential to most influential to the buying decision. Quality is rated as the most influential aspect to the buying decision towards Body Shop with 56.8% of participants. The high price level refers to the second most influential factor which consumers take into consideration. 52.6% are influenced by the high price to a high degree when considering to buy Body Shop products. The attractiveness of products is the aspect that strongly links with decision of whether consumers should rely on Body Shop or not. It seems that attributes reflecting physical features (quality, price, attractiveness of products) play superior role to other intangible values (anti-animal testing, environmental awareness, and corporate social responsibility). Environmental awareness is rated higher than anti- animal testing. 48.4% rates environmental awareness and anti-animal testing as having medium influence while 42.1% perceive that social responsibility affects buying decision the least.

Indeed, by comparing factors that are heavily associated with the brand in consumers' minds and the factors that determine the purchase behavior, deviance can be detected.

Regarding to the awareness of the acquisition of Body Shop by L'Oreal, only 16.3% claimed that they were aware of it before engaging into this questionnaires. The majority of 83.7% stated that they were not aware of the acquisition at all before doing the questionnaires. When respondents are asked about personal perceptions and attitudes towards the individual companies, Body Shop was rated more positive than L'Oreal but both firms are classified as being more positive than negative as shown in figure 4.

Figure 4: Consumer Perceptions



*Self-constructed graph based on the empirical data (%).

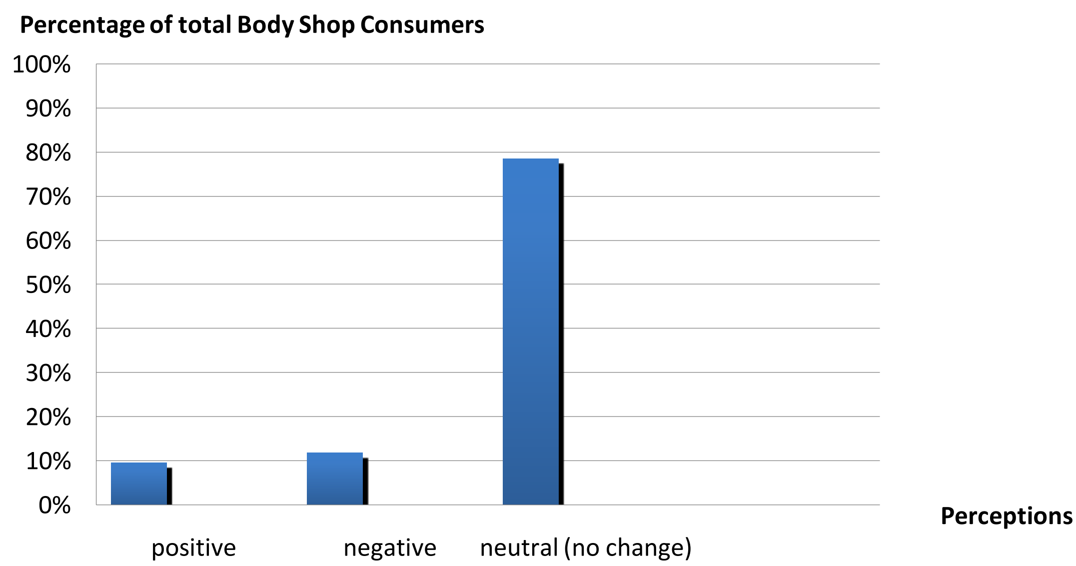
Only 25% assigned L'Oreal as being very positive while about 36% assigned this status to Body Shop. Other statistics regarding to being very positive, more positive than negative, more negative than positive and very negative are as follows:

- 55.3% and 58% rated Body Shop and L'Oreal as being more positive than negative respectively.
- 7.5% assigned Body Shop as being more negative than positive while 13.6% opt for this valuation for L'Oreal.
- Body Shop was rated as being very negative at 1.2% while L'Oreal was rated for the same status at 3.4%.
- 22% perceive L'Oreal as more positive than Body Shop. 37.5% perceive Body Shop more positive than L'Oreal.
- 46.4% did not see any difference between the two companies and perceived them as equally positive.
- Apart from evaluating individual firms, respondents are asked to indicate their general attitude towards the combined corporation (the acquirer L'Oreal and the acquired Body

Shop). On average, the combined corporation was rated lower than both of the individual companies (dramatically inferior to Body Shop and slightly inferior to L'Oreal). 16.6% rated the combined corporation as being very positive, 22.1% as being more negative than positive, 59% as being more positive than negative, and 2.3% as being very negative.

When the authors investigate whether the consumers' perceptions are changed after receiving the news of the acquisition of Body Shop by L'Oreal (Question 11), 11.8% stated that their perceptions are changed in a negative way. 9.6% indicate a shift in positive change and 78.6% did not change their prior perception at all. The distribution of change in perception after the acquisition is shown in figure 5. This topic asked respondents who already knew about the acquisition before the questionnaires and also respondents who just noticed the acquisition right after participating in the questionnaires. The results show that there seems to be no obvious correlation between awareness of the acquisitions and the developed attitude towards the brand Body Shop.

Figure 5: Consumer perceptions towards Body Shop after the acquisition.

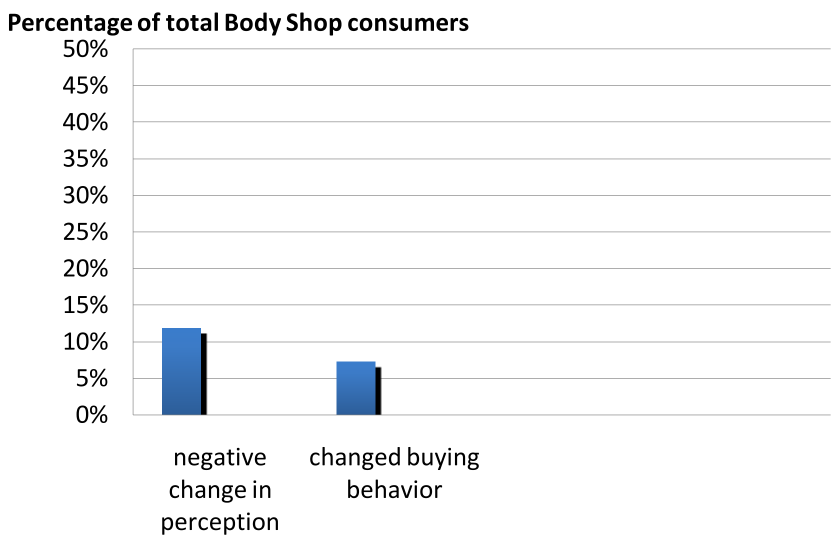


*Self create graph based on the empirical data (%).

When respondents are asked whether their buying behavior would be changed after their perception towards the acquisitions has been changed, the results are as follows: 7.2% will buy fewer products of Body Shop even though 11.8% claimed that their perceptions are changed in a negative way. 92.8% will continue buying the same amount of products, see figure 6. No one claimed to buy more products of Body Shop after knowing about the acquisitions.

10.4% revealed that they are looking for substitute companies that offer the similar brand image or business concept. Only 4.2% stated that they would buy fewer products of Body Shop while searching for substitute products at the same time. 6.2% said that they will not change their buying behavior while searching for other alternatives.

Figure 6: A change in buying behavior in reference to a change in perception towards the acquisitions.



*Self create graph based on the empirical data (%).

4.3.2. FEMALES (36-45)

The result shows that these consumers buy Body Shop products both rarely and sometimes, but more often than the target group of consumers. 43.6% of them claimed that they buy the products sometimes while 51.4% of them rarely or occasionally buy the products. 5% buy the products often.

When asked about attributes that can influence their purchase decision for hygiene, beauty and cosmetics products, the group of consumers also perceives the attribute of quality is slightly more important than the price. Similar to the target group, this group of consumers perceives both the quality and the price as the highly influential attribute. 54% and 52.5% of them consider quality and price as a highly influential factor respectively. Other characteristic are rated far behind. In this case, promotion, the brand name and the image of the company are perceived as the next most influence attribute. The survey reveals that promotion takes an important role in this demographic group while taking the least influential role among the target group. 58% claimed that the promotion has an influence to a certain extent. The used ingredients are considered as being more slightly influential than the brand name/ image of the company. However, among the females at the age from 36 to 45 years old, the attributes of used ingredients and the image of the company both have the least influence factor when making a purchase decision for beauty products. 41% of respondents in the group claimed that the used ingredients and the image of the company only have unconscious influence factor.

Regarding to the brand Body Shop, what attributes come up to customers' mind? The result shows that 48% of respondents stated that high product quality is the most strongly associated attribute of Body Shop. Attractive packages, anti-animal testing and environmental awareness are considered as strong associations with the brand Body Shop at 39.5%. CSR and high price are perceived as the least connected attribute in consumers' perceptions towards the brand. The overall evaluation in consumers' perceptions towards Body Shop in this group shows a different result from the one in the target group. Nevertheless, CSR is still the least connected factor to the brand while the attribute of environmental awareness becomes less noticeable.

Regarding to the attributes that can influence against or in favor of buying behavior towards Body Shop products, the results are as follows: the attribute that most highly influences the consumers' buying behavior in this group is the price of the products, with 51.2 % respondents. After the price, attractiveness of products and high quality (in relation to any physical aspects such as packaging, smell, etc) are important influence factors. Similar to the result in the target group, the factors in reference to social aspects (anti-animal testing, environmental awareness, CSR) do not take important roles on decision making of buying process.

17.6% of respondents in this group were aware of the acquisitions before doing the questionnaires while the rest had no idea about that. This result shows the similar trend as the target group- which the majority of respondents do not know about the acquisitions before.

The respondents in this group also reflect the same trend as the target group when being asked about perceptions towards the individual companies and the combined entity. Body Shop is rated higher (positive) than L'Oreal. Both Body Shop and L'Oreal are perceived more positive than negative. The combined entity, even considered as more positive than negative, is rated lower than the two individual companies.

Regarding to the change in perception after knowing about the acquisitions, 21 % of respondents claimed that their perception towards the brand Body Shop was changed in a negative way while 79% of them stated that their perception were not changed at all. Surprisingly, there were no respondents whose perceptions were changed in a more positive way. Even though there is also a gap between the changed perception and a relative change in buying behavior in this consumer group, the gap is even larger in this group than the target group. Only 4.6% claimed that they would buy less while 95.4% persisted on buying the same amount as before the perception was changed negatively towards the acquisitions.

4.3.3. DEVIANCE

Respondents from European countries and also from Australians reflect the particularities of this survey. These respondents ‘responses were attributed with special interest. The result showed that the degree of awareness of the acquisitions within those respondents (European, Australian) is higher than any other respondents (Thai, Asian, etc). Among all questionnaires collected from European and Australian respondents, 76% of them fall into the target group of females at the age from 26 to 35 years. 84% of these were aware of the acquisitions before doing the questionnaires. 22.4% of the European and Australian respondents fall into the category of females at the age from 36 to 45 while 79% of these were aware of the acquisitions. The figures reflect a deviance showing that the percentage of people who were aware of the acquisitions is way higher in this demographic group than any other consumer groups. This means that without these respondents, the collected result seem to show that there would be even greater percentage of consumers of Body Shop Thailand who were not aware of the acquisitions. Apart from the finding about awareness of the acquisition, most other variables reflect the similar trend in every consumer group.

5. ANALYSIS

The author conducts this section by using a combination of the theory and the empirical findings (quantitative and qualitative questionnaires). The author will investigate if the information collected from the quantitative questionnaires is in the same line with the theory framework and qualitative survey from the staff. If the information is not in line with the theory and the interview, the author will explain through the section of General Discussion. After explaining the result by using the theoretical framework and the interview step by step, the author will close this section by answering the research questions. Under 5.1, the order of analysis is done according to the order of questions from questionnaires as follows.

5.1. TARGET CONSUMERS (26-35)

All the respondents in this consumer group claim that they were familiar with the brand Body Shop. Although 6.6% stated that they have never bought the Body Shop products, none of them were unaware of the brand. The findings in the survey show that Body Shop is a strong brand since it triggers great brand awareness from customers. High degree of awareness and familiarity are basis of strong brand (Kapferer, 2008). The brand that has strong brand equity is composed of these following characteristics: 1) brand awareness (65%), 2) the strength of brand positioning, concept, personality, and image (39%), 3) the strength of signs of recognition by the consumers (logo, packaging) (36%), and 4) perceived status of the brand/ brand authority with consumers (24%) (Ibid). As stated in the theory, brand awareness is the strength of the brand trace in the memory which can measure the consumer’s ability to identify the brand under different conditions (Aperia, 2004). Brand awareness consists of brand recall and brand recognition (Ibid). In this case, Body Shop has captured strongly both brand recognition and brand recall. Aperia stated that brand recognition is consumers' ability to confirm prior exposure to the brand when given the brand as a hint. The Body Shop's stores are outstanding with colorful decoration, lots of green posters, and any environmental concern messages (Keller, 2008). The way Body Shop uniquely position itself enables consumers to have unique shopping experiences which create an effect of high brand recognition.

