Rebranding after Mergers and Acquisitions
(The effect of product brand in corporate brand architecture)

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Background: Recent years, M&As have increased sharply. Brand as one of the  
most precious assets has unavoidably been taken into consideration in  
these deals. Company can gain great benefit when handle acquired  
brand properly. Responding to rebranding issue, a clear designed  
rebranding strategy is considered a solution to deal with it, and brand  
architecture can be a useful tool to help adjusting the relationship  
between acquiring and acquired brand.

Aim: The purpose of this research is to explore how firms can strengthen  
its corporate brand after acquired a strong product brand through  
proper rebranding strategy and well designed brand architecture.

Definitions: Brand: a name, term, sign, symbol, or design, or a combination of  
them, intended to identify the goods and services of one seller or  
group of sellers and to differentiate them from those of competition.  
Rebranding: the creation of a new name, term, symbol, design or a  
combination of them for an established brand with the intention of  
developing a differentiated (new) position in the mind of stake  
holders and competitors.  
Brand architecture: the relationship among and between corporate,  
company (subsidiary), and product brands. Such relationships  
embrace products and services, or a mixture of the two across the  
hierarchy of brands.

Results: There are possible options that companies can strengthen its corporate  
brand by acquired product brand, when company take brand  
integration strategy. Moreover, choosing suitable brand architecture  
during brand integration process is very important for a company

Key words: Brand, Rebranding, Product Brand, Corporate Brand, The Brand  
Relationship Spectrum, Brand Architecture, Dynamic Brand  
Architecture
Acknowledgement

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1. Introduction

1.1. Chapter introduction

This chapter is to make a short overview of the thesis. The chapter will begin with the concept and background of our research, the next highlight the problem areas which conclude to our research questions, then put forward aims and objectives and follow by a brief account of methodology, in the end outline the whole thesis.

1.2. Research concepts

Brand, as a method of distinguishing the goods from one to each other, has been around for centuries (Keller, 2003). Nowadays, according to the American Marketing Association (AMA), a brand can be defined as a “name, term, sign, symbol, or design, or combination of them, which is intended to identify the goods and services of one seller or group of sellers and to differentiate them from those of competitors” (Keller, 2006:3). It has long been recognized that brand as one of the extremely valuable intangible assets, which is far more significance than tangible assets (Murphy, 1990). Undoubtedly, brand not only identifies a product, service or corporate, but also performs a strong bond connecting product and customer (Hogan, Lemon and Rust, 2002) through associating with perception, loyalty, image, culture and so on. It provides a ‘certainty’ as to future cash flow. As all business needed such ‘certainty’ in order to properly to plan, invest and develop clearly that brands play a key strategic role in a large number of companies (Murphy, 1990).

With the developing of economy and the improving of management, many scholars have divided the understanding of a brand into two different levels, corporate brand and product brand. The concept of a product brand is more related to traditional cognition of the brand. It conveys a specific image and satisfies expectations of certain target customers in a given product market (Basu, 2006). By contrast, the audience of a corporate brand is broader than product brand, which includes customer and stakeholder.

Corporate brand and product brand are different but interrelated concepts. They are a precious asset for a company, only if they can be well organized. In M&As, rebranding issue is more crucial and urgent to resolve, due to M&As may sometimes affect the coherence of the relationship within and/or between corporate brands and product brands. Brand architecture as an important part of branding strategy, provides an effective means for structuring and managing them. Balmer and Gray (2003:983)
state that “brand architecture refers to the relationship among and between corporate, company (subsidiary), and product brands. Such relationships embrace products and services, or a mixture of the two across the hierarchy of brands”. “Well conceived and managed brand architecture can generate clarity, synergy, and brand leverage rather than a diffused focus, marketplace confusion, and brand-building waste” (Aaker, 2000:102). Company's competitive advantages represented as the relative importance of corporate culture and values to some extent are determined by the relationship between corporate brand and product brand, in other words, determined by the type of brand architecture. (Muzellec and Lambkin, 2008).

1.3. Research context

Merger and acquisition activity has increased drastically over the last two decades (Hijzen et al., 2008), and this trend continues to be a highly popular form of corporate development with the development of globalization. The main reason for this wave is mergers or acquisitions can help companies to improve their capabilities within a relatively short period (Lynch and Lind, 2002).

Brand as one of most valuable assets has to be unavoidably taken into consideration in M&As. A huge blunder to cause failure of M&A is when senior executives make a decision before and during merger, they often think little of the branding of the new corporate entity. Without a solid-brand platform to work, company integration will often be mismanaged (Ettenson and Knowles, 2006). Because of the importance of brand, in company’s merger and acquisition, brand usually as an indispensable part of the asset has been acquired. During M&As, all eyes are on the brand. It becomes a lifeline to reassure continuous value earning for constituencies and a symbol of what they can expect in the future (Gregory, 1999). When handled properly, rebranding in M&As can be a prominent role in communicating corporate strategy intent and ensuring that a productive relationship is maintained and enhanced with employees, customers, and the investment communities (Ettenson & Knowles, 2006).

1.4. Branding problems in M&A

With the increasing number of companies involving in M&A, most of them are struggling with how to integrate tangible and intangible resources. When different companies and/or divisions belonging to different companies combine into one entity, brand as identity of the company often lead to brand problems, beginning with how to name the company after the M&A and going down into details about what to do about overlapping and competing product brand (Lambkin and Muzellec, 2010), as well as how to reconcile the conflict of culture differences behind the brand. Furthermore, the complex condition of acquisition in terms of the different industries, scales, and brand reputation etc. create difficulties to brand merger.
In the recent years, we noticed more and more companies based in emerging countries such as China, India acquired or planed to acquire well-known brand. For some companies, many people outside these emerging countries have never heard the name of them. As we know each brand has its own distinctive identity, the brand equity is also varied enormously. During and after M&As how to manage these different brands, synergy their identities, and leveraging equities to realize value maximization are enormous challenges for the acquiring company.

A clear designed rebranding strategy can help companies taking advantage of brand merging to win fierce competition. If clear strategy absents, brand mergers too frequently end up in failure and mistrust because of the short-term driven or personal agendas (Basu, 2006). Due to the complexity of brands, implementing rebrand strategy in brand mergers is not only concern simple corporate level or product level any more. We have to take both corporate brand and product brand into consider, and analysis this issue from a dynamic perspective. Moreover, when illustrate the relationship between corporate brand and product brand, most previous literatures focus on corporate brand, and stress that corporate brand plays a key role when companies who compete with other counterparts (Brown and Dacin, 1997, Hatch and Schultz, 2001, Morsing and Kristensen, 2001). These viewpoints evoke our interesting in the role of product brand, and brand integration issue during and after M&A. In the following section, we will present our research purpose and research questions.

1.5. Research purpose and questions

The purpose of this research is to explore how company can integrate acquiring brand and acquired brand in M&As, and the role of product brand in M&As. Considering this purpose and the problems identified in the previous section, we can come up with a set of research questions as follows:

Q1: The role of product brand in rebranding after M&A, how can product brand influence corporate brand?

Q2: How can company strength corporate brand through organizing brand architecture to achieve brand synergy after M&As?

1.6. Methodology

We decide to do our thesis by using both theoretical review and empirical case study. For the theory part, we mainly focus on journals, books to structure our arguments. In addition, internet would be used as auxiliary source.
Our current plan for the empirical part is to conduct a case study that is Lenovo and IBM ThinkPad brand merging. Interviews as our research method would be implemented at company side. We would try to contact one staff who works in Lenovo and interview him. Through this interview, we want collect some useful information which concerns brand position and their anticipated direction of brand development from company’s prospective.