What's more, it can be stated that Body Shop has high brand recall. Brand recall is consumers' abilities to retrieve the brand form memory when given the product category as a hint. Unlike other cosmetics products, Body Shop products are not available in big department stores which can enhance brand recognition. Other cosmetics brand such as L'Oreal or Garnier are considered as products that have high degree of exposure, low search cost, and convenience which drive consumers to engage in buying behavior. However, Body Shop products are only present in their stores, events, and their websites. Consequently, it can be said that consumers have high brand recall because they have to think of the brand before entering into the Body Shop's store and then making a purchase.

In addition, Body Shop created a global brand image without using traditional advertising. Its strong associations to personal care and environmental concern occurred through its packaging (simple, recyclable), products (never tested on animals, only natural ingredients), staff (encouraged to be informative concerning environmental issues), sourcing policies (using small local producers from around the world), merchandising (detailed point of sales posters, displays, brochures), social action program (requiring each franchisee to run a local community program), and public relations programs (taking visible and outspoken stands on various issues) (Keller, 2008). The findings prove that Body Shop's unique advertising or marketing program is successful because brand awareness is reached among consumers. This can be said that the conventional advertising is proved to be less cost-effective than the marketing activities dependent on networking with key influentials (Fombrun, 1996). Networking with environmental organizations or any cause organizations is an efficient strategy to convince consumers (Keller, 2008). In addition, another reason that can explain why consumers are aware of the brand Body Shop is Body Shop created a brand system. What makes a name acquire the power of brand is the product/ service, the people at points of contact with the market, the price, the places, and the communication-all the sources of cumulative brand experiences (Kapferer, 2008). Brand system is made up of three poles: products, name, and concept (Ibid). High awareness can stimulate consumers' purchase behavior. High level of brand awareness can affect choices among brands in the consideration set even though there are no other associations to those brands. Consumers have been shown to adopt a decision rule in some cases to buy only more familiar, well established brands (Keller, 2008).

The findings in this target group of customers show that they rarely or occasionally purchase Body Shop products. The reason is that consumers are rarely loyal to only one brand. Instead, they have a set of brands they would consider buying and another, probably smaller, set of brands they actually buy on regular basis (Aperia, 2004). The findings contradict with the saying that loyal customers are usually attracted by the corporate with social edge or with strong global reputation (Kapferer, 2008; Fombrun, 1996). Body Shop is considered as the brand that has global reputation. According to Fombrun, the global reputation is based on six factors (Kapferer, 2008): Emotional appeal (trust, admiration, and respect); Products and services (quality, innovativeness); Vision and leadership; Workplace quality (well-managed, appealing workplace, employee talent); Financial performance; and Social responsibility. According to the literature, brand loyalty is "a deeply commitment to rebuy a preferred product or service consistently in the future and also characterized by a refrain from switching to other alternatives (Swystun, 2006). The findings show that there is no clear existence of brand loyalty because it seems that consumers buy a variety of brands. However, Body Shop is considered as one of consideration set of brands most of the target group of consumers decides to buy since there are only 6.6% claimed that they have never bought Body Shop products.

Another reason that confirms why consumers rarely purchase the Body Shop products is their high price. Consumers rank "high price" as the third attribute when they think of the brand (Question 8). Therefore, Body Shop's high prices discourage consumers to buy the products on daily basis. The attribute of high price infers that consumers will engage in high level of involvement. Level of involvement refers to how personally interested consumers are in consuming a product. Once the products are seen as holding a high price, the products bear a high risk to consumers. Hence, consumers do not engage in routine response behavior when purchasing high involvement products. This confirms why consumers do not buy the Body Shop products often (Dr. Hassan, 2012).

When respondents are asked about which attribute influences their buying decision when it comes to cosmetics and beauty products in general (question 5), the question aimed at asking about the whole product category of all kinds of brands: store brands, local brands, consumer goods brands, and also well-established brands. Quality and price are rated as the highest influential factor. Every kind of product is usually judged by consumers on basis of their physical attributes namely smell, shape, color and so on (Keller, 2003). This process is called product performance or brand performance, describing how well the product meets customers' functional needs (Keller, 2008). How well does the brand or the product rate on objective assessment of quality? Brand performance and product performance have similar definitions but the only difference is brand performance is involved when consumers make judgment based on their brand awareness. Since this question does not point out any specific brands, this process is called product performance (Ibid). There are five important types of attributes and benefits underlying product performance. Perceived quality and the price are two of those. Perceived quality can be defined as the customer's perception of the overall quality or superiority of a product or service with respect to its intended purpose, relative to alternatives". Since customers make their choices based on product attributes and compare these to other products, perceived quality is not an objective measure. Perceived quality can increase customer satisfaction, provided the customer has had some previous experience with the product or service. On the other hand, a brand goes beyond the basic product performance level by adding favorable, strong, and unique brand associations when consumers buy the brand (Keller, 2003). Brands do not only indicate physical quality, but also deliver a message of images and identity which enable consumers to willingly accept to buy the product with a higher price (Ibid). Brand is more than a product since it has dimension that differentiate it in some way from other products designed to satisfy the same need (Ibid). Again, since the question refers to any cosmetic or hygiene products (include any no name products), the quality and the price serve as decision guidance for consumers. The brand and the image are considered as influential factor only with a certain extent (a lot less than the quality and the price) because, as mentioned earlier, it is necessary to at first deliver the product that satisfies consumers' expectation and at the same time surpasses the producers' claims. After reaching the step of product performance, emotional and intangible effects can be fulfilled (see the CBBE pyramid on figure 2) (Keller, 2008). The attributes of promotion and used ingredients have the least influential factor. Even though the information about the used ingredients is described at the back of each product's package, consumers cannot completely absorb the information. The information is complex and a lot. Consumers show limited absorption of brand communications when engaging in low involvement purchase (consuming fast moving consumer goods) (Dechernatony, 2011). The absorption of date depends on personal relevance of the information. When the information is irrelevant, it will be screened out and taken out of decision process. Lastly, promotion may have a strong influence but unknown to consumers because it influences consumers subconsciously.

Respondents (both who have and have never bought the products) are asked to rate which attribute comes first to their mind when they think of the brand Body Shop. Their ratings give a deep insight about overall image of the company and associations that are actually embedded in consumers 'minds. This question measures brand image of Body Shop on consumers' minds. Brand image is the perception of the brand by consumers, as reflected by the brand associations held in consumer memory (Keller, 2008). Brand associations come in all forms and may reflect characteristics of the products or aspects independent of the product. Keller suggested that brand association can be divided into three major categories: attributes (including product-related attributes and non-product-related attributes such as price, brand personality, emotions and experience), benefits (what customers think the product or service can do for them, including functional benefits, symbolic benefits and experiential benefits) and attitudes (customers' overall evaluations of the brand). The most powerful brand associations are those that deal with the intangible or abstract traits of a product. Brand association can assist with spontaneous information recall and this information can become the basis of differentiation and extension.

Strong association can help strengthen brand and equity. Similar to perceived quality, brand association can also increase customer satisfaction with the customer experience (Lee, 2011).

Environmental awareness and anti-animal testing are the first two attributes that most consumers think of. Body Shop is well-known as a company supporting environmental concern and also anti-animal testing. This findings confirm the intangible aspects are the most powerful brand associations. These two attributes are Body Shop's corporate reputation (corporate brand). According to Interbrand, reputation is the overall impression made by a company or brand based on values, belief systems, and practices (Swystun, 2006). Reputation takes the company as a whole and reunifies all stakeholders and all functions of the corporation. These two attributes refer to one of the two specific product related corporate image associations that are likely to be linked to a corporate brand and can affect brand equity. The type of associations is "an innovative corporate image association" (Hannington, 2004; Keller, 2008). An innovative corporate image association creates consumer perceptions of a company as developing new and unique marketing programs, especially with respect to product improvements (Ibid). Keller and Aaker found that corporate image of **"being innovative environmentally concerned and community involved"** can affect corporate credibility (Keller, 2008). Specifically, they showed how corporate images of being environmentally concerned and community involved affected consumer perceptions of corporate trustworthiness and likability but not corporate expertise. Consumers view that corporate as being caring to them, more dependable than other firms, and also being likable for "doing the right thing". Corporate credibility measures the extent to which consumers believe a firm can design and deliver products that satisfy consumer needs and wants. It is the reputation that the firm has achieved in the market place (Fombrun, 1996; Keller, 2008). Corporate credibility depends on three factors: Corporate expertise: the extent to which consumers see the company as able to make and sell its product competently. Corporate trustworthiness: the extent to which consumers believe the company is motivated to be honest, dependable, and sensitive to customer needs. Corporate likability: the extent to which consumers view the company as likeable, attractive, prestigious, dynamic, and so on. The concept of corporate credibility clearly explains why Body Shop has strong brand equity by positioning themselves with ethical values. The fact that Body Shop 's image reflects values of environmental concerns and anti-animal testing implies that Body Shop conducts cause marketing and green marketing. Cause Marketing is "the process of formulating and implementing marketing activities that are characterized by an offer from the firm to contribute a specified amount to a designated cause when customers engage in revenue-providing exchanges that satisfy organizational and individual objectives" (Keller, 2003). Issues of corporate social responsibility, environmental concern (green marketing), or people and relationships (see more details in the part of Corporate Reputation) are all categorized into cause marketing (ibid). **Green marketing** is a special case of cause marketing. A growing social trend reflected in the attitudes and behavior of both consumers and corporations are concern for environment. This green marketing attracts green consumers: consumers that take ethical issues into consideration when they make purchase decision are willing to pay premium price for eco-friendly products (Dagnoli, 1991). Consumers do realize such effects so the image of environment concern and anti-animal testing are the strongest association with the company. These two identities refer to **strong, favorable, and unique** associations of the brand in consumers' minds (Heding, 2009). However, this is not in line with information gathered from staff through the interview saying that environmental concern and aniti-animal testing are not core values or main reasons that attract and maintain consumers. The staff claimed the core value that strongly attract consumers are natural ingredients used in the product and also positive sense of shopping experiences. One interesting findings is that high price is ranked as the third ranking in this topic. This finding contradicts the prior notion that consumers are willing to pay for premium price when companies offer cause/ green marketing (Dagnoli, 1991). Consumers of companies that involve with social concerns as their marketing strategy perceive the price as inferior importance (Ibid). Since high price is still found to have high relevance, this theory is not supported by the result of empirical findings. Attractiveness of products and high quality of products are found not to be strongly connected to the brand image. They might be associated to the brand at a certain degree but fall behind other stronger attributes. Corporate social responsibility is found to be the least associated attribute to the brand. This is in line with the theory and also the interview. CSR is a negligent field beside the core business and is degraded to an image enhancement opportunity with no tangible gains (Hannington, 2004). Consumers that strongly favor social responsibility value still exist but are minorities. For the product to be succeeded, most consumers agree that CSR needs to be followed by quality, convenience, nice design, and image or any attributes (Ibid). Price, quality, value, and brand familiarity were ranked higher than CSR. In addition, social reasons were identified less influential than personal reasons. And surprisingly, human rights raise less sympathy than animal rights (Ibid). In addition, the staff did not mention CSR at all as core values that attract consumers.

Even though the attributes of environmental concern and anti-animal testing are strongly associated with the brand, they cannot highly influence on consumers' buying decision. The findings in the topic of attributes influencing on consumption behavior contradict with the prior findings of attributes influencing on brand image. The findings show that quality is rated as the most influential factor to buying decision while price is the second. The attractiveness of product is ranked the third while Environmental awaress, anti-animal testing, and CSR are the final three of rankings. This can be said that it seems that attributes reflecting physical features (quality, price, attractiveness of products) play superior role to other intangible values (anti-animal testing, environmental awareness, and corporate social responsibility). The findings are in line with one theory, as mentioned earlier, price, quality, value, and brand familiarity were ranked higher than CSR which were identified less influential than personal reasons (Hannington, 2004). Perception depends on a person's previous knowledge, expectation, information presented by stimuli (Keller, 2008). However, most of the cases, price and quality come before other elements when consumers are not yet loyal to certain brands (Ibid). Perceptions towards social responsibility strongly vary across cultures (Chen, 2001). In general, most of the cases, customers do not acknowledge companies' social engagement, and so corporate social responsibility should be done only if it really increases the value of the brand, as in a case of Ben & Jerry's and Body Shop. Both of the mentioned companies' brands are interlinked with their social identity (Chen, 2001). However, in this case, Body Shop's CSR does not play an important because Thai culture does not emphasize or value on CSR as much as consumers from other western countries. Another reason can be explained by the theory of "**a complexity of consumer behavior**". From a branding perspective, green marketing programs have not been entirely successful (Keller, 2008) because of the obstacle of such complexity. Similar to many well-publicized social trends, corporate environment awareness is complex in reality and does not always fully match public perceptions. One research stated that, under products in six categories (paper, gasoline, aerosols, plastics, detergents, and autos), the average price increases that consumers were willing to pay for, in order to buy product that causes less pollution, are 6.6 percent. About 35 percent of those sampled people were not willing to pay anything more (Rickard, 1994). Moreover, about 75 percent of them claimed that the environmentally friendly products should not result in higher price since they use natural ingredients. That research concluded that the products needed **to achieve points of parity on quality and price and credible environmental claims** for green marketing to work. One study found that consumers act in their own interest and base their buying decision primarily on the stimulus price (Rickard, 1994). The research claimed that environmentally-friendly theme were more likely to work out only for certain market segments such as 31 to 45 year old women and in certain product categories such as cleaners, detergents, or fabric softeners. The main conclusion for this research is consumers as a whole are not willing to pay a premium price for environmental benefits even though some market segments will (Rickard, 1994). Environmental knowledge does not create great impact on behavior but rather reflects higher sensitivity to the topic (Martin, 1995).

Regarding to the awareness of the acquisition of Body Shop by L'Oreal, the majority of this consumer group are not aware of the acquisition at all before doing the questionnaires. This is in line with what staff have claimed in the interview. The staff mentioned that other than the public announcement by the CEO in 2006, Body Shop Thailand has not announced any news about the acquisitions when they interact with their consumers. They said that informing the news of acquisitions to consumers is beyond their main duties of delivering impressive service regarding to company's brand concept and product knowledge to consumers. In addition, the finding of unawareness of the acquisitions is also in line with the theory. Many researchers have shown that consumers do not acquire perfect information-in fact even they are presented with perfect information, they cannot comprehend it. Indeed, consumer buying decision process occurs as a result of consumers' seeking and evaluating small amounts of information to make a brand purchase. Consumers rely on a few pieces of selective information which, they feel confident, will help them decide the brand might perform. They might choose one brand from another just because the first brand sounds more familiar to them (DeChernatony, 2011). Another theory which can explain why consumers are unaware of the acquisitions is “the extent to which consumer search for information is limited”. The consumers gain information from either their memories or external sources. Information may be stored in the memory as a result of an earlier active search (assessment of the newly-bought brand immediately after the purchase) or as a result of a passive acquisition process (advertisement or newspaper). Two factors that influence the degree that consumers search for new information are the amount of stored information and its suitability for the particular problem. For example, those who repeatedly bought the same brand of car over time would undertake less external search than those who had switched between brands. Repeatedly buying the same brand of car increased the quantity of suitable information in the memory and limited the need for external search (DeChernatony, 2011). In this case, it can be said that Body Shop consumers usually consume information or news update about the company from Body Shop stores they have interacted with. And once store staffs did not mention about the acquisitions, consumers were not aware of the news of acquisition. Several reasons exist for limited external search. Consumers have finite mental capacities, which are protected from information overload by perceptual selectivity. One study found that only 35% of magazines readers exposed to a brand advertisement noticed the brand being advertised. Information is continually bombarding consumers and information is a continuous process (Temporal, 2010; DeChernatony, 2011). Perceptual selectivity explains the fact that only small fraction of the information is accepted and processed by consumers. Moreover, consumers are likely to ignore information that do not conform to their prior expectations and interpret some of the other information within their own frame of reference. However, even though information is not an influential factor on consumers’ perceptions and decision making, it can affect the purchase subconsciously (Keller, 2008). Therefore, consumers will not be aware of the acquisitions even though the announcement is popularly made in the public.

When respondents are asked about personal perceptions and attitudes towards the individual companies, Body Shop was rated more positive than L’Oreal but both firms are classified as being more positive than negative. The finding that Body Shop is rated very positive and at the same time more positive than L’Oreal is in line with the interview, the theory, and other information from the empirical finding itself (environment concern and anti-animal testing are the most influential factors when consumers think of the brand of Body Shop). The staff from the interview claimed that Body Shop has distinguishingly positive image because Body Shop focuses on high ethical standards towards product quality, great services, products ingredients, social and environmental concerns, animal rights, and any other CSR. Body Shop also provides consumers with impressive shopping experiences. Consumers can feel a sense of nature and ethical responsibility. However, such experiences and strong ethical values are not offered by L’Oreal. Moreover, the fact that Body Shop is well known as an ethical brand having environmental awareness and anti-animal testing policy (from the empirical finding) enhances its positive company image in the eyes of consumers. As stated before, environmental awareness and anti-animal testing are parts of cause marketing and green marketing. One main reason for the use of cause marketing is the positive response from consumers. According to Cone Communications (a firm advising companies on cause marketing), 80 percent of Americans have a more positive image of companies that support a cause they care about, 86 percent claimed they would be likely to switch brands to one associated with a good cause and almost 75 percent approve of cause program as a business practice (Keller, 2008). The success of cause marketing is highly dependent on the ability to attract strong support or advocacy institutions (Fombrun, 1996). In addition, the success can be shown by the increase in volume of easily accessible information written by external sources about the companies (Ibid). Activist or environmentally concerned consumers usually engage themselves in any kinds of media including widespread usage of internet, consumer report, etc. to track information (Ibid). Therefore, not only consumers themselves develop positive perception towards the brand capturing cause marketing, but also other stake holders that influence their perceptions.

Apart from evaluating individual firms, respondents are asked to indicate their general attitude towards the combined corporation (the acquirer L'Oreal and the acquired Body Shop). On average, the combined corporation was rated lower (less positive) than both of the individual companies (dramatically inferior to Body Shop and slightly inferior to L'Oreal). This is in line with the theory but against the information from the interview. The questionnaires prove that L'Oreal does not have negative image among most of Body Shop consumers in Thailand (only 3.4% claimed they have negative perception towards L'Oreal), which is similar to what staff have said about L'Oreal. However, the questionnaire also point out that L'Oreal is rated lower (less positive) than Body Shop and so the combined corporation is rated lower. Therefore, this contradicts with opinion given by the staff saying that there would be no negative effect on Body Shop from the acquisition by L'Oreal due to these reasons given by the staff: 1) attributes of environmental awareness and anti-animal test are not strong in Thailand so the acquisition of Body Shop by L'Oreal having no strong brand equity of being an ethical actor will not be problematic. 2) L'Oreal is seen as good cosmetics company in terms of image, product quality, and great product availability. Indeed, staff claimed the acquisition did not bring in any negative effect. It is correct that, as stated in the finding, the combined corporation does not result in more negative effect because it was rated negatively at 2.3% which is less negative than L'Oreal alone. However, the fact that the combined entity was rated less negative than the individual L'Oreal is that Body Shop's strong brand equity transfers their positive association to L'Oreal once the entity is combined (Daye, 2012). Theory that can explain why the combined corporation's brand perception is rated lower is as follows. One study found that brand associations, which are positive on an individual basis, can change when transferred to a new product category with a brand partner. Alliances with poor or less strong overall attitudes were often linked to associations of attributes of the original product class, whereas alliances with strong attitudes were linked to favorable associations related to the fit between the alliance partners. The value of this study is that it has identified that consumers can become "locked in" to brand-specific associations that may be hard to shift in a brand leverage strategy (James, 2005). Consumers perceive brands as having individual sets of attributes. Indeed, by combining them, the consumers form a composition of the two brands, called “composite concept” (Ibid). In general, there are characteristics specific to these brand growth options (brand extension, and merged brands) but common risks lie between them. The risks are “dilution of the original brand” (EURIB, n.d.).

When the authors investigate whether the consumers’ perceptions are changed after receiving the news of the acquisition of Body Shop by L’Oreal (Question 11), only 11.8% stated that their perceptions are changed in a negative way and 78.6% did not change their prior perception at all. This topic asked respondents who already knew about the acquisition before the questionnaires and also respondents who just noticed the acquisition right after participating in the questionnaires. The fact that the merged brands (or the brands after acquisitions) do not change the majority of consumers’ perception towards **the original brand contradicts with the theory of challenges of brand extension and merged brands** as follows: The merged brands require each company’s original brand essence to be applicable to the combined company with all the brands that are incorporated. The associations formed for one brand need to fit for a newly integrated one. Despite each brand has separately strong and positive associations, consumer perceptions toward the combined entity have to be re-examined (James, 2005). In addition, the acquirer has to be able to deliver product claims of the formerly independent brand, referring to know-how and expertise transferability. The main challenge (which sometimes cannot be accomplished) is to find two companies of which concepts fit, match, complement to each other (Reast, 2005). Other than the fit between concepts and associations of brands, quality and credibility of products and reputations between two formerly independent companies should be fit as well. Customers tend to have high acceptance towards brand extensions when there is high perceived credibility of the extended or extending brands. They would feel that the company drives for what is best for quality of products to increase values for customers. One study found that brand credibility lends customer support to the new venture (M&A) even though they do not have knowledge about the future combined corporation by making their own assumptions from their positive associations of the original brand holding high credibility (Reast, 2005). However, the company with strong corporate image can increase general acceptance of customers in relation to brand extensions only if that image refers to high innovativeness (Keller, 2003). As mentioned earlier, customers have established their set of associations and therefore can point out inappropriate extensions in their minds. They can usually identify what appropriate or inappropriate partners for the firms they feel attached to. As already mentioned in brand extensions, consumers’ faith towards the parent brand can be destroyed by an incompatible integration of a new product, and these effects are also applicable to M&As. On the other hand, this finding is in line with the staff interview that the acquisition would cause no negative in consumers’ perception.

The reason that consumers' perceptions (towards Body Shop after being aware of the acquisition) are not changed can be explained by the theory of "brand equity" or "customer based brand equity perspective (CBBE)". The basic premise of CBBE model is the power of a brand lies in what resides in the minds of customers (Keller, 2008). Customer-based brand equity is defined as **the differential effect that brand knowledge has on consumer response to the marketing of that brand**. A brand has positive brand equity when consumers react more favorably to a product and the way it is marketed when the brand is identified than when it is not (when the product is unnamed). Indeed consumers might be more accepting of a new brand extension for a brand with positive brand equity, less sensitive to price increases or more willing to look for the brand in new distribution channel. Regarding to the definition of CBBE, it is consisted of three elements: (1) differential effect, (2) brand knowledge, (3) consumer response to marketing. First, brand equity arises from difference in consumer response. If there is no difference occurred, the brand name product can be essentially classified as commodity or generic version of product. Second, these differences in responses are a result of their experiences over time or their knowledge about the brand (what they have learnt, seen, felt about the brand). Third, customers' differential responses are reflected in preferences, perceptions, and behaviors related to all aspects of brand marketing such as their choice of brand, response to a sales promotion, or recall of copy points form an advertisement. From this theory, conclusive evidence shows that consumers' perceptions of product performance are highly dependent on their impressions of the brand that goes a long with it (Keller, 2008). Consumers can form their brand knowledge (brand image) from variety of ways other than marketing activities: from direct experiences; through information from other commercial or nonpartisan sources such as Consumer Reports or other media; from word of mouth; and by assumptions consumers make about the brand itself, its name, logo, or identification with a company, channel distribution, or place or etc. The great example of establishing strong brand image by considering the influence of these other sources of information is The Body Shop (Keller, 2008). Therefore, once brand equity is embedded in the mind of Body Shop consumers, consumers will be less sensitive and able to accept to any changes occurred to the brand.

When respondents are asked whether their buying behavior would be changed after their perception towards the acquisitions has been changed, the results show that 92.8% of the consumers whose perceptions are changed will continue buying the same amount of products. The fact that consumers do not change their buying behavior can be explained by the theory of "attitude behavior gap". Even though companies try to create lots of information and make it available for consumers to access, many consumers do not really make use of it due to their limited capacity to absorb information (see more details in the part of Consumers' Perceptions of Brands in Relation to Buying Process). Moreover, although they absorb the necessary information of the companies, that does not mean consumers will act upon it and engage themselves in ethical buying behavior (Ibid). Therefore, even though being acquired by L'Oreal brings in negative effect to the brand Body Shop, consumers do not buy fewer body shop products. The theory of “Attitude-behavior gap” (information has asymmetric effects on attitudes) explains why some consumers who possess necessary information of company about cause marketing and positive reputation do not transfer the knowledge in changed behaviors (Carrigan, 2001). There would be punishment or boycott against unethical behavior but at the same time there is no reward for ethical behavior. One survey found that just about 26 percent of interviewed respondents could identify companies that have high cause marketing or portray themselves as corporate- social-responsible or environmentally-friendly firms. On the other hand, only 18 percent of them could recognize the least social responsible firms or were aware of the unethical business practice of Nike and Nestle, even highly publicized (Ibid). This can be explained by the complexity of media settings and also impact of different culture and social context (Ibid).