In this part, we would conclude our observation to reflect theoretical review then give our own findings, and, we need to make sure that our research results are reliable.

1.7. Overview of chapters

The outline of this thesis goes as follows: first, previous literature review, which illustrates a basic view of brand and brand merger, and the viewpoints of corporate brand and product brand as well as brand architecture from scholars. Followed by our research methodology, we choose Lenovo as our research object, and employ qualitative method to investigate Lenovo and ThinkPad integration after Lenovo acquired IBM PC division. In the third part, we are going to analyze and discuss the finding of this research as well as reflect literature review part. Finally, we will give a conclusion based on our analysis.
2. Literature review

2.1. Chapter introduction

This chapter we discuss brand and rebranding issue under M&A context through reviewing previous literatures. The objective of this chapter is to present the theory parts about rebranding strategy in M&As. We will start with elaborating basic view of brand and brand merger then move on to the viewpoints of corporate brand and product brand as well as brand architecture.

2.2. Brand

Brand, as a method of distinguish the goods from one to each other, has been around for centuries (Keller, 2003). In recent decades, economic and technological accelerate industry consolidation. For gaining competitive advantage, many companies expand rapidly through mergers and acquisitions. In the M&As process, how to synergy and leverage acquired brand becomes an unavoidable issue which captures scholars’ great attentions.

2.2.1. The history of brand

The term of brand and branding has existed for a centuries (Keller, 2006). Its origin can be traced back to 4000 years ago (Moore and Reid, 2008). At that time, ancient pottery and stonemason’s mark were applied to handcrafted goods to identify source and guide quality (Keller, 2006). Moore and Reid (2008) named this type of marks as ‘proto-brands’, which involved information (either physically or inherently) attached to a product or product packaging. The main function of ‘proto-brands’ included, first, provided the information of origin place of a given raw material. Second, some of the basic function of marketing took place by elaborating this information. Third, this origin information helped to remove uncertainty for customer, thereby reducing risk in purchase decision and increasing perceived quality (Moore and Reid, 2008, p.430).

Nowadays, besides the key role played by ‘proto-brands’ as convey of information (origin and quality) which has been kept to this day, the concept of brand becomes more complex (Moore and Reid). It has been seen as a key role of connecting product to customer by creating differentiation and preference for a product or service in the mind set of the customer (Knox and Bickerton). Knox (2000:266) defines brand as “a product or service, which a customer perceives to have distinctive benefits beyond price and functional performance”. Kapferer (1997) refers brand as a symbol, the role
of this symbol is to distinguish one company’s product from another’s. The definition of brand according to the American Marketing Association (AMA) is a “name, term, sign, symbol, or design, or a combination of them, intended to identify the goods and services of one seller or group of sellers and to differentiate them from those of competition.” (Keller, 2006:3) Brand function fundamentally changed from descriptions of origin to objects of artifice (Mercer, 2010). Keller (2006) identified different roles that brands play for both consumer and manufacture parties.

From consumers’ side, brands play as (Keller 2006:8):

- Identification of source of product
- Assignment of responsibility to product maker
- Risk reducer
- Search cost reducer
- Promise, bond, or pact with maker of product
- Symbolic device
- Signal of quality

The meaning imbedded in brands is more profound than before. Between customer and brands, there exist a certain types of bond. Customers offer their trust and loyalty to brand, believe in the brand can behave like what they expect. By contrast, brands provide realizable advantages and benefits and derive satisfaction when purchasing occurs (Keller, 2006).

From manufactures’ side, brands play as (Keller, 2006:9):

- Means of identification to simplify handling or tracing
- Means of legally protecting unique features
- Signal of quality level to satisfied customers
- Means of endowing products with unique associations
- Source of competitive advantage
- Source of financial returns

To firm, brands represent enormously valuable intangible assets which enable to influence customer behavior, and establish inimitable competitive advantage for a firm to sustain long-term development (Keller, 2006).

In the twentieth century, many advertising agencies gathered brand into strategies planning such as developed the concept of brand hierarchies to implement single-line marketing without losing flexibility of established proprietor brands as endorsements. Thus, brand provided immediate benefits to firms to protect competitive advantage. In addition, it left a long-term legacy to facilitating further developments such as brand architecture (Mercer, 2010). To some extent, brand is synonymous with the name of the company and reputation (Wheeler, 2006).
2.2.2. The impact of branding on customers and brand owners

With the development of technology, products and services become indistinguishable. Competition creates infinite choices, this time brands take an important role to stand out in a densely crowded marketplace (Wheeler, 2006). On one hand, brands provide an assurance of quality, reliability, etc (Murphy, 1990). The product and service of a specific supplier differentiate itself from others by brand. Wheeler (2006:3) states that “brand is the promise, the big idea, and the expectations that reside in each customer’s mind about a product, service, or company. People fall in love with brands, trust them, develop strong loyalties to them, buy them, and believe in their superiority”. It serves like a kind of ‘route map’ to help customers refine alternatives when customers make a decision of purchasing. On the other hand, the brand owners grab powerful benefit from brands. Firstly, brands create a platform where brand owners can reach over the shoulder of the retailer communicate directly with customers. Without of brand, all purchasing power will reside in the middleman or retailer and all products would be commodities. Secondly, brands create opportunities for brand owners to develop consumer loyalty, add value to their products and capture investment in the brand by building brand values. In the long-term, brands become a sort of annuity for their owners as the consumer loyalty and affections they engender act as a guarantee of future demand and hence of future cash flows (Murphy, 1990).

Brand can be a powerful weapon in today’s business competition. Likewise, brand can be a negative impact factor for firms. In the book ‘No Logo’, Klein (2010) argued that our life is full of brands like LV, NIKE, and Starbucks etc. We are inseparable from them. In some sense, market is dominated by a small minority of brands, which limit customers’ choices, and manipulate customers’ brand perception for products. Brand has been exploited as a tool to beatify product and the owner company. Meanwhile, customers blindly worship demythologized brands, but less concern about the product itself.

2.3. The relationship between brand and customer

2.3.1. Brand identity

Studies indicate that businesses spend billions of dollars trying to create brand identities for dominant the market in such competitive environment (Marketing Science Institute, 2002). It should be of no surprise, Aaker and Joachimsthaler (2000b) states brand identity can be seen as the brand strategist aspires to create or maintain a set of brand associations. These associations imply a promise to customers from the organization members. Brand scholars believe that brand identity refers to the key words of the core value of a brand (Keller, 2003), which provide clear guidance for
action and create differentiation advantage for a firm (Agres & Dubitsky, 1996).

Research carried out in the Brand area by Aaker and Joachimsthaler (2000b) found that clear brand identity could help firm to establish a strong brand. Because the powerful images in customers’ minds created by a strong brand, it has a positive influence on buying behavior (McEnally and de Chernatony, 1999). Meanwhile, a strong brand identity will help firms to build brand equity through increased recognition, awareness, and customer loyalty, which in turn helps make a company successful (Wheeler, 2006). From this point of view, clear brand identity is essential for a firm, therefore, it should reflect and support the objectives of the brand (Frankefiorella, 2008).