10.4% revealed that they are looking for substitute companies that offer the similar brand image or business concept and 6.2% of those said that they will not change their buying behavior while searching for other alternatives. The fact that consumers search for substitute products can be explained by the theory of brand consideration. Consumers normally have a set of brands in a given product category in their minds (Aperia, 2004), called “brand consideration” (mentioned in the part of Brand Loyalty). Then, under brand consideration (a set of acceptable brands in consumers’ minds), they will buy products of one brand more often than other brands based on their preferences and once buying pattern is formed, it is difficult to change (Ibid). Once they lose their interest on one brand, they will shift to another brand within the consideration set. The fact that consumers do not change their behavior while searching for substitute products can be explained by the theory of “stages in buying process”. The stages in buying process, when consumers seek information about brands and the extent of the information search, are influenced by an array of factors such as time pressure, previous experience, their situation, advices from their friends (DeChernatony, 2011). There are two factors particularly useful explaining how consumers make purchase decision: the extent of consumers’ involvement in the brand purchase, and the perception of any differences between competing brands (Tarnovskaya, 2011). In this case, Body Shop consumers search information in order to find substitute but their buying behavior is not changed. It can be said that they still strongly attached to the brand Body Shop, or perceive big difference between the brand Body Shop and other brands. Indeed, this situation falls into one specific decision process. Extended problem solving occurs when consumers are involved in the purchase and where they perceive significant differences between competing brands in the same product category. The type of decision process is likely for highly-priced brands that are perceived as risky purchases due to their complexity such a brands that reflect self image (cosmetics, clothing, jewellery). Consumers will actively search for information to evaluate alternative brands. Buying behavior will be changed or influenced only if branding advertising presents detailed information explaining the benefits of the brand as well as reinforcing its unique differential positioning. In addition, firms have to ensure that all retail assistants likely to come in contact with these active consumers are well versed in the capabilities of the brand (Dechernatony, 2011).

5.2. WHY DID L'OREAL ACQUIRE BODY SHOP AND HIDE THE FACT THEY DID?

There are many reasons that can explain why L'Oreal acquired The Body Shop.

First, synergy effect can be created through the acquisition (DePamphilis, 2008). In this case, it seems that only financial synergy is achieved because the acquisition brings in higher generated shareholder values than the value of the sum of shares of the two separate companies. The operating synergy does not occur because factors of economies of scope and economies of scale are not applied to this acquisition. L'Oreal has not brought in their employees, supplier networks, marketing activities or production capacity to The Body Shop' operation. L'Oreal has maintained The Body Shop as an independent remained entity.

Second, diversification is a part of global expansion strategy of L'Oreal. L'Oreal shifts from their core markets or product lines into ones that have higher growth prospects (Ibid). The Body Shop showed good sales performance in a segment of ecological cosmetic products (Ibid). L'Oreal had never had a brand of ecological cosmetics products before in their portfolios.

Third, L'Oreal can absorb and leverage management, capabilities and knowledge from The Body Shop in terms of effective brand management without using the conventional advertising (Ibid). Then L'Oreal can transfer those to its own old operational structures. L'Oreal can reap advantages of The Body Shop by capturing control over The Body Shop's strong networks with existing suppliers, public relations, and many stake holders, complementary assets (both tangible and intangible assets), existing distribution channels (unique selling stores) and etc (Ibid).

Fourth, L'Oreal can effectively enter into the new market through the route of The Body Shop acquisition (Riseberg, 2006). The Body Shop is a well-established brand having strong relationships with many stakeholders, existing distribution channels, and also a strong base of customers. The acquisition enables L'Oreal to fight against other competitors in this market.

Last but not Least, L'Oreal has a greater market power after the acquisition (DePamphilis, 2008). The acquisition can enhance its position as the biggest cosmetic conglomerate in the world.

The fact that L'Oreal has not made the news of The Body Shop acquisition to be well-known is maybe due to the same reason as acquisition of other brands. From the theory, brand is mental associations held by consumers and consumers established a set of attributes (tangible and intangible) towards each brand (Keller, 2008). Some brands have more negative associations than others and vice versa (Ibid). Therefore, different brands entail different brand associations and brand equity. Different brands attract different group of consumers and so capture different market segments. Both L’Oreal and The Body Shop have different brand images and brand equity targeting different market segments. Moreover, they have different corporate and brand cultures from each other. L’Oreal is known as the innovative brand in consumer mass market while The Body Shop is known as highly ethical brand in a niche consumer market. The Body Shop is seen as a more positive brand due to its ethical stand, social responsible values, unique selling stores, and great services from its well-trained and knowledgeable staffs. The Body Shop offers values that L’Oreal does not offer. Indeed, the acquisition refers to conflict in brand identity, especially in terms of values of against animal testing policy, environmental concern and also usage of natural ingredients. Loyal customers of Body Shop might feel insecure after the acquisitions. They are suspicious whether L’Oreal would maintain The Body Shop’ existing operation and deliver same values The Body Shop had offered. They are afraid L’Oreal might apply their practice of animal testing to The Body Shop. The acquisition might bring in loss of trust, company’s credibility and likability among the eyes of customers. There is high possibility customers would shift to use other brands that offer similar business concepts. These are major concerns expressed by consumers and many stakeholders protesting the acquisitions.

Other than the conflict of brand identity, negative aspects derived from M&As can explain why L’Oreal wants the acquisition to be unknown. There is high possibility consumers will themselves think of negative effects of M&As such as post acquisition integration difficulties, HR issues, and boardroom split even though in reality these issues might not actually occur. Post acquisition integration is a process of administrative and strategic combination of the acquirer and the target firms. Individuals from two organizations work together to cooperate in the transfer of the strategic capabilities (Haspeslagh, 1991). The process includes the integration of financial, human resource, production, marketing, information, distribution systems, purchase, planning, and also PR policies (Cashin, 2013). Integration is the vehicle of development in acquisition-based growth and organizational change and has an important role in overall corporate renewal strategy (Yunker, 1983). The process changes organizational structures, cultures, functional activities, and systems throughout the corporation. Regarding to HR issue, M&A brings in job loss, restructuring, and the imposition of a new corporate identity, brand image, and culture. This can generate anxiety, uncertainty, and resentment among the company’s employees. Research has shown that the productivity of firms can drop by 25-50% when experiencing a large scale change, primarily because of demoralization of the workforce (Mitchell, 1998). Regarding to the boardroom split, specific personality clashes between executives from two companies can happen and also result in a major problem, slowing down integration of entities (Aurora, 2011).

Therefore, in order to minimize such concern, consumers should not be aware of the acquisition and this can be done through the action of keeping the news of acquisition as hidden fact.

5.3 HOW DOES THE ACQUISITION IMPACT THE BRAND AS AN OBJECT?

This part will discuss how the acquisition of the brand impacts the brand as the object and if it is possible to acquire a brand while the brand maintains its values.

The acquisition obviously transfers physical objects from The Body Shop to L'Oreal such as products, distribution channels, supplier lists, contracts with stake holder, product recipes, factories, property, and any intellectual property rights. However, the transfer of the brand through the acquisition is another matter. Most of the cases companies enter into acquisition because they want to leverage positive brand images from the acquired companies by linking their existing weaker brand associations to stronger and positive brand associations owned by acquired companies. In this case, it seems to be that L'Oreal aim to leverage positive brand image from Body Shop. However, the reality reflects contradictory situation because L'Oreal tried to hide the fact of The Body Shop acquisition. It seems that L'Oreal do not want the public to know about its ownership of The Body Shop. The brand associations of acquired companies with stronger and more positive brand image will be linked to the brand associations of the acquiring companies with poorer and more negative brand image (Daye, 2012). This means that the companies with weaker brand image will have more positive brand associations. On the other hand, companies with stronger brand image will have less positive brand associations and more negative ones (Ibid). Indeed, L'Oreal does not want The Body Shop's positive brand associations and perceived values to be decreased so L'Oreal tried to hide the news of acquisition. In addition, this can be explained by the fact that L'Oreal intention of acquisition is to add a complementary brand holding strong ethical reputation to the wide range product portfolio of L'Oreal (Pitman, 2006) instead of combining the brand Body Shop with the brand L'Oreal. Body Shop would still be maintained as an independent entity within the corporation of L'Oreal. However, Body Shop would grant L'Oreal the access to a socially and ethically responsible segment covering a loyal customer base, superior brand image, unique product positioning, and premium-priced products (Ibid). The acquisition of Body Shop will unavoidably damage the brand equity of Body Shop. The brand associations of Body Shop will be mixed with ones of L'Oreal. In order to avoid creating confusion towards brand associations of the two companies among customers, the news of acquisition should be unknown. This situation can imply and highlight that even though all the physical objects can be transferred, the concept of brand cannot be transferred through the acquisition. If we consider the brand as an object, it is the only object that cannot be moved through the acquisition. As mentioned before, unique product positioning, superior brand image and premium-priced products and a loyal customer base are what L'Oreal actually buying for. L'Oreal does not acquire the brand Body Shop in order to leverage positive brand associations from Body Shop. L'Oreal buys Body Shop as it is instead of buying the Body Shop to combine with L'Oreal.

Just by the fact that ownership of brand is transferred, the concept of the brand cannot be changed. Once customers are loyal to the brand, they emotionally attach to all the components that build up the brand. When one component constructing the brand is missing, in this case referring to new ownership by a company with different brand identity and brand image, their loyalty can be destroyed. Consumers have sets of brand associations in their minds and they can identify what appropriate or inappropriate extensions to their brands. Customers' protesting regarding to the acquisitions reflects the situation customers indentify L'Oreal as inappropriate partner with The Body Shop. Moreover, brand associations of one brand, perceived positive on an individual basis, can be changed when combining with corporation with weaker and negative brand image. Therefore, L'Oreal tried to maintain The Body Shop as the independent remained entity so that The Body Shop can keep their core values and consumers can experience no changes regarding to the brand and values of The Body Shop after the acquisition.

Another reason that can explain why the brand cannot be transferred through the acquisition is negative aspect of M&As: conflicting corporate cultures. These companies possess different corporate cultures (brand image), differing employee expectations, different styles of leadership and etc (Mercer Management Consulting, 1998)). If M&A is executed in a way that does not carefully consider with the companies' people and their different corporate cultures, the process may turn out to be a disaster (Aurora, 2011). There will be conflicts between the values and attitudes of the two companies, especially when the new partnership crosses national boundaries.

L'Oreal maintains and keeps the brand Body Shop as same as before the acquisition.

One example that can illustrate the difficulty in transferring brand through the acquisition is the acquisition of Volvo by Geely, a fully-integrated independent auto manufacturer producing cars, engines and transmissions (Volvo Car Group, 2010). Geely is one of the fastest-growing car manufacturers in China, announcing it has completed the acquisition of 100 per cent of Volvo Car Corporation ("Volvo Cars") from Ford Motor Company on August, 2010 (Ibid). Under the new ownership, Volvo Cars will retain its headquarters and manufacturing presence in Sweden and Belgium; and its management will have the autonomy to execute on its business plan under the strategic direction of the board (Ibid). As part of the transaction, Volvo and Ford will maintain close component and supply relationships, ensuring continuity in areas where they provide supply to each other (Ibid). The chairman of Geely claimed: "This is a historic day for Geely, which is extremely proud to have acquired Volvo Cars. This famous Swedish premium brand will remain true to its core values of safety, quality, environmental care and modern Scandinavian design as it strengthens the existing European and North American markets and expands its presence in China and other emerging markets." (Ibid)

China's Geely purchased Volvo from Ford which raises a significant perception issue (Grace, 2010). Can China manufacture a product for the West that equals or exceeds what consumers expect from Volvo today? (Ibid) Will "China" carry any negative perceptions that will limit potential? (Ibid) The acquisition by the Chinese begs the question whether Volvo cars and trucks will remain high quality and keep pace with competitors, or decline (Ibid). Will the Chinese attempt to stretch the Volvo brand to also mean products for a much wider audience (Ibid). The chairman of Zhejiang Geely Holding Group has indicated he wants to "revive Volvo cars", as well as capitalize on the enormous potential of the China market (Ibid). While the stated intention is to keep separate the Volvo brand from the Geely brand (Ibid).

Many European consumers question whether the Chinese company can deliver existing unique values offered by the original Swedish brand. The issues of country of origin effect and conflicting corporate cultures are discussed among consumers. Even though all physical objects (factories, manufacturing competencies, people, IPRs and etc) are transferred through the acquisition, the brand of Volvo cars cannot be transferred to Geely. Many consumers in western countries in general perceive products from China as low quality products with cheap prices. Geely cars are seen as cars with cheap prices, good marketing and good sale performances. On the one hand, Volvo cars are seen as high quality cars with great safety and environmental care. One study confirms that the acquisition and absorption of a foreign brand is not sufficient to avoid the COO effect in consumers' minds (Bennett, 2013). Brand is the same in different market but perceptions towards the brand are different in different markets. That study stated that potential customers believe that a Swedish-made Volvo has safety and reliability at the expense of other factors, such as marketing and service performance, fuel economy, and styling (Ibid). According to the survey a Chinese-made Volvo would be bought because it is cheaper, associated with good marketing and sales performance; and it is accepted that a good performance along these factors will beat the expense of reliability and safety, fuel efficiency, styling, and options (Ibid). This provides a basis for positioning the brand in two different segments of the market (Ibid).
However, the automotive industry is global and customer awareness is not limited by national boundaries (Ibid). So, the strategy to sell a luxury brand into the Chinese market, whether in mainland China or wider China must be based on avoiding a dilution of the brand through the COO effect that can be associated with technology transfer (Ibid). This is one of the most important considerations for Geely as it seeks to further penetrate the luxury market with its acquired Volvo brand and associated technology (Ibid). The findings also have implications generally for manufacturers of cars and other consumer products when taking their brands to emerging markets through technology transfer to local companies with their own established brands (Ibid).