A brand identity needs to be punchy, memorable, focused, and motivating in order to be communicated effectively (Aaker and Joachimsthaler, 2000b). There are some guidelines to create effective brand identity that showed in Figure:

![Creating Effective Brand Identity Systems](image)

**Figure 2.1: Creating effective brand identity systems**

*Source: Aaker and Joachimsthaler (2000, p.51)*

From Figure 2.1, we can see that there exist eight ways creating effective brand identity, which are avoid a limited brand perspective, Link to a compelling functional benefit whenever possible, ignore constructs that are not helpful, generate deep consumer insight, understand competitors, allow multiple brand identities, Make the brand identity drive the execution and elaborate the brand identity (Aaker and Joachimsthaler, 2000b). In general, the most important methods to be effective, from
Aaker and Joachimsthaler’s view (2000b) are a brand identity needs to resonate with customers (generate deep consumer insight), differentiate the brand from competitors (understand competitors & avoid a limited brand perspective).

Understand the customer needs is one of the most important things for firms. It means that brand identity should help establish a relationship between the brand and the customer, not only care what customers say, but also focus on what they do (Aaker and Joachimsthaler, 2000b). Meanwhile, the essence of differentiating the brand from competitors is to increase the perceived value of the offering to the customer more effectively (Grant, 2010). Hence, taking a deep insight in competitor’s brand strategy can help brand-building task (Aaker and Joachimsthaler, 2000b).

2.3.2. Brand equity

Brand equity, as we know, has been defined in number of different ways. For example, Farquhar (1989:24) demonstrated that brand equity is “the added value to the firm, the trade, or the consumer with which a given brand endows a product”. Aaker (1991) has stated that brand equity as a set of brand assets and liabilities linked to a brand which can add to or subtract from the value provided by a product or service to a firm and/or to that firm’s customers. However, most brand scholars are in agreement that brand equity should be defined in terms of marketing effects uniquely attributable to brand. (Keller, 1993; Aaker and Joachimsthaler, 2000b). In our thesis, we will focus on the brand effects on the individual customer, which is customer-based brand equity.

Customer-based brand equity is defined as the “differential effect of brand knowledge on consumer response to the marketing of the brand” (Keller, 1993:1). Recent research claims that the generating of customer-based brand equity is caused by some preconditions. First, customer has a high level of awareness and familiarity with the brand. Second, customer needs to store some strong, favorable, and unique brand associations in their memory (Keller, 2003). For this reason, there are some important sources of brand equity, which are shown in the Figure 2.2:

![Diagram of Brand Equity Sources](image-url)
Brand awareness plays an important role when a customer makes a choice (Keller, 2003), it has been shown to affect their perceptions and taste (Aaker and Joachimsthaler, 2000). Brand awareness refers to “customer’s ability to recall and recognize the brand under different conditions and link the brand name, logo, and jingles and so on to certain associations in memory.” (Wikipedia, 2011). There are some evidences shows that people usually like to choose the familiar items (Keller, 1993). In order to ensure customers can get familiar with brand, firms need to create some opportunities for customers to learn about their brand. Keller (2003) states that the more ‘experiences’ customer can receive from the brand, the more likely it is that the brand will become strongly registered in memory.

Brand associations, in general indicate that anything can be connects customer to the brand (Aaker and Joachimsthaler, 2000). There are various perspectives on the brand association elements, which include user imagery, product attributes, use situations, organizational associations, brand personality, and symbols. (Aaker and Joachimsthaler, 2000). Farquar and Herr (1993) claim that brand associations comprise usage situation, product attribute, product category and customer benefits. From Chen's (2001) view, brand associations can be divided into organizational associations and product associations. According to both Keller (1993) and Aaker (1991), corporate marks or logos play an important role in the process of generating brand associations. Then, Aaker and Joachimsthaler (2000) state that because perceived quality influences brand associations in many contexts, it is a special type of brand associations.

Brand loyalty, consists of a customer’s commitment to insist in using or buying the same brand (Dick and Kunal, 1994). Brand loyalty is at the heart of any brand’s equity, which signifies a measure of attachment that a customer has to a brand (Aaker 1991). From Aaker and Joachimsthaler (2000) view, a brand can have significant equity with intensely loyal customer base. In both research and practice, brand loyalty can be divided into attitudinal brand and behavioral brand (Worthington, Russel-Bennett and Hartel, 2009). Russel-Bennett, McColl-Kennedy and Coote (2007) as cited in Worthington, Russel-Bennett and Hartel (2009:244), suggest that “Attitudinal brand loyalty relates to consumers psychological commitment to repurchasing the brand, whereas behavioral brand loyalty is concerned with the action of repurchase”. In shortly, attitudinal brand loyalty is what I think about this brand, behavioral brand loyalty is what I will do. (Worthington, Russel-Bennett and Hartel, 2009).

From what we discussed before, there exist some relationship between brand associations and brand loyalty. Which means brand personality, symbols organizational situation and some other brand association’s elements can affect or cultivation customer’s loyalty, which can be seen in figure:
From Figure 2.3, we can see that brand associations, include three elements: attributes, benefits and attitudes (Keller, 1993). These three elements reflect what value the customer can get from the product and explain what constitute the basis for consumer behavior (Kaynak, Salman and Tatoglu, 2008). Brand loyalty, as we have discussed before, which signifies a measure of attachment that a customer has to a brand, based on customer’s opinion and behavior of this brand, in other words, brand associations (Aaker, 1991).

Park (1991 cited in Keller 1993:8) demonstrated that “Fundamentally, high levels of brand awareness and a positive brand image should increase the probability of brand choice, as well as produce greater consumer (and retailer) loyalty and decrease vulnerability to competitive marketing actions. Thus, the view of brand loyalty adopted here is that it occurs when favorable beliefs and attitudes for the brand are manifested in repeat buying behavior. Some of these beliefs may reflect the objective reality of the product, in which case no underlying customer-based brand equity may be present, but in other cases, they may reflect favorable, strong, and unique associations that go beyond the objective reality of the product”.

2.3.3. Establishing relationship between brand and customer

It is obvious that brand performs a strong tie connecting product and customer (Hogan, Lemon and Rust, 2002). Keller (2003) states that from customer’s view, brands play some roles such as identification of source of product; show responsibility of product maker; promise, bond, or pact with maker of product; signal of quality etc. The firm’s existing brands assets are tied in the customer asset (Ambler et al. 2002).
Actually, Hogan, Lemon and Rust (2002:10) demonstrate that “the brand offers two key opportunities to grow the value of the customer asset. First, brands provide an opportunity for the firm to get a greater share of wallet from an existing customer through additional purchases of current brands and products or through purchases of new brands or brand extension products. Second, brands provide the opportunity to attract new customers through the strength of the overall perception of the brand in the marketplace or through the development of new brands or brand extensions that attract new customers, thereby growing the value of the customer asset.”

From this perspective of view, we can see that the Brand value depends on the Customer. That’s why more and more managers today agree that they should focus on growing the lifetime value of their customer relationships (Rust, Zeithaml and Lemon, 2004).

Hence, one of the most important things for those firms is how to establish a relationship between brand and customer. Recent researches show that brand equity as a bridge to connect brand and customer. As we have mentioned before Aaker (1991) defined brand equity as a set of brand assets and liabilities linked to a brand which can add to or subtract from the value provided by a product or service to a firm and/or to that firm's customers. Ambler (2000) put it more succinctly by suggesting that brand equity is what we care about in our heads. There is a common ground exists in these different interpretations, which is, all of those scholars believed that customer is the main point in brand equity. That is why we usually talk of brand equity in the sense of customer-based brand equity (Keller 1998).

Keller (1993) mentioned that customer-based brand equity occurs when the consumer has a high level of awareness and familiarity with the brand. In order to understand the customer-based brand equity better, we would like to explain it from three aspects, which are brand awareness, brand associations and brand loyalty.