Regarding to discussion in a perspective of intellectual capital management, brand is a very special object. It is social construction that people believe in. People draw certain set of associations toward the brand. The brand has no existence. It is intangible and cannot be transferred through the acquisition. Even though IPRs are also considered as intangible assets, at least they can be transferred in a written form of contract. For example, once the idea is expressed through the paper and that paper owns copyright, the copyright can be transferred through the acquisition. Another example is trademark. Once the brand is registered with the trademark right, the right can be transferred through acquisition. However, the concept behind the brand or the brand itself cannot be transferred through changes of ownership, which is unlike other physical objects or other intangibles such as IPRs. Ownership of the brand can be transferred through the acquisition, but there is no guarantee that consumers will still consume the brand once they are aware that brand is owned by a new party having conflicting or different brand identity.

5.4 GENERAL DISCUSSION

- Actually there can be a further deeper investigation for British consumers in Thailand separately because of a factor of country of origin that can affect their consumption perceptions in a greater extent than other consumers. However, the number of those British consumers in Thailand is not stable and also very few. In another word, it cannot be exactly measured. Therefore, in this paper, the author includes the data of those British consumers in European consumers.
- Male customers are not included in the result section due to its limited number of responses and also its irrelevance of being a target group. This paper only analyzes consumer perception and buying behavior only in the perspective of female customers. However, the fact that there is limited number of male responses does not mean that Body Shop Thailand do not have male customers. The limited response may depend on the timing that the information is gathered, the location of Body Shop stores, and the seasonal promotion of product that may specially favor female customers at the time the information is collected. Indeed, further research regarding the topic of consumer perceptions towards the acquisition of Body Shop can be investigated especially in the perspective of male consumers only.
- The staff claimed that most of Body Shop consumers are loyal while the results of questionnaire show no existence of consumer loyalty. The contradiction can be explained through different reasons. First, there is no correlation between the surveyed consumers and interviewed staff. The interview might collect information from the staff taking care of branches where there are lots of loyal consumers while the consumers who fill in the questionnaires are from many various branches from different areas, which have very few loyal consumers. Second, the way the staff and consumers interpret frequency of consumption is different. For example, consumers may think they sometimes buy the products when they buy the products twice a month. On the other hand, the staff sperceive twice-a-month consumption as an indicator of customer loyalty behavior. Third, the questionnaires may be distributed only to non-loyal consumers. This case is quite impossible since 138 consumers (according to the formula) are the appropriate number that reliable result can be investigated.
- Environmental awareness and anti-animal testing are strong attributes but high price are still perceived. Contradiction exists. The reason is already explained before. However, what is interesting is next studies can be investigated by examining on how and to what

extent Body Shop increase their brand awareness of being ethical actor to exceed the strong effect of high price. How can they make consumers value more on cause marketing and ignore the effect of high price level?

- Compare Thai consumers' results with Swedish consumers' or any other European's. The result of this paper will be different from other consumers from different nations by using the same quantitative questionnaires and interview questions. Swedish and other European consumers really care about strong values of social and environmental concerns. Such values can highly affect their perception and also buying behavior, unlike Thai consumers. This looks to a specific market. Further studies can be done in different Geographic areas.
- High level of involvement and low level of involvement are differently used and applied for different situations. High level of involvement is discussed when products are bought occasionally due to the products' high price while low level of involvement is mentioned when consumers show limited interest in searching for information before making a purchase decision. Indeed, if consumers search for information to find substitute products, high level of involvement is applied.
- The reason that analysis is conducted only from the result of the target group of consumers is they are the major source of collected information. In addition, the consumer group (36-45) entails the same direction of answers to almost every question as the target group of consumers. Conducting analysis from the target group of consumers will also refer to the analysis of another group of consumers. Therefore, conducting analysis only from the target group is sufficient.
- Even though almost every question that the result of consumers (36-45) show the same trend of answers as the result of the target group, some difference does exist among some questions. Difference of answers obviously exists in question 7 and question 8.
    - Regarding to question 7, consumers (36-45) buy products more often than the target group of consumers. Even though the majority of consumers in these two consumer groups buy the Body Shop occasionally. However, the proportion of consumers who buy the products sometimes is way higher in the group of consumers (36-45) at 43.6% while only 13.8 % of the target group buys the products sometimes.
    - Regarding to question 8, environmental concern and anti-animal testing are the first two attributes that come in consumers' minds when mentioning the brand Body Shop for the target group. On the other hand, high quality of products and attractiveness of products capture the same position for the consumer group (36-45).

For the question 7, the fact that consumers (36-45) buy Body Shop more often may be explained by the fact that their average incomes are higher than the target group. The result shows that 8.3% of the questionnaires are consumers (36-45) and more than 90% of those consumers earn income above 45,000 baht. On the other hand, for the target group of consumers, most of their incomes are spread from 15000 to below 45000. Other than the fact of income level that can explain the difference of frequency of buying behavior, there are no other theories given in this paper as well as no information from the interview that can help analyze this fact.

For the question 8, there are also no theories given in this paper as well as no information from the interview that can help analyze why consumers (36-45) perceive the attribute of high quality as the first impression of the brand Body Shop. One assumption that may be made in this case is these consumers (36-45) have consumed Body Shop products for a longer period than the target group. The consumption period by the consumers (36-45) is so long that they have had good experiences of consuming high quality of products from Body Shop and those experiences eventually become their brand knowledge towards Body Shop.

- The reason that the questionnaire is not created in a way that can answer the research questions completely (as discussed below under the section of "Discussion of Research Questions") is that some of assumptions for questionnaires were made wrong. The assumptions were initially made up right and wrong as follows:
  - A1: Customers of Body Shop Thailand are generally categorized into various groups based on different age ranges and genders. Different group of customers (different age, income, nationality) buy Body Shop products with different reasons. However, the target group of customers is females with the age from 26-35 years old.
    This assumption is right with that fact that the target group is females (26-35) since it constitutes the majority of empirical data. However, the statement "Different group of customers (different age, income, nationality) buy Body Shop products with different reasons" is not 100% right because the findings show that when it comes to purchase decision, both the target group and the consumers (36-45) consider "high quality" and "price" as the main influential factors. Indeed, at certain extent, both of them have some reasons in common to buy Body Shop products.

  - A2: Against-animal-testing and environmentally- friendly policies are key attributes that attract all Thai customers.
    This assumption is right if "attract" is defined as perceptions of consumers towards the brand, not the drivers that mainly influence buying behavior.
  - A3: Most of customers are not aware of the acquisitions.
    This assumption is made right as a large majority of consumers are not aware of the acquisitions.

- A4: Once customers are aware of the acquisition, it seems that they perceive the acquisition dilutes the brand image of Body Shop by mixing new associations from L'Oreal with old ones of Body Shop and therefore their perceptions towards the brand of Body Shop change.
  This assumption is right with the fact that consumers think the acquisition dilutes the brand image of Body Shop, indirectly interpreted from the result of the question 12 "when they are asked to rate their attitudes towards the individual companies and the combined identity"". Nevertheless, when consumers are directly asked about how they think towards the acquisitions (Question 11), the result shows that their perceptions towards the brand Body Shop are not changed once they are aware of the news. Therefore, at this point, the assumption of "consumers' perceptions towards the brand will be changed" is wrong. Because this assumption is made wrong, answers from the question 13 seems to imply that most consumers' buying behavior will not be changed.
- A5: Consequently, this change in brand perception leads to the change in consumers' purchasing behavior.
  This assumption is completely made wrong. First, the majority of consumers' perceptions are not changed. And even if few consumers' perceptions are changed, their buying behaviors are still the same.

  Maybe the question 13 is a too-close question with a wrong order which confuses consumers, so many consumers misunderstand the question. Q) 13 "If your perception towards Body Shop has changed after the acquisition, will your purchasing behavior of Body Shop products be changed as well?" As we can see, the question asked people whose perceptions are changed only. Nevertheless, people whose perceptions are not changed also answer this question in the questionnaire. Indeed, the author cannot count the data of the people who misunderstand the question.

- After analyzing results from every source (qualitative interview, quantitative questionnaires), the results show that most of consumers of Body Shop Thailand are not loyal. They buy the products occasionally. From the result, it can be said that consumers of Body Shop Thailand have not had captured a strong sense of brand community. The purpose of having brand community is to create customer loyalty by allowing consumers to directly and closely interact with the company and the staff so that they would develop a sense of belonging or emotional attachment to the company. However, once consumers are not loyal, one assumption that can be made is Body Shop's brand community is not effective. This contradicts with the sayings of the staff. It might be true that there were actually many events attracting consumers to join in as the staff claimed. Nevertheless, those activities cannot make consumers become loyal so they are not effective.

5.5 DISCUSSION OF RESEARCH QUESTIONS

In this part, the author shows linkage how the text in the analysis part above answers the research question. The author also discusses upon whether the question is fully answered or not, whether the question is well formulated, and so on.

1. **Are customers aware of the acquisition of Body Shop by L'Oreal?** After the announcement of the acquisitions in 2006, have customers known about the acquisitions? Why and why not?

Answer: Regarding to the awareness of the acquisition of Body Shop by L'Oreal, the majority of the target consumer group are not aware of the acquisition at all before doing the questionnaires. This is in line with what staffs have claimed in the interview. The staff mentioned that other than the public announcement by the CEO in 2006, Body Shop Thailand has not announced any news about the acquisitions when they interact with their consumers. They said that informing the news of acquisitions to consumers is beyond their main duties of delivering impressive service regarding to company's brand concept and product knowledge to consumers. In addition, the finding of unawareness of the acquisitions is also in line with the theory. Many researchers have shown that consumers do not acquire perfect information-in fact even they are presented with perfect information, they cannot comprehend it. Indeed, consumer buying decision process occurs as a result of consumers' seeking and evaluating small amounts of information to make a brand purchase. Consumers rely on a few pieces of selective information which, they feel confident, will help them decide the brand might perform. They might choose one brand from another just because the first brand sounds more familiar to them (DeChernatony, 2011). Another theory which can explain why consumers are unaware of the acquisitions is "the extent to which consumer search for information is limited". The consumers gain information from either their memories or external sources. Information may be stored in the memory as a result of an earlier active search (assessment of the newly-bought brand immediately after the purchase) or as a result of a passive acquisition process (advertisement or newspaper). Two factors that influence the degree that consumers search for new information are the amount of stored information and its suitability for the particular problem. For example, those who repeatedly bought the same brand of car over time would undertake less external search than those who had switched between brands. Repeatedly buying the same brand of car increased the quantity of suitable information in the memory and limited the need for external search (DeChernatony, 2011). In this case, it can be said that Body Shop consumers usually consume information or news update about the company from Body Shop stores they have interacted with. And once store staffs did not mention about the acquisitions, consumers were not aware of the news of acquisition. Several reasons exist for limited external search. Consumers have finite mental capacities, which are protected from information overload by perceptual selectivity. One study found that only 35% of magazines readers exposed to a brand advertisement noticed the brand being advertised. Information is continually bombarding consumers and information is a continuous process (Temporal, 2010; DeChernatony, 2011). Perceptual selectivity explains the fact that only small fraction of the information is accepted and processed by consumers. Moreover, consumers are likely to ignore information that do not conform to their prior expectations and interpret some of the other information within their own frame of reference. However, even though information is not an influential factor on consumers' perceptions and decision making, it can affect the purchase subconsciously (Keller, 2008). Therefore, consumers will not be aware of the acquisitions even though the announcement is popularly made in the public.

Discussion This question is fully answered and already well formulated since in the beginning. It entails one direction of answer.

2. **How do customers perceive the acquisition of Body Shop by L'Oreal? (Ex. Negative , neutral, or positive?)**

- Negative: loss of trust, company's credibility and product reliability.
- Positive: more opportunities to generate new innovations of skin care or any cosmetics products.
- Neutral: No Change.

This question is to observe what customers think about what reasons that lead to the acquisition of The Body Shop. Do they think the acquisition is a result of an aim of the Body Shop to expand its existing business and aggressively pursue innovativeness? Do they think the acquisition is a result of The Body Shop's financial problems? Do they think the acquisition is just a common next step of The Body Shop's strategic decision making?