2.3.3.1.Brand awareness

In real life, customers learn about the brands form the experience with the product over the years and find out which brands can satisfy their needs and which ones do not (Keller, 2003). Thus, brand awareness is crucial for both customer and firm.

Ambler, et al. (2002:15) demonstrate that “Brand awareness is the extent and ease to which customers recall and recognize the brand and can identify the products and services with which it is associated”. There are two keywords that are brand recall and brand recognize in this argument. Keller (1993:3) states brand recognition, “relates to consumer’s ability to confirm prior exposure to the brand when given the brand as a cue”. In other words, brand recognition requires that consumers can distinguish the brand correctly as having been previously seen or heard (Keller, 2003). “Brand recall relates to consumer’s ability to retrieve the brand from memory when given the
product category, the needs fulfilled by the category, or a purchase or usage situation as a cue” (Keller, 1993:3). In other words, brand recall requires customer can generate the brand correctly from memory when given a relevant cue (Keller, 2003).

In short, brand awareness is created through increasing the familiarity of the brand (brand recognition) and strong associations with the appropriate product category or consumption cues (brand recall). That is, brand awareness provides a platform that can help customers make a product-related decision (Keller, 2003).

2.3.3.2. Brand associations

Brand associations, from what we discussed before, means that anything can be connects customer to the brand (Aaker and Joachimsthaler, 2000). If brand awareness just leads customers’ superficial understanding of the brand, brand associations, whereas, are containing the meaning of the brand for customer. In other words, brand associations reflect the product characters independent of the product itself (Keller, 2003). Through brand associations, customer can understand the product more in-depth.

The first thing company need to do is strength of brand association. From Keller’s (2003) view strength is a function of both the amount, or quantity, of processing that information receives as well as the nature, or quality of that processing. Actually, the more deeply a person thinks about product information and relates it to existing brand knowledge, the stronger the resulting brand associations. Then, company need to consider about favorability of brand associations, simply said, brand should get a good impression from customers. Keller (2003) states that “favorability of brand associations created by convincing customers that the brand can satisfy their different needs and wants. Thus, establishing the brand which can represent reliable, highly convenient, efficient etc. image and delivering those brand images to customers are quite important. Last but not the least, uniqueness of brand associations. It is not surprise one firm shares the same brand associations with other competing brands (Keller, 2003). There should be a compelling reason for customers why they choose this brand. From Keller’s (2003) point view, the brand should have some unique things that different other competing brands and attract customers’ interest to buy it.

2.3.3.3. Brand loyalty

Brand loyalty has been defined in varies way as mentioned previously, Jacoby and Chestnut (1978) identified 55 different definitions of brand loyalty. However, customers are the most important word in such kinds of definitions. For example, Aaker (1991) states that the core of a brand’s equity usually is the brand loyalty of the customer base. If customers are indifferent to the brand and, in fact, buy with respect to features, price, and so on, there is likely little equity.
Actually, there has existed a debate several years ago: Cunningham (1958) wrote an article “Is there really any such thing as a brand loyalty?”. In this article, he mentioned that some executives believe that there is no brand loyalty, customer choose one brand depends primarily on such factors as the amount and location of retail display space obtained, product price, quality and so on. However, other executives believe that they have a group of long-term loyal buyers for their product. After so many years, recent research shows that there do exist loyal customer and the key to long-term brand loyalty is not price cuts or free offers but to build and maintain relationships with customers based on their preference (Cooper, 2010).

2.4. Brand merger

Brand as one of most valuable assets has to unavoidably been taken into consideration in M&As. A huge blunder to cause failure of M&A is when senior executives make decisions before and during merger, they often think little of the branding of the new corporate entity. Without a solid-brand platform to work, company integration will often be mismanaged (Ettenson and Knowles, 2006). Due to the importance of brand, in company’s merger and acquisition, brand usually as an indispensable part of assets has been acquired. Brand merger becomes a decisive factors for the M&As, thus, managers have to seek for effective strategy merging brands.

2.4.1. Mergers and acquisitions (M&As)

The phrase mergers and acquisitions (abbreviated M&A) refers to “the aspect of corporate strategy, corporate finance and management dealing with the buying, selling and combining of different companies that can aid, finance, or help a growing company in a given industry grow rapidly without having to create another business entity” (Wikipedia, 2011).

Merger and acquisition activity has increased drastically over the last two decades (Hijzen et al., 2008). This phenomenon can be explained as M&A is a short-cut for a company to access desired capability without experiencing tortuous process of capability development (Grant, 2010). Many literatures propose that M&A may bring benefit to companies such as market power (Barton and Sherman, 1984 cited in Nadolska and Barkema, 2007), redeploy assets (Capron, 1999 cited in Nadolska and Barkema, 2007), and increase shareholder value, at least in the short-term (Moeller et al., 2005 cited in Nadolska and Barkema, 2007). So that, many managers believe that company’s growth and diversification objectives could be achieved in a quicker and easier way (Datta, 1991).

Nevertheless, Porter (1987) and Young (1981) suggest that nearly half of all acquisitions performed not very satisfactory to managers of acquiring firms. Recently,
study on M&A shows that the failure rate of mergers and acquisition somewhere between 70% and 90% (Christensen, et al., 2011). Christensen, et al. (2011) demonstrate that the failure of most M&As is because most acquirers do not execute their buying and management in a systematical way. Acquisitive growth is a significant firm strategy (Hitt et al., 1998). To achieve success in M&A requires correctly match candidates with the strategic purpose of the deal (Christensen, et al., 2011) further realize synergy of both acquiring and acquired firm (Larsson and Finkelstein, 1999).

Brand as one of most valuable assets has to unavoidably been taken into consideration. A huge blunder to cause failure of M&A is when senior executives make decisions before and during merger, they often think little of the branding of the new corporate entity. Without a solid-brand platform to work, company integration will often be mismanaged. In the worst of situation, the relationship between two organizations becomes disharmony; anticipated synergies remain elusive; customers become distrustful and dissatisfied (Ettenson and Knowles, 2006).

2.4.2. Merging brands and re-branding

Based on the brand definition which defined by AMA, Muzellec and Lambkin (2006: 805) describe rebranding is “the creation of a new name, term, symbol, design or a combination of them for an established brand with the intention of developing a differentiated (new) position in the mind of stakeholders and competitors”.

Brands are crucial assets in mergers and acquisitions (M&As) (Keller 1993, Rao, Mahajan, and Varaiya 1991). It takes the role of a bridge communicating its company’s essence, character and purpose to stakeholders and customers, and provoking association about its products and services. A correctly created, managed and presented brand could shore up a wide range of customer confidence, at the same time ignite their excitments (Gregory, 1999). During M&As, all eyes are on the brand, and it becomes a lifeline to reassure continuous value earning for constituencies and a symbol of what they can expect in the future (Gregory, 1999). Thus, when handled properly, rebranding in M&As can be an important role in communicating corporate strategic intent and ensuring that a productive relationship is maintained and enhanced with employees, customers, and the investment communities (Ettenson & Knowles, 2006).

Companies can take advantage through re-branding, while they should have enough recognition of risks. The individual companies involved in M&A deals gather products, brands and locations with widely varying heritages and differing levels of value. This is at risk of dilution the consistency of the original brand portfolio (Muzellec and Lambkin, 2006). Minimizing risks, a clear defined strategy is crucial. Basu (2006:29) points out “In the absence of a clearly defined strategy, brand mergers
are too frequently driven by short-term goals or by personal agendas leading to mistrust and failure”. A clear branding strategy is vital in both external marketplace and internal stakeholders (the managers and employees). From external direction, clear branding strategy provides an effective way managing marketplace perception; from the internal direction, it motivates internal stakeholders to align their efforts behind a common set of goals (Basu, 2006).

Conventional four branding alternatives including in M&As are brought forward, they are: adopting one brand, creating some combination of the two brands, going with something entirely new or change nothing (Ettenson and Knowles, 2006). We suggest these four alternatives are too simple for branding strategy. They just consider one single level, normally corporate level and ignore product level in brand merger. Our research will focus on both, corporate brand and product brand. A clear strategy of branding should take into account issues and options involving both the corporate brand and the specific product brands. Suitable brand architecture also should include in consideration of branding strategy. A successful brand merger heavily depends on four underpinning—corporate branding, product branding, brand identity, and brand architecture (Basu, 2006). Next, we will elaborate these four aspects in the following chapter.

2.4.3. Leveraging brand equity in rebranding

Fennel (cited in Johne, 2003) emphasis an audit of companies’ brands should be included in merger planning. Thus, merging companies could decide whether to maintain or redefine existing brands, or create a new one. Lambkin and Muzellec (2010) also point out that every acquisition has to take branding decision which involves should the acquirer absorb the acquired business by creating a new brand under its own name to claim the ownership and the way of doing business has changed, or should it continue using the acquired brand to avoid damage to its existing customer franchise into consideration. Because branding decision provides a opportunity for merging company to leverage both companies’ brands, set a new developing vision for the whole new combined entity, and the most important, send positive signal to inside and outside stakeholders (Ettenson & Knowles, 2006).

In M&As, the value of brands depends on how their owners leverage them (Bahadir, Bharadwaj, and Sribastava, 2008). As we mentioned before, brand equity is an important indicator to measure brand value. Moreover, “Customer-based brand equity occurs when the consumer has a high level of awareness and familiarity with the brand and holds some strong, favorable, and unique brand associations in memory” (Keller, 1993:1). According to this, we can say the judgments of strong brands and weaker brands depend on their brand equity. Fennel (cited in Johne, 2003) indicates it is important to consider what equities and values are inherent in brands before company brand decision-making. All of these brand decisions should be driven by
marketing consideration. A kind of equity leveraging should be relied on when brand decision involved in the M&A. Realizing equity leveraging, a deliberate attempt should be made by using stronger and weaker brand as inputs, then transferring the brand equity of the stronger to the weaker one to achieve adding value to the whole, combined entity. Ultimately, the purpose of brand decisions is to extract benefit from the brand equities leveraging. (Lambin and Muzellec, 2010)

2.5. Corporate brand & product brand

The concept of brands emerged from customer products (Muzellec and Lambkin, 2009). Within product marketing field, the role of branding and brand management has been primarily to create differentiation and preference for a product or service in the mind of customer (Knox and Bickerton, 2003). Over the years, the traditional brand concept has been given a new understanding, and its content has been divided into two different levels, product as well as corporate brand (Balmer and Gray, 2003).

2.5.1. The concept of product brand

The concept of the product brand keeps the characteristics of the traditional brand. The development of product branding over the past 30 years is built upon the perspective that brand was the layers and added value built around the core functionality of the product or service to create and maintain the distinction in a particular market (Knox and Bickerton, 2003). Compare with the corporate brand, the audience of product brand is more limit, which means product brand only conveys a specific image and satisfies expectations of certain target customers in a given product market (Basu, 2006). The main objective of the product brand is establishing a direct association with customers by creating differentiation and preference. These activities are rendered at the level of the individual product or service (Knox and Bickerton, 2003).

2.5.1.1. Product brand strategy

Product branding strategy is decided by the two dimensions which are its offer and its message (Basu, 2006). He states (2006:32) that “the offer signifies the specific product or service. It may be a single product or service or a range differentiated by specification and quality”. In other words, the offer means a firm has two choices: sell the same product to all its customers or create different products satisfied different customer segments.

Basu (2006:33) demonstrates that “the message dimension signifies the market positioning of the firm’s product or services that it wishes to convey to a given product market, taking into account both the customer benefit gap it aims to fill and
the differentiation it seeks with respect to competitive products and services”. Like
the offer, it also can apply the same message to all its product or different message to
its product.

Cross-classifying the two dimensions lead to four alternative product branding which
are: Global Brand, One Message, One Offer, and Best Fit (see Table 2.1)

<table>
<thead>
<tr>
<th>Offer</th>
<th>Message</th>
<th>Same</th>
<th>Different</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Global Brand</td>
<td>A firm's decision to serve all its customers with a standard offer as well as a standard positioning message. The resulting global product brand embodies a standard promise and delivery culture.</td>
<td>One Offer</td>
</tr>
<tr>
<td></td>
<td>One Message</td>
<td>It is normal when the corporate brand acts as the lead brand name, and offering sub-brands with special product features targeting specific segments under the overall name and message umbrella. Along with a unique brand name, it can convey a singular value to the same market.</td>
<td>Best Fit</td>
</tr>
</tbody>
</table>

Table 2.1: Product branding strategies

Source: Basu 2006

2.5.2. The concept of corporate brand

Around the early 1990s, several leading branding and communications consultants
explicitly mentioned “company brand” (Balmer and Gray, 2003). They proposed that
the most important brand was the company brand (Berstein, 1989). At that time, New
York-based ad agency FCB Lieber/Katz began talking about the maker's mark (the
name of the company behind the product), and emphasis that parent company’s
identity could confer value on the product that translated into greater consumer comfort and, by extension, a likelihood to buy (Ackerman, 1998). King (1991:6) refers to the ‘company brand’ and foresaw that it ‘will become the main discriminator. That is, the consumers’ choice of what they buy will depend less on an evaluation of the functional benefits to them of the product or a service, but rather more on the assessment of the people in the company in the company behind it, their skills, attitudes, behavior, design, altruism, modes of communication, speed of response, and so on, the whole company culture in fact’.

The latter half of the 1990s, ‘corporate brand’ began to appear in both the title as well as in the content of articles (Balmer, 1995). Since then the using of ‘corporate brand’ by scholars and managers in the writing of practitioners as well as in the academic literature has gradually increased (Balmer and Gray, 2003). Balmer and Gray (2003) explain that the preference of ‘corporate brand’ can be contributed to the much broader connotation of ‘corporate brand’ compared with ‘company brand’. They (Balmer and Gray, 2003:975) conclude that “brand at the corporate level are not simply limited to the overall organization. A wide variety of corporate entities have brands including corporations, their subsidiaries and also groups of companies (corporate branding networks). Moreover, corporate-level brands can as well apply to countries, regions, and cities. As such, the concept ‘corporate brand’ may be seen to mirror the complexity of the field in a manner that the company brand concept does not”.