Answer: The majority of consumers did not change their prior perception at all. This topic asked respondents who already knew about the acquisition before the questionnaires and also respondents who just noticed the acquisition right after participating in the questionnaires. The fact that the merged brands (or the brands after acquisitions) do not change the majority of consumers' perception towards **the original brand contradicts with the theory of challenges of brand extension and merged brands** as follows: The merged brands require each company's original brand essence to be applicable to the combined company with all the brands that are incorporated. The associations formed for one brand need to fit for a newly integrated one. Despite each brand has separately strong and positive associations, consumer perceptions toward the combined entity have to be re-examined (James, 2005). In addition, the acquirer has to be able to deliver product claims of the formerly independent brand, referring to know-how and expertise transferability. The main challenge (which sometimes cannot be accomplished) is to find two companies of which concepts fit, match, complement to each other (Reast, 2005). Other than the fit between concepts and associations of brands, quality and credibility of products and reputations between two formerly independent companies should be fit as well. Customers tend to have high acceptance towards brand extensions when there is high perceived credibility of the extended or extending brands. They would feel that the company drives for what is best for quality of products to increase values for customers. One study found that brand credibility lends customer support to the new venture (M&A) even though they do not have knowledge about the future combined corporation by making their own assumptions from their positive associations of the original brand holding high credibility (Reast, 2005). However, the company with strong corporate image can increase general acceptance of customers in relation to brand extensions only if that image refers to high innovativeness (Keller, 2003). As mentioned earlier, customers have established their set of associations and therefore can point out inappropriate extensions in their minds. They can usually identify what appropriate or inappropriate partners for the firms they feel attached to. As already mentioned in brand extensions, consumers' faith towards the parent brand can be destroyed by an incompatible integration of a new product, and these effects are also applicable to M&As. On the other hand, this finding is in line with the staff interview that the acquisition would cause no negative in consumers' perception.

The reason that consumers' perceptions (towards Body Shop after being aware of the acquisition) are not changed can be explained by the theory of "brand equity" or "customer based brand equity perspective (CBBE)". The basic premise of CBBE model is the power of a brand lies in what resides in the minds of customers (Keller, 2008). Customer-based brand equity is defined as **the differential effect that brand knowledge has on consumer response to the marketing of that brand**. A brand has positive brand equity when consumers react more favorably to a product and the way it is marketed when the brand is identified than when it is not (when the product is unnamed). Indeed consumers might be more accepting of a new brand extension for a brand with positive brand equity, less sensitive to price increases or more willing to look for the brand in new distribution channel. Regarding to the definition of CBBE, it is consisted of three elements: (1) differential effect, (2) brand knowledge, (3) consumer response to marketing. First, brand equity arises from difference in consumer response. If there is no difference occurred, the brand name product can be essentially classified as commodity or generic version of product. Second, these differences in responses are a result of their experiences over time or their knowledge about the brand (what they have learnt, seen, felt about the brand). Third, customers' differential responses are reflected in preferences, perceptions, and behaviors related to all aspects of brand marketing such as their choice of brand, response to a sales promotion, or recall of copy points form an advertisement. From this theory, conclusive evidence shows that consumers' perceptions of product performance are highly dependent on their impressions of the brand that goes a long with it (Keller, 2008). Consumers can form their brand knowledge (brand image) from variety of ways other than marketing activities: from direct experiences; through information from other commercial or nonpartisan sources such as

Consumer Reports or other media; from word of mouth; and by assumptions consumers make about the brand itself, its name, logo, or identification with a company, channel distribution, or place or etc. The great example of establishing strong brand image by considering the influence of these other sources of information is The Body Shop (Keller, 2008). Therefore, once brand equity is embedded in the mind of Body Shop consumers, consumers will be less sensitive and able to accept to any changes occurred to the brand.

Discussion **This question has not been fully answered yet.** The result only shows that the majority of consumers 'perceptions are not changed after acquisitions. However, the author cannot find out what consumers think about motives behind acquisitions? (What are their perceptions towards the acquisitions by L'Oreal) For example, do customers think L'Oreal can make better financial result by leveraging L'Oreal manufacturing expertise to Body Shop? Do they think L'Oreal aim to leverage positive image from Body Shop by learning Body Shop's brand management practice and apply that to its existing product lines?

The fact that this question is not answered due to two reasons. First, the way the questions within the questionnaires are constructed cannot lead consumers to give opinion regarding to the topic. There are no questions mentioning about what reasons, that consumers think, lead to acquisitions of Body Shop by L'Oreal. Second, there is also no input from the staff interview. Actually this question is put on the interview, however it is the only one question not answered by all the staff so it was taken out from the interview paper.

The question can be further investigated through new empirical findings with new constructed questions and the theory in this paper regarding to "motives behind M&As" can be applied. In this paper, the theory part about positive/negative aspects and motives behind M&A is not used at all since there is no result about that.

3. **After the acquisition, do customers still distinguish brand portfolios between Body Shop and L'Oreal separately? Or, do they perceive that the acquisition results in dilution or destruction of brand identity, brand image, or consistency of marketing strategies of Body Shop?**

This question is to observe how customers perceive the effect of marketing/ branding management activities of L'Oreal on The Body Shop. Do customers still perceive The Body Shop as an individual brand?

Answer: The acquisition results in dilution of brand identity of Body Shop because the combined entity is rated less positive than the individual Body Shop. When respondents are asked about personal perceptions and attitudes towards the individual companies, Body Shop was rated more positive than L'Oreal but both firms are classified as being more positive than negative. The finding that Body Shop is rated very positive and at the same time more positive than L'Oreal is in line with the interview, the theory, and other information from the empirical finding itself (environment concern and anti-animal testing are the most influential factors when consumers think of the brand of Body Shop). The staff from the interview claimed that Body Shop has distinguishingly positive image because Body Shop focuses on high ethical standards towards product quality, great services, products ingredients, social and environmental concerns, animal rights, and any other CSR. Body Shop also provides consumers with impressive shopping experiences. Consumers can feel a sense of nature and ethical responsibility. However, such experiences and strong ethical values are not offered by L'Oreal. Moreover, the fact that Body Shop is well known as an ethical brand having environmental awareness and anti-animal testing policy (from the empirical finding) enhances its positive company image in the eyes of consumers. As stated before, environmental awareness and anti-animal testing are parts of cause marketing and green marketing. One main reason for the use of cause marketing is the positive response from consumers. According to Cone Communications (a firm advising companies on cause marketing), 80 percent of Americans have a more positive image of companies that support a cause they care about, 86 percent claimed they would be likely to switch brands to one associated with a good cause and almost 75 percent approve of cause program as a business practice (Keller, 2008). The success of cause marketing is highly dependent on the ability to attract strong support or advocacy institutions (Fombrun, 1996). In addition, the success can be shown by the increase in volume of easily accessible information written by external sources about the companies (Ibid). Activist or environmentally concerned consumers usually engage themselves in any kinds of media including widespread usage of internet, consumer report, etc to track information (Ibid). Therefore, not only consumers themselves develop positive perception towards the brand capturing cause marketing, but also other stake holders that influence their perceptions.

Apart from evaluating individual firms, respondents are asked to indicate their general attitude towards the combined corporation (the acquirer L'Oreal and the acquired Body Shop). On average, the combined corporation was rated lower (less positive) than both of the individual companies (dramatically inferior to Body Shop and slightly inferior to L'Oreal). This is in line with the theory but against the information from the interview. The questionnaires prove that L'Oreal does not have negative image among most of Body Shop consumers in Thailand (only 3.4% claimed they have negative perception towards L'Oreal), which is similar to what staff have said. From the interview, once staff are directly asked about whether they think the acquisition brings in the dilution of the brand (Question 12), the answer is "no". They claimed that *Body Shop still remained as the independent firm with old existing values, operations, and marketing. No ingredients from L'Oreal are used in Body Shop products. In addition, L'Oreal products are not shown or sold in Body Shop store at all. There is no linkage in terms of brand image (advertisement, operation, etc.) between L'Oreal and Body Shop. As long as L'Oreal products are not sold in Body Shop branch and the other way around, we think the brand image of Body Shop will not be diluted".* As you can see, some information given by the staff (the fact that Body Shop still remained independent after the acquisition) are the internal information. The consumers might not know about such information.

However, the questionnaire also point out that L'Oreal is rated lower (less positive) than Body Shop and so the combined corporation is rated lower. Therefore, this contradicts with opinion given by the staff saying that there would be no negative effect on Body Shop from the acquisition by L'Oreal due to these reasons given by the staff: 1) attributes of environmental awareness and anti-animal test are not strong in Thailand so the acquisition of Body Shop by L'Oreal having no strong brand equity of being an ethical actor will not be problematic. 2) L'Oreal is seen as good cosmetics company in terms of image, product quality, and great product availability. Indeed, staff claimed the acquisition did not bring in any negative effect. It is correct that, as stated in the finding, the combined corporation does not result in more negative effect because it was rated negatively at 2.3% which is less negative than L'Oreal alone. However, the fact that the combined entity was rated less negative than the individual L'Oreal is that Body Shop's strong brand equity transfers their positive association to L'Oreal once the entity is combined (Daye, 2012). Theory that can explain why the combined corporation's brand perception is rated lower is as follows. One study found that brand associations, which are positive on an individual basis, can change when transferred to a new product category with a brand partner. Alliances with poor or less strong overall attitudes were often linked to associations of attributes of the original product class, whereas alliances with strong attitudes were linked to favorable associations related to the fit between the alliance partners. The value of this study is that it has identified that consumers can become "locked in" to brand-specific associations that may be hard to shift in a brand leverage strategy (James, 2005). Consumers perceive brands as having individual sets of attributes. Indeed, by combining them, the consumers form a composition of the two brands, called "composite concept" (Ibid). In general, there are characteristics specific to these brand growth options (brand extension, and merged brands) but common risks lie between them. The risks are "dilution of the original brand" (EURIB, n.d.).

Discussion **This question has not been fully answered yet.** The part of "do customers still distinguish brand portfolios between Body Shop and L'Oreal separately" is not answered. The empirical result only reflects that consumers perceive the dilution of the brand identity. However, the fact that the dilution of the brand identity exists cannot infer that Body Shop's marketing activities or brand portfolios will be changed as well. After being aware of the acquisition, it is possible that consumers might consciously perceive no change in marketing activities after themselves engaging in their shopping experiences with Body Shop while at the same time they unconsciously perceive change in brand identity. Actually this question is composed of different elements that entail different direction of answers. Dilution of brand identity and changes in marketing activities or brand management are two different situations. The dilution of brand identity can be measured though explicit and implicit feeling of consumers.

The consumers might intuitively feel the brand is damaged even though no change is conducted yet. On the other hand, changes in marketing activities and brand portfolios can be observed only through explicit experience. Consumers can tell whether Body Shop changed their marketing activities or not by looking at how the stores are decorated. Therefore, this question is poorly formed which results in incomplete answer. The newly polished question should be "**After the acquisition, do customers perceive that the acquisition results in dilution or destruction of brand identity or brand image of Body Shop?** Or **After the acquisition, can customers distinguish brand portfolios and marketing activities between Body Shop and L'Oreal separately?**

4. **To what extent does the acquisition of Body Shop by L'Oreal create impact to buyer's perceptions and associations towards the brand Body Shop and therefore affect customer loyalty and buying behavior?**

This measures how much confidence, trust, associations, and so on that customers have towards the brand The Body Shop have been changed after the acquisition. Moreover, does the impact of that change in perceptions lead to a change in buying behavior? To what extent do customers shift to use other brands?