2.5.2.1. Different roles of corporate branding

With gradually deepening the study on corporate brand, number of schools relating to corporate branding has been proposed (Balmer and Gray, 2003):

- Marks denoting ownership. Corporate brand were viewed from the “sender-end” of the communications equation (Balmer and Gray, 2003). A brand denotes a name, logotype or trademark denoting ownership (Barwise et al., 2000).
- Image – building devices. Corporate brands were still at the “sender-end” of equation, but were associated with corporate image building (Balmer and Gray, 2003).
- Symbols associated with key values. This perspective seen corporate brand as “a guarantee of quality, as an insurance against risk of poor performance or financial risk” (Balmer and Gray, 2003:973).
- Means by which to construct individual identities. Branding is considered from the “customer-end” of the equation (Balmer and Gray, 2003). Customers define their own identities and state through consumption of brands (Kay 1995 cited in Balmer and Gray, 2003).
- A conduit by which pleasurable experiences may be consumed. Branding should concern with creating pleasurable consumer experiences (Schmitt 1999).
Balmer (2001b cited in Balmer and Gray, 2003:974) states “corporate brands have a utility in several regards: they communicate the brand’s values, they afford a means of differentiation from their competitors, and they enhance the esteem and loyalty in which the organization is held by its stakeholder groups”. Aaker (2004a) explicitly analyzes the effect of corporate brand in seven aspects. First, when products and services tend to be similar over time, a corporate brand can potentially find differences from its competitors. Second, a corporate brand can provide energy to product brands through organizational program. Third, corporate brand associations can provide credibility. Forth, leveraging the corporate brand across products and markets make brand management easier and more effective. Fifth, corporate brand can be translated internally to employees by supporting from the mission, goals, values, and culture of organization. Sixth, a corporate brand provide special message for customer relationship, which is very different from product brand. Finally, a corporate brand provides the ultimate branded house and captures all the efficiencies of depending on a single brand, especially when descriptors are employed and the use of sub-brands is limited.

2.5.2.2. The characteristics of corporate brand

As businesses move toward globalization, the focus in marketing is changing from product brands to corporate branding. Confronting with high imitation and homogenization of product and services, and customers who become more sophisticated in the fragmentation of traditional market segments, it is difficult to maintain credible product differentiation. When companies can no longer base their strategy on a predictable market or a stable preferential product range, in other words, the ground rules for competition change, company has to create differentiation for the whole company instead of products (Hatch and Schultz, 2003). In this context, the importance of corporate brand has been stressed many scholars. Hatch and Schultz (2003:1041) claim that “strong corporate brand has a significant impact in creating positive consumer perceptions of existing products and new product extensions”. They also (Hatch and Schultz, 2003:1042) state that “corporate brands can increase the company’s visibility, recognition and reputation in ways not fully appreciated by product-brand thinking”. Morsing and Kristensen (2001 cited in Muzellec and Lambkin, 2008:283) point out that “corporate brands are believed to be most effective when they sustain a high level of coherence over time and across stakeholders”.

The importance mentioned before can be attributed to the unique characteristics of corporate brand. Corporate brand influences both customer and stakeholders (Knox and Bickerton, 2003). Here, customer is a separate party, and stakeholders indicate employees, investors, suppliers, partners, regulator, some special interest group or work within the local community. These stakeholders exercise a wider range of discriminators, including both intangible and accepted tangible product/service elements (Knox and Bickerton, 2003). The link between the corporation and stakeholders can be different from the links between the customer and the corporation,
but they are as important (Gylling and Kirsti, 2005). Furthermore, Balmer (2001a cited in Konx and Bickerton, 2003) states that “corporate brands are cultural, as they reflect the organization’s sub-cultures, intricate in that they are both multidimensional and multidisciplinary and tangible, as they encompass elements such as business scope and architecture”. Balmer (2001a cited in Konx and Bickerton, 2003) also points to the ethereal characteristic of corporate brands as “they evince emotional responses from stakeholder groups and the need for total commitment across the organization to manage a corporate brand successfully”. The mnemonic CCITE (Balmer 2001b cited in Balmer and Gray, 2003) is developed by Balmer reflects the distinctive attributes of corporate brands (see Table 2.2).
### Characteristics of corporate brands (C²ITE) Balmer (2001a)

**Cultural** (corporate brands tend to have strong “culture roots”. An organization’s distinctiveness invariably finds one of its sources in the mix of subcultures found within organizations. These consist of corporate, professional, “national”, and other types of culture)

Referred to in the literature by:


**Intricate** (inherently intricate in nature: it is multidisciplinary and dimensional in that it impacts your many stakeholder groups and methods and is made known via multiple channels of communication)

Referred to in the literature by:


**Tangible** (includes: product/service quality, business scope, geographical coverage, performance-related issues, profit margins, pay scales etc. Also includes architecture, logos, etc.)

Referred to in the literature by:


**Ethereal** (includes elements such as “lifestyle” and “style of delivery”. Also encompasses brand associations. For instance, there are often emotional responses to elements associated with the brand such as country-of-origin/industry)

Referred to in the literature by:


Also requires **Commitment** (from all personnel. Senior management need to devote sufficient in resources, such as on going financial and communications support. An important aspect of this characteristic is that a corporate brand should elicit commitment from a variety of stakeholder groups and networks)

Referred to in the literature by:


**Notes:** Kay (1995 p. 261) notes that Price Waterhouse developed a powerful corporate brand in a period where advertising was prohibited on so-called “ethical” grounds in many of the markets in which they operated. In addition, Marks & Spencer established a strong corporate brand at a time when the policy of the company was not to engage in advertising at all. To us, it is apparent that since “controllable” communication (secondary communication) was largely absent, “non controllable” communication such as product and service quality (primary communication) and word-of-mouth (tertiary communication) played an important role and should as such be recognized. See Balmer and Gray (1999).

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**Table 2.2: Corporate brand characteristics**

*Source: Balmer (2001b cited in Balmer and Gray, 2003)*
2.5.2.3. Corporate brand strategy

There are four generic strategies for two firms (A and B) merging their corporate brands, which are One brand (A or B); Joint Brand (A-B); Flexible Brand (A & B); and New Brand (C) (Basu, 2006). In order to see it clearly, we present them in Table 2.3:

<table>
<thead>
<tr>
<th>Corporate Brand Strategy</th>
<th>Description</th>
<th>Examples</th>
</tr>
</thead>
<tbody>
<tr>
<td>One Brand Strategy</td>
<td>The company usually chooses this strategy when there is an one dominate corporate brand after M&amp;A.</td>
<td>HSBC</td>
</tr>
<tr>
<td>Joint Brand Strategy</td>
<td>Such strategy result in the event of a merger of equals, each of which has a strong franchise among its target customers. In hence, in order to keep those customers it is a good idea to keep the brand together.</td>
<td>Daimler-Chrysler</td>
</tr>
<tr>
<td>Flexible Brand Strategy</td>
<td>The merging firms might decide to maintain both their corporate brands and be flexible in applying one or the other in varying contexts, general means in different context use different brand.</td>
<td>Renault &amp; Nissan</td>
</tr>
<tr>
<td>New Brand Strategy</td>
<td>Choose a new corporate brand that is different from both of the pre-merger corporate brands. Particularly if the new company wishes to signal all parties (internal and external) of radical transformations following the merger.</td>
<td>Aventis (Rhone-Poulenc &amp; Hoechst)</td>
</tr>
</tbody>
</table>

Table 2.3: Corporate brand strategy  
*Source: Basu, 2006*

As we have mentioned before, it is not an easy work for corporate branding. A variety of factors need to be took into account such as brand identity, corporate culture, top management’s vision, and the cultures of merging organizations. Furthermore, what we should notice is that the corporate branding strategy may change over time to adopt the context. (Basu, 2006; Hatch and Schultz, 2001)
2.5.3. The differences between product brand and corporate brand

Sometimes product brand and corporate brand may be considered as equivalent because they are context independent (de Chernatony, 2002) and share the same objective of creating differentiation and preference (Knox and Bickerton, 2003), but now they are recognized as distinct entities (Muzellec and Lambkin, 2009).