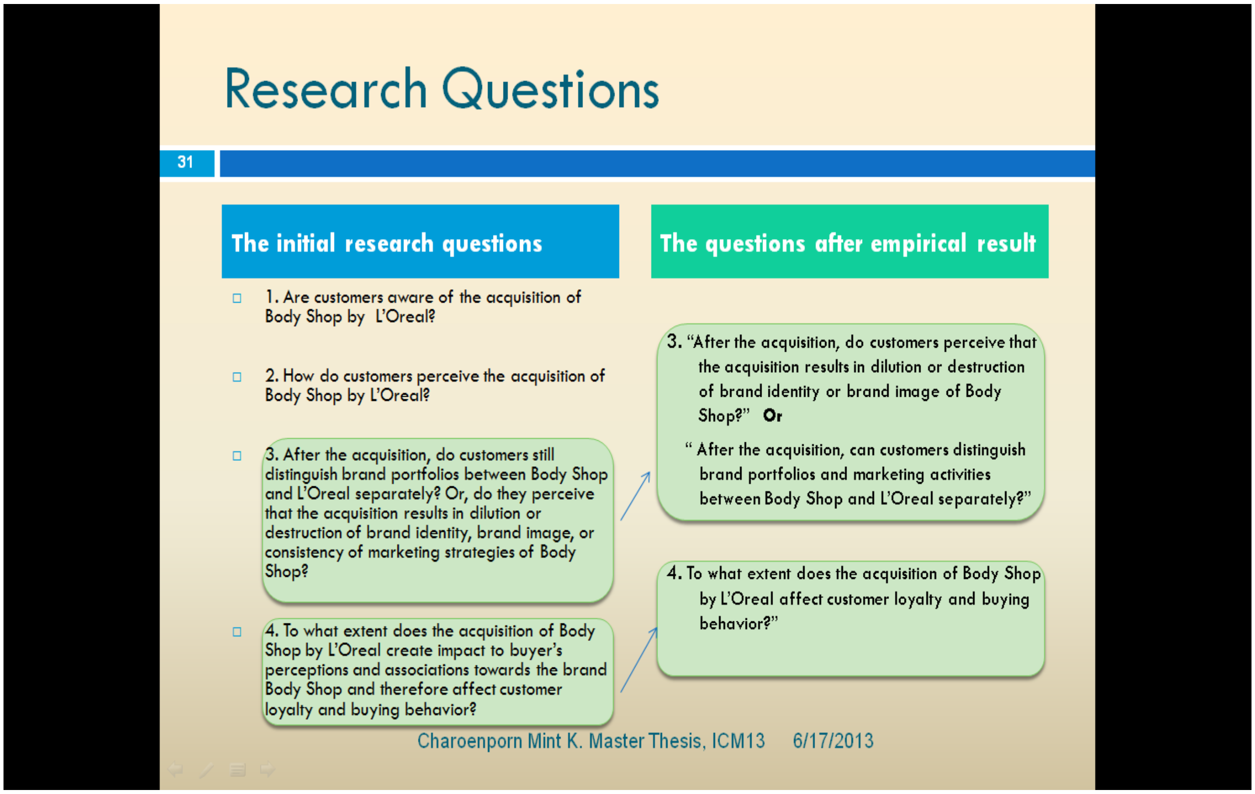
Answer: The majority of consumers' perceptions are not changed after being aware of the acquisition due to the reason stated in the research question 2. However, for few consumers whose perceptions are changed, the results show that their buying behavior is not changed.

When respondents are asked whether their buying behavior would be changed after their perception towards the acquisitions has been changed, the results show that 92.8% of the consumers whose perceptions are changed will continue buying the same amount of products. The fact that consumers do not change their buying behavior can be explained by the theory of "attitude behavior gap". Even though companies try to create lots of information and make it available for consumers to access, many consumers do not really make use of it due to their limited capacity to absorb information (see more details in the part of Consumers' Perceptions of Brands in Relation to Buying Process). Moreover, although they absorb the necessary information of the companies, that does not mean consumers will act upon it and engage themselves in ethical buying behavior (Ibid). Therefore, even though being acquired by L'Oreal brings in negative effect to the brand Body Shop, consumers do not buy fewer body shop products. The theory of "Attitude-behavior gap" (information has asymmetric effects on attitudes) explains why some consumers who possess necessary information of company about cause marketing and positive reputation do not transfer the knowledge in changed behaviors (Carrigan, 2001). There would be punishment or boycott against unethical behavior but at the same time there is no reward for ethical behavior. One survey found that just about 26 percent of interviewed respondents could identify companies that have high cause marketing or portray themselves as corporate- social-responsible or environmentally-friendly firms (Ibid). On the other hand, only 18 percent of them could recognize the least social responsible firms or were aware of the unethical business practice of Nike and Nestle, even highly publicized (Ibid). This can be explained by the complexity of media settings and also impact of different culture and social context (Ibid).

10.4% revealed that they are looking for substitute companies that offer the similar brand image or business concept and 6.2% of those said that they will not change their buying behavior while searching for other alternatives. The fact that consumers search for substitute products can be explained by the theory of brand consideration. Consumers normally have a set of brands in a given product category in their minds (Aperia, 2004), called "brand consideration" (mentioned in the part of Brand Loyalty). Then, under brand consideration (a set of acceptable brands in consumers' minds), they will buy products of one brand more often than other brands based on their preferences and once buying pattern is formed, it is difficult to change (Ibid). Once they lose their interest on one brand, they will shift to another brand within the consideration set. The fact that consumers do not change their behavior while searching for substitute products can be explained by the theory of "stages in buying process". The stages in buying process, when consumers seek information about brands and the extent of the information search, are influenced by an array of factors such as time pressure, previous experience, their situation, advices from their friends (DeChernatony, 2011). There are two factors particularly useful explaining how consumers make purchase decision: the extent of consumers' involvement in the brand purchase, and the perception of any differences between competing brands (Tarnovskaya, 2011). In this case, Body Shop consumers search information in order to find substitute but their buying behavior is not changed. It can be said that they still strongly attached to the brand Body Shop, or perceive big difference between the brand Body Shop and other brands. Indeed, this situation falls into one specific decision process. Extended problem solving occurs when consumers are involved in the purchase and where they perceive significant differences between competing brands in the same product category. The type of decision process is likely for highly-priced brands that are perceived as risky purchases due to their complexity such a brands that reflect self image (cosmetics, clothing, jewellery). Consumers will actively search for information to evaluate alternative brands. Buying behavior will be changed or influenced only if branding advertising presents detailed information explaining the benefits of the brand as well as reinforcing its unique differential positioning. In addition, firms have to ensure that all retail assistants likely to come in contact with these active consumers are well versed in the capabilities of the brand (Dechernatony, 2011).

Discussion This question is not well formulated since in the beginning. The first part of the question entails the same answer as the question 2. Indeed, the question can be better formed as "**To what extent does the acquisition of Body Shop by L'Oreal affect customer loyalty and buying behavior?**

5.6 CHANGES OF RESEARCH QUESTIONS



6. CONCLUSION AND RECOMMENDATIONS

6.1. CONCLUSION

This thesis is conducted on a basis of theoretical framework and a real case study of Body Shop, which are combined with a deep analysis of the empirical findings. Once the author went through the literature review and found some gaps of subject matter regarding to the topic of consumer perception towards the acquired brand, research questions were then formulated.

All consumers are aware of the brand Body Shop and most of them perceive Body Shop as the ethical company, mainly supporting environmental concern and anti-animal testing practice. Consumers have positive attitudes towards Body Shop, more positive than L'Oreal. However, L'Oreal is not perceived as the unethical brand, seen and criticized in European countries. L'Oreal in Thailand is perceived as good quality brand with reasonable price, having great product availability. Nevertheless, the fact that Body Shop's products are beautifully displayed and sold at their own stores, consumers have more positive perception towards Body Shop, compared to L'Oreal's products sold in any department stores or drug stores. Once two different brands with different associations are combined, the strength of the associations of one brand will be mixed with another. Indeed, the acquisition results in dilution of the brand image to Body Shop while enhancing positive brand image to L'Oreal.

Through the case study of the acquisition of Body Shop by L'Oreal, the author found that the majority of consumers are not aware of the acquisition. However, even when they are aware of the news, most consumers' perceptions towards Body Shop are not changed. The dilution of the brand Body Shop does exist after it is acquired by the big brand L'Oreal, but the extent of dilution does not lead to a negative change in consumers' perceptions explicitly. The dilution of the brand resulting from the M&A is negligible as the consumers' perception changes only minimal amount after learning of the acquisition. Thus, the two brands have retained their identity and do not affect each other in a negative fashion.

Although few consumers' perceptions are changed, their buying behaviors cannot be changed immediately. Nevertheless, consumers open themselves for other alternative products with similar brand concepts as their options.

The findings show no big problems or challenges of a giant global brand with a more negative brand image to acquire a smaller brand with a very specific philosophy and superior positive brand image. The reason is consumers in Thai market do not strongly attach to the brand Body Shop and at the same time do not resist unethical reputation of the brand L'Oreal. In another word, they do not actually consider the attribute of testing ingredients on animals as the unethical stand. They do not really care about such value. They are satisfied with the fact that companies deliver good quality products with good prices. In this case, L'Oreal is perceived as a western company that offers high quality product with great availability in the market instead of an unethical brand, seen by the western consumers caring about the value of against animal testing.

Through the acquisition, all physical objects and any intangibles like IPRs can be transferred. However, the brand itself or the concept behind the brand cannot be transferred. The brand has no existence but at the same time enables consumers to draw certain sets of association. Those brand associations can be damaged if some changes occur to the brand such as a change of ownership. New owner of the brand may not be able to create the strong brand equity as the old owner. It depends on the acquiring company's ability to maintain and control values and brand associations of the acquired brand.

6.2. RECOMMENDATIONS

The fact that consumers are not aware of the acquisition by not being officially informed by Body Shop's staff or the company itself can entail new areas of studies. Is it the Body Shop intention that does not want consumers to know about the acquisition? Do Body Shop perceive that the effect of consumers knowing about the acquisition themselves is less than the effect of consumers officially informed about the acquisitions?

One main question of "motives and reasons behind the acquisition of Body Shop" still remains. Further studies can be conducted by examining the information from the perspective of Body Shop and L'Oreal at the same time. Regarding to this topic, empirical findings from consumers and employees of companies are not sufficient since the information may be biased. Consumers receive the information from employees or from the companies. On the other hand, employees deliver the message the company intend to communicate to the public. Therefore, in order to get neutral and reliable information, the future studies need to look through sales/ financial report (balance sheet, income statement, cash flow statement) of each company. The sales figure and financial report from the past performance of each company can imply which company has financial problem in which area, which company has a plan to expand their business, and so on.

This research mentions brand equity only in the perspective of customers since our focus is put on consumers. However, if the next studies aim to investigate brand perceptions under the perspective of employees or other kinds of stakeholders, a different specific definition and different perspective of brand equity is required.

Under the perspective of consumers, this research investigates only the perceptions of the existing consumers of Body Shop. It ignores perceptions of other potential consumers of Body Shop. The next studies can examine the perceptions of any buyers, both who do and do not know about the brand Body Shop. Or they can examine the perceptions of any buyers, both who have and have never bought the products of Body Shop. So that the next studies will benefit Body Shop by being able to come up with new marketing programs that satisfy a larger group of customers after knowing real needs of various groups of consumers. Knowing real needs of potential consumers are very required for Body Shop at the moment since there is no guarantee that Body Shop's consumers will not shift to other brands with similar concepts in the future.

Regarding to the difference in answers of some questions (Question7 and Question 8) between the target group of consumers and the consumers (36-45), there are no proven theories in this paper that can help analyze why the consumers (36-45) reflect different answers for some aspects from the target group, given that almost every other aspects are similar. For further investigation, theories about characteristics of consumer behavior from consumers with different age ranges (towards beauty products of the ethical brand) are required.

If the next studies aim to investigate this topic of research with the specific groups of consumers holding different cultures and nationalities within one specific market, theories of cultural differences are required. For example, what are values, perceptions, and behaviors of each specific culture?

Next studies can further investigate the correlation between age, nationality and income level. How do those three factors influence consumers' perceptions and buying behavior? Are there any specific patterns of age, nationality, and income level that result in certain specific perceptions and buying behaviors? This research ignores such correlation studies because the target group of consumers is already specified by the staff from the interview. Therefore, this research focuses on investigating on the target group, regardless of income level and nationality (the majority is local Thai consumers).

Next studies can further investigate this topic with an emphasis of intellectual capital management perspective. This research just briefly explains why the brand as an object cannot be transferred through the acquisition because the focus of this research is put in the organizational and marketing perspective.

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APPENDICES

APPENDIX1: QUALITATIVE INTERVIEW

Staff Interview

Purpose: This interview is conducted in order to see how staffs perceive the acquisition (positive or negative), what feedbacks they have received from customers, how they are trained to react with such change, if they are actually knowledgeable and understandable about the acquisition, and what problems they have faced from customers after the acquisition. Such information can help the author better analyze information gathered from customers.

4 staffs from different locations are interviewed: Central Rama2, Siam Paragon, The Emporium, and Central Pinklao. There is only one staff from Central Rama 2 willing to give her name and permission to take her photos during the interviewing process. The other 3 staffs are not willing to answer the questions at all because they are afraid of information leakage to other competitors. However, I can gather information from those staffs by going there as loyal consumers or member card holders and ask them questions on behalf of one customer. Of course, they are always willing to help customer more than information seekers.

Body Shop Staff from Central Rama 2: Janjira Chaloot (Branch manager)

The interview is conducted in Thai and translated into English by the author. At first, the author conducted the interview in English but, due to language barrier, that the interviewed staff has difficulty in understanding real definitions of questions as well as giving solid answers, the author decides to conduct the interview in Thai. Apart from language barrier that leads to unclear communication, culture in giving information out to outsiders is ethically forbidden in Thai society.