Corporate brands differ from product brands in several aspects. First, the focus of branding shifts from the product to the corporation (Hatch and Schultz, 2003). Certainly, corporate brands have the effect that adds value to the variety of products and services offered by company, but the broader scope of the corporate brand makes brand thinking far beyond product and customer relationship, further into the whole corporate and stakeholder relationship (Hatch and Schultz, 2003). Second, the difference between product and corporate brand is managerial responsibility (Hatch and Schultz, 2003). Product brands typically concern the middle management function (Hatch and Schultz, 2003), whereas corporate brands are an important element of a company strategy (Balmer and Gray, 2003), based in the executive office (Hatch and Schultz, 2003). The third difference is that value of corporate brands is based on the relationship between stakeholders such as company founders, owners, management and personnel (Balmer and Gray, 2003), whereas the value of product brands is mainly reflected by the relationship with customer and promoted by marketing and advertising creative (Hatch and Schultz, 2003). Balmer (2001a cited in Hatch and Schultz, 2003, 2001b cited in Balmer and Gray, 2003) illustrate the difference in Table 2.4.
## Table 2.4: A comparison between product and corporate brands

*Source: Balmer (2001*a cited in Hatch and Schultz, 2003) & Balmer and Gray*
2.6. Brand architecture

“Brand architecture refers to the relationship among and between corporate, company (subsidiary), and product brands. Such relationships embrace products and services, or a mixture of the two across the hierarchy of brands (Balmer and Gray, 2003:983).” Urde (2003:1028) argues that “the choice of brand architecture is decisive for how a company organizes and uses its brands. It affects among other things the number of brands, types of brands, the brands’ roles, and their internal relationships”. Different brands in one corporate are organized as a unit to create synergy, clarity, and leverage through exploiting brand architecture properly (Aaker and Joachimsthaler, 2000b). Aaker and Joachimshaler (2000b) compare brands as football players and compare brand architecture as coach. They stress that brand architecture’s job is like coach in a football team, which is responsible for placing the players in the right positions and making them function as a team rather than a collection of players.

2.6.1. The brand relationship spectrum

As we have mentioned before, in order to cope with increasing pressure from business environments and market complexities, brand managers have had to manage complex brand structure involving multiple brands, subbrands, endorsed brands and so on (Aaker and Joachimsthaler, 2000a). Those challenges have created a new discipline, which called “brand architecture”.

Aaker and Joachimsthaler (2000a:8) have demonstrated that “Brand architecture is an organizing structure of the brand portfolio that specifies brand roles and the nature of relationships between brands.” Generally speaking, brand architecture is to deal with the brand relationship and structure (Aaker, 2004b). From his point of view, there exists a powerful brand architecture tool, the brand relationship spectrum, which can help brand manager to organize brand structure (Aaker and Joachimsthaler, 2000a). There are four options:

- House of brands
- Endorsed brands
- Subbrands
- Branded house

The brand relationship spectrum is related to the driver role the brands play. Aaker (2004b:45) states “Driver role reflects the degree to which a brand drives the purchase decision and defines the use experience.” When customer decided to buy (or use) a brand, the brand had primary driver role and “push” customer to choose this brand (Aaker, 2004b; Aaker and joachimshaler, 2000a).
We can see from the figure 2.4, for the house of brands, each brand needs its own house and has its own driver role. This is the most independent option (As Tide is separate from P&G). In the endorsed brands, limited associations in the existing brand and the endorser usually plays a relatively driver role. MSN, for example, linked its name with endorser brand Microsoft. The third is subbrands, where the subbrands under a master brand and share the similar driver role. A subbrand such as Sony Walkman, Sony is the primary role and Walkman share the role with this master brand. The final option, generally, the master brand has the driver role and subbrand has little or no in the branded house, the perception of the master brand will not be modified by a subbrand. For example, Harvard has a branded house because it has Harvard University, Harvard College, Harvard Business School, Harvard Law School, Harvard Medical School and others (Aaker, 2004b; Aaker and Joachimsthaler, 2000a).

Aaker and joachimsthaler (2000a:10) points out “The position on the spectrum reflects the degree to which brands (e.g., two master brands, the master brand and the subbrand, or the endorser brand and the endorsed brand) are separated in strategy execution and, ultimately, in the customer's minds”. In order to design effective brand strategies, we need to understand those options one by one.
Figure 2.4: The brand relationship spectrum
Source: Aaker and Joachimsthaler (2000:9)
2.6.1.1. A house of brands

As we have mentioned before, a house of brand and a branded house describes the two extremes of alternative brand architectures. Aaker, D.A. and Joachimsthaler, E. (2000a:10) demonstrated that “a house of brands contains independent, unconnected bands. Branded house, in contrast, uses a single master brand to span a set of offerings that operate with only descriptive subbrands”.

In a house of brands, each independent brand focuses on increasing the impact on their own market. Many customers do not realize they actually belong to the same company (Aaker and joachimsthaler, 2000a). For example, ABC, ESPN is the holding company for Walt Disney Company. Each brand needs to invest its own brand-building and targeting niche markets with functional benefit positions (Aaker, 2004b). There are some reasons choose a house of brands strategy:

- Avoiding a brand association that would be incompatible with an offering.
- Signaling breakthrough advantages of new offerings.
- Owning a new product-class association with a name reflecting a key benefit.
- Avoiding or minimizing channel conflict.
- Targeting multiple and conflicting product lines or segments.

2.6.1.2. Endorsed brand

Endorsed brands are still independent, but they are endorsed by another brand, usually a corporate brand. An endorsed brand can have its own product associations and brand personality. Aaker (2004b:52) states that “the endorser brand represents an organization providing assurance that the endorsed brand will live up to this claim”. A strong brand can impact the endorsed brand image and brand value. In some cases, some endorsed brands can also provide some useful associations for the endorser (Aaker, 2002; Aaker and joachimsthaler, 2000a). There are three forms of the endorsed brands:

**Token endorser**

When that endorser brand is substantially less prominent than the endorsed brand, most brand managers usually choose token endorser strategy. Aaker, D.A. and Joachimsthaler, E. (2000a:13) demonstrates that the role of the token endorser is “to make the connection with the endorsed brand visible and provide, especially for new brands, some reassurance and credibility while still allowing the endorsed brands freedom to create their own associations”. The token endorsement will have more impact if the endorse:

- Is well known already?
- Is consistently presented?
• Has a visual metaphor symbol?
• Appears on a family of products that are well regarded and thus provides credibility from its ability to span products.

Linked Name

Linked name, Aaker and joachimsthaler (2000a) state that a name with common elements creates a family of brands with an implicit or implied endorser. Choose linked name can reduce cost without establish a new name, and make communication easier since have link to the master brand. For example: Nestlé’s Nescafé, Nestea, and NesQuik (Aaker, 2004b).

Strong endorsers

As the name implies, a strong endorsers are visually indicated by a prominent presentation. Actually, compare with token endorser and linked name relationship, strong endorses usually have powerful driver role. It is clear when the endorsed brand needs more distance from the endorser, a token endorsement is more useful than a strong endorsement (Aaker, 2004b).

2.6.1.3. Subbrands

Subbrand is another powerful brand architecture strategy tool, which is demostrated by Aaker and joachimsthaler (2000a:14):“Subbrands are brands connected to a master or parent brand and augment or modify the associations of that master brand. The master brand is the primary frame of reference, which is stretched by subbrands that add attribute associations (e.g. Black & Decker Sweet Hearts Waffle baker), application associations (e.g. Microsoft Office), a signal of breakthrough newness (e.g. Sony Walkman), a brand personality (e.g. Audi TT), and even energy (e.g. Nike Force).”

Subbrands are similar to endorsed brands. The most difference is subbrands are closer to a master brand than endorsed brands to endorsers (Aaker and joachimsthaler, 2000a), therefore, the master brand usually has a major driver role and a subbrand also has potential to affect the associations of the master brand. In other words, a subbrand can have a significant driver role (Aaker, 2004b).