All the questions cannot be completed with one interviewee from one shop. Instead, 4 staffs from different locations are interviewed. The reason is that one staff cannot answer all the questions and the author aims to gather neutral information from Body Shop staff. Interviewing only one interviewee will lead to bias information from one perspective and also result in limited information. Moreover, different staffs from different locations have different perspectives in answer the same question. Therefore, all the answers below are again combined and composed by the author.

Q1) Please explain the core image of Body Shop? What makes Body Shop different from other cosmetic companies? (What messages do Body Shop intend to deliver to consumers?)

As can be seen, Body Shop's image focuses on high ethical standards towards products quality, products ingredients, social or environmental concerns, great services, fair business or trade policy, and also good welfare and treatment to living being (both human and animals). Body Shop is different from other cosmetic companies in terms of consumption experiences and positive feelings occurred in consumers' minds. Body Shop does not only aim to promote the image of "flawless beauty" through direct advertising like other cosmetic companies. Instead, it provides consumers with impressive consumption experiences. Once consumers step in Body Shop's stores, they will feel a sense of nature and ethical responsibility. Lots of posters and brochures about product knowledge and also any environmental or social concerns are clearly seen and free provided to consumers.

Q2) What do you think are the main core values that attracts consumers? What make them strongly value Body Shop?

Actually there are many core values that attract consumers. Different values attract different consumers. However, I would mention the core values that are mostly seen by majority of consumers, bring in loyal and new consumers. These core values are purely natural ingredients used in products as well as sense of positive shopping experiences in stores (shop displays), and also great services provided by Body Shop staffs. These core values are frequently mentioned by consumers when we ask them about what they like about Body Shop.

Q3) What is the range of age that is the target group of Body Shop customers?

We have few different target groups but the group that generates the largest proportion of sales is from female consumers with the range of 26 -35 years old. Thailand has high tax on foreign products and Body Shop is one of those. The pricing of Body Shop products is considered very expensive in Thailand, confirmed by Body Shop ' s consumer perception survey conducted by Body Shop Thailand. Indeed, the people who choose Body Shop are the ones with middle income to high income. Most of those consumers come to buy the products with prior knowledge about Body Shop. Some of them claim to know the products from being abroad or from their foreign friends. The others claim that they do not know the product before but they are attracted by outstanding shop display, different from other cosmetics companies.

Q4) What is the proportion of foreign customers and Thai customers?

The statistics is not stable and we cannot tell you specific information about that since the information has been changed over time. The proportion really depends on locations of stores and we cannot say that each location has had stable demographic data over time. There are high rates of moving in and moving out in all single areas in Bangkok, which almost all Body Shop stores are located in. Back then, most foreigners had lived at the center of the city. However, now due to a growing number of better transportation and living infrastructure through the whole area in Bangkok, foreigners are scattered in any areas in BKK.

Q5) Does Body Shop concern about country/culture differences between consumers when doing promotion or any marketing programs?

As you can see, all Body Shop stores look all the same everywhere in the world. That does not mean that we do not care about local market needs and preferences. Instead, we want to communicate the message to all consumers around the world so that our image has high consistency in terms of company values in the mind of consumers. Even though the massive promotion within the shop has not reflected local need in Thai consumers, any social campaigns or activities outside the shop for establishing strong relationship with consumers are done in a way that directly responds to Thai consumers.

Q6) Body Shop is very well known in creating brand community, so how does Body Shop in Thailand build brand community with customers and how effective is that approach?

Thai consumers in this era explore their needs through their connections, networks, and own direct experiences. Most of them explore the quality of certain product on the internet through blogs, their joined community webpages, social networks, and word of mouth from their friends and relatives. Therefore, we contact people who are social media influencers such as bloggers, famous facebook player, any popular singers to give positive feedbacks about the products. In spite of without direct advertising through any traditional media like TV, Thai people know Body Shop well from activities organized and advertised on social media and Body Shop stores. Frequently, Body Shop Thailand will organize warm events that gather consumers (who hold member cards or buy specific products), dermatologists, and /or celebrity (Bloggers, Stars, any influencers) to interact with each other. The approach is effective so far since we have consumers to join in activities over time and consumers come to ask about new products introduced in the brand community activities.

Q7) Would you consider against-animal -testing policy, environmentally-friendly (Protect the planet), and natural ingredient practice as core values that attract consumers?

I would say against-animal –testing policy, environmental friendly and natural ingredient practice may be core values and images of Body Shop in many countries abroad. However, not all of them are reasons attracting consumers in Thailand. The value of against-animal-testing is not highly concerned by the majority of Thai consumers. I am not saying such value does not create impact to the image of Body Shop at all, few of consumers do realize and appreciate that value, especially foreign consumers. Similar to against-animal-testing policy, the environmentally-friendly policy does not influence all Thai consumers but create impact in consumers mind in a greater extent than the first value. Lastly, the practice of using natural ingredients is the most important core value of Body Shop Thailand. Thai consumers decide to buy Body Shop products because they do not like chemical cosmetics.

Q8) Are most of the Body Shop consumers loyal or new customers?

Most of Body Shop Thailand's customers are loyal and more than 90% are ladies. These customers know our products very well. Some of them had known about the products way before Body Shop was open in Thailand. Such customers are mostly high income people who studied or travelled abroad. On the other hand, the other group of customers (middle income) had known the products when they walked passed by the stores themselves and then were attracted by the store display and promotion.

Q9) What are main attributes and benefits of Body Shop that, you think, create customer loyalty?

Our company is claimed worldwide as being different from others due to strong moralistic values such as environmental friendliness, fair trade, against-animal testing, and so on. However, the main attributes that creates loyal customers in Thailand are as follows:

- Body Shop provides customers with fun community campaigns which build close relationship between customers and staffs, between customers themselves, and between customers and Body Shop Thailand.
- Our staffs are all well trained and equipped with knowledge about all product lines. Staffs know what ingredients are used in each product and also can analyze which product is suitable to which customer. Different customers with different demographic factors have different needs.

Q10) About the acquisition by L'Oreal, other than announcing through newspaper and online media, do Body Shop Thailand inform the news exclusively to its loyal and new consumers?

No, we have not done any exclusive announcement. Usually, the news we have informed to our customers is only about new promotion or community campaigns that customers can benefit from. Basically, if the customers did not ask about the acquisition, we would not inform customers. However, if they asked, we would be more than willing to give information. It is not because we want to hide the truth. Instead, our main duty is to give the best advices and services to customers mainly about products.

Q11) Do you think consumers link the image of Body Shop to that of L'Oreal after the acquisition in 2006? Do you think that the acquisition has influenced consumers' perceptions of Body Shop?

No, we do not think so. We would say that most of our customers are not even aware of the acquisition and I am pretty sure about that. The reason is we have received few questions from very few customers so far and there were not any negative feedbacks from them. In addition, during the company meeting, there was no report from any staffs about customer reactions regarding to the acquisition.

The acquisition has not influenced consumers' perceptions towards Body Shop because they did not actually know about the acquisition. Also, even if they are aware of the acquisition, we are confident that our customers would not have aggressively negative responses as well. We think L'Oreal in Thailand is perceived as a good cosmetic company in terms of product quality, image, and great product availability. Moreover, values of environmental friendliness and against-animal –testing are not that strong in Thailand, unlike other western countries.

Q12) Do you think that consumers will be confused of the Body Shop's old values and new associations derived from L'Oreal? Do you think that there will be a dilution of the brand image?

As we said that customers were not even aware of the acquisition- as well as the fact that Body Shop remained as the independent firm with old existing values, operations, and marketing-customers will not be confused. Moreover, Body Shop has still used existing ingredient suppliers since the acquisition. No ingredients from L'Oreal are used in Body Shop products. In addition, L'Oreal products are not shown or sold in Body Shop store at all. There is no linkage in terms of brand image (advertisement, operation, etc.) between L'Oreal and Body Shop. This may be reasons why most customers did not realize about the acquisition.

Anita Roddick was hired by L'Oreal as an advisor helping L'Oreal to learn from Body Shop in creating good public brand image. L'Oréal will enrich its values with Body Shop's. L'Oréal intends to step forward with their against -animal -testing policy, environmental policies and others valued by Body Shop. As long as L'Oreal products are not sold in Body Shop branch and the other way around, we think the brand image of Body Shop will not be diluted.

Q13) So far, have you experienced any change in buying behavior after the acquisition, implying the changed perception and attitude towards Body Shop?

There is a gradual decline in sales volume for the past few years. However, we do not think that the decline is directly a result of the acquisition. Our company has analyzed causes of problems and the main problems are: more competition in cosmetics shop, Korean wave in Thailand, or worse economic situation.

Q14) Regarding to the acquisition, do you receive any negative feedback from consumers such as critics, complaints, etc?

So far, we have not received any negative feedbacks. Very few customers came to ask us about the acquisition and they did not complain or criticize afterwards. Instead, they start dialogue for a purpose of clarification: whether Body Shop still remained independent identity in terms of brand and product management.

APPENDIX 2: QUANTITATIVE QUESTIONNAIRES

Chalmers University of Technology

Charoenporn Kaewmanorom:
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Consumer Quantitative Questionnaire

I am Charoenporn Kaewmanorom, a Master student of Intellectual Capital Management Program from School of Entrepreneurship, Chalmers University of Technology, Gothenburg, Sweden. I would like to welcome you to my questionnaire for my Master thesis. The research focuses on brand management of the brand image after acquisitions.

This questionnaire is designed to observe your perceptions and attitudes towards the brand Body Shop and its image. No skills and knowledge about the company are required to complete this questionnaire. Only feelings and spontaneous response are needed. You do not have to spend too much time for these questions; just choose the answers that immediately come up to your mind.

This research will be conducted anonymously so your opinion and your name will not be revealed in the public. It will be treated with great confidentiality. Therefore, please feel free to reflect your opinion.

Thank you very much for your participation. Your input will be very helpful for this research.

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1. Age

15-25 ○ 26-35 ○ 36-45 ○ 46+ ○

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2. Gender

Male ○ Female ○

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3. Nationality

Thai ○ European ○ Asian ○ Australian-Kiwi ○

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4. Income

Less than 15,000 baht ◯ 15,000-30,000 baht ◯

30,000-45,000 baht ◯ More than 45,000 baht◯

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5. Please consider how much these following product attributes (to what extent) influence your purchase decision when it comes to cosmetics and beauty products.

	No influence	Unconsciously influence	Influence to a certain extent	High influence
Quality	◯	◯	◯	◯
Price	◯	◯	◯	◯
Ingredients	◯	◯	◯	◯
Promotion	◯	◯	◯	◯
Brand	◯	◯	◯	◯
Image of Company	◯	◯	◯	◯

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6. Do you know the cosmetics brand “Body Shop”?

Yes, I do ◯

No, I do not◯

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7. How often do you buy Body Shop products?

Never ◯ Rarely◯ Sometimes ◯ Often/frequently ◯

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8. Once mentioning the brand “Body Shop”, which attributes come up to your mind? Please rank each one of following attributes. 1 refers to the attribute that you first think of, 6 refers to the attribute that you least think of. Each number cannot be used repeatedly; otherwise the order of these attributes cannot be formed.

	1	2	3	4	5	6
High Product Quality						

Social responsibility						
Good packages/ attractive products						
Anti-animal testing						
Environmental awareness						
High price						

9. Please rank which attribute can influence your buying decision in favor of or against Body Shop products. 1 refers to the attribute that strongly influences your purchase decision. 6 refers to the attribute that has the least influential force for the purchase decision. Each number can again be used only once.

	1	**2**	**3**	**4**	**5**	**6**
High Product Quality						
Social responsibility						
Good packages/ attractive products						
Anti-animal testing						
Environmental awareness						

High price						

10. Since March 2006, Body Shop International is fully owned by L'Oreal with a deal of 1.2 billion $. However, Body Shop is still managed as an independent entity with L'Oreal Corporation.

    Before this questionnaire, have you been aware of the acquisition of Body Shop by L'Oreal?

Yes, I have been aware of it. ◯

No, I have not been aware of it. ◯

11. Once you were aware of the acquisition, was your perception towards the image of Body Shop changed? (either you knew about the acquisition before or after doing this questionnaire, you are qualified to answer this question)

Yes, in a negative way ◯

Yes, in a positive way. ◯

No, my perception is not changed. ◯

12. Please rate your perceptions towards the brand of Body Shop, L'Oreal, and the combination between the two.

	Very negative	More negative than positive	More positive than negative	Very positive
L'Oreal	◯	◯	◯	◯
Body Shop	◯	◯	◯	◯
combination	◯	◯	◯	◯

13. If your perception towards Body Shop has changed after the acquisition, will your purchasing behavior of Body Shop products be changed as well?

Yes, I will buy fewer Body Shop products. ◯

Yes, I will buy more Body Shop products. ◯

No, I will continue buying the same amount of products as before. ○

14. After knowing about the acquisition, are you looking for substitute products of other brands with similar image, values, and business concepts as Body Shop?

Yes, I am. ○

No. I am not. ○

Thank you for your participation! I really appreciate for your help.