The Subbrand as a Co-Driver

It is considered to be a co-driver situation when both the master brand and the subbrand have major driver roles (Aaker, 2004b). The master brand and subbrand are close to each other.
The master brand as the primary Driver

When the master brand as the primary driver, it is usually considered that many resources should be placed into the master brand rather than subbrand. Although the subbrand has a minority role, the subbrand is more than a descriptor and the customers clearly believe that it is master brand that is being purchased. (Aaker, 2004b)

2.6.1.4. A branded house

A branded house is an extreme situation in alternative brand architectures, the master brand has the dominant driver role and subbrand has little or no in the branded house (Aaker, 2004b). This strategy has the following characteristics:

- Leverages an established brand and minimizes the required investment on each new offering;
- Puts all of eggs in one basket and limits the firm’s ability to target specific groups;
- The branded house strategy has the potential to maximize clarity, because the customer knows exactly what is being offered. Employees and communication partners benefit from greater clarity and focus with a dominant brand;
- A branded house will also tend to maximize synergy, as participation in one product market creates associations and visibility that can help each other.

Selecting the Right position in the Brand Relationship Spectrum

Aaker and Joachimsthaler (2000a:15) says that ‘Each context is different; it is rather difficult to generalize about when to use which spectrum subcategory and how to meld sets of brands and their relationships into composite brand architecture.’ Actually, with deep research in this field, Aaker (2004b) demonstrated there are three questions that help managers make decision:

- Will the existing brand enhance the offering?
- Will the offering enhance the brands that define the offering?
- Is there a compelling reason to generate a new brand (whether it is a stand-alone brand, an endorsed brand, or a sub-brand)?

Managers can analysis the brand situation with the three questions, and if the first two answers are positive and the third negative, it should be tend to the bottom side of the spectrum, which means a branded house; however, if the first two answers are negative and the last positive, it should be towards more a house of brands tool. (Aaker, 2004b).
2.6.2. The dynamic brand architecture

The concept of the relationship spectrum proposed by Aaker is essentially a static framework which is useful to help map the often complex collection of brands owned by large companies (Muzellec and Lambkin, 2008).

Muzellec and Lambkin (2008) taking evolution as their start point, propose more dynamic brand architecture to illustrate the relationship between product brand and corporate brand. Because using dynamic perspective, the new dynamic architecture further provides a horizontal or longitudinal view of evolving brand architectures, offers much understanding of the vertical interactions among the levels within the hierarchy, as well as helps in establishing the degree to which the corporate brand influences the product brand or vice versa (Muzellec and Lambkin, 2008). Here, we see it as the complementary and further research of Aaker’s brand architecture theory.

“Brand architecture refers to the relationships among and between corporate, company (subsidiary), and product brands (Balmer & Gray 2003:983).” “The degree of synergy between the corporate brand and the product brands depends on the brand architecture (Keller, 1998 cited in Muzellec and Lambkin, 2009:42).” According to Aaker and Joachimsthaler (2000b), the closeness degree of brands can be illustrated along a continuum from the ‘house of brands’ to the ‘branded house’. “The ‘house of brands’, in which there is separation between the corporate and product brands avoids corporate brand associations that might adversely affect the image of the product brand. Reciprocally, at a corporate level, it allows the company to diversify into new product categories without running any risk of diluting its corporate brand equity (Muzellec and Lambkin, 2009:42).” On the other end, in a ‘branded house’, where corporate brand and product brand share a same name, brand associations are derived by the master brand (Saunders and Guoqun, 1997). The value of corporate brand derives from the product portfolio (Brown and Dacin, 1997) and from the corporation’s culture and heritage (Aaker, 2004a). The synergies between product and corporate brands are stronger in branded house situation than in the house of brand situation (Aaker and Joachimsthaler, 2000b). Brand architecture and corporate identities are evolving to the extent that they modify the degree of synergy between the corporate brand and the product brand when rebranding occur (Keller and Aaker, 1998).

The dynamic brand architecture proposed by Muzellec and Lambkin (2009) is analyzed as an evolutionary strategy decision, and based on the degree of synergy between corporate and product brand they define two broad strategies, an integration strategy and a separation strategy, to help analyzing this different brand architecture (Muzellec and Lambkin, 2009). Figure 2.5 demonstrates the interaction between corporate brands, product/service brands and their respective audiences.
The first strategy – integration – refers to “unit the corporation and its constituent businesses and products under a single name or master brand” (Muzellec and Lambkin, 2009:43), which is a result of the trend towards consolidation (Muzellec and Lambkin, 2008). The integration strategy corresponds to a ‘branded house’ situation, characterized by leveraging the associations previously constrained at one level of the brand hierarchy (Muzellec and Lambkin, 2009). Companies who want build scale and market share usually adopt this strategy (Muzellec and Lambkin, 2008). Integration strategy can be achieved in three ways. First can through changing the corporate name entirely and aligning all the constituent levels of the brand hierarchy under the new name. Second, when a company owns a strong product brand, it can attempt extend the positive association related to the product brand name throughout the entire corporation. Third, company can align the business unit brands with the corporate brand. In other words, use corporate brand to rebrand business unit name (Muzellec and Lambkin, 2009).

![Diagram of brand architecture management](source: Muzellec and Lambkin (2009))

In essence, to achieve success need brand extension, which is to leverage the strong image of one brand to enhance the image and credibility of others (Aaker and Keller, 2009) underpin the implementation of integration (Muzellec and Lambkin, 2008). “The degree of association between the corporate brand and product brand is determined by the extent to which both entities are connected (Muzellec and Lambkin,
Therefore, Muzellec and Lambkin (2009) further introduce ‘descending brand extensions’ and ‘ascending extensions’ to explain brand image transferring from one level of hierarchy to another, especially from corporate to product level. ‘Descending brand extension’ can be conceptualized as “the extension of the corporate brand downwards to the business units” (Muzellec and Lambkin, 2009:45). In contrary, ‘Ascending brand extension’ refers to “an extension of the product brands upwards to the corporate level” (Muzellec and Lambkin, 2009:45).

The second strategy is “the opposite of the first and might be described as a separation strategy, driven by a desire to distance the corporate brand from its constituent business and products” (Muzellec and Lambkin, 2009:43). It occurs “when a rebranding exercise is carried out in a deliberate attempt create a separation between the corporate brand and its constituent subunits” (Muzellec and Lambkin, 2008:286).

Figure 2.6 takes both horizontal position and vertical position into consider. Horizontal position demonstrates different image association before and after rebranding (Muzellec and Lambkin, 2009). The vertical dimension is the integration and separation strategy between corporate and product brand that we mentioned in Figure 2.5.

Muzellec and Lambkin (2008) named the changing from one corporate brand to another as horizontal dynamics. “The perception of an organization will vary depending on its name (Muzellec and Lambkin, 2008:286).” When company change its name, the new name along with new visual identity can help company create a new image association (Klink, 2001; Muzellec, 2005) by conveying the company distinctiveness through the total corporate communication mix (advertising, press conferences and releases, staged media events, etc) to impress external audiences (Schultz and Hatch, 2001).
Image transfer between the levels of the brand hierarchy is vertical dynamics (Muzellec and Lambkin, 2008). “A rebranding is the opportunity to measure and relate corporate and product image when the two share the same name and when the two share different names and to measure potential image transfers from one name to the other. (Muzellec and Lambkin, 2008:287)”

2.7. Summary of theoretical framework

Merger and acquisition activity has increased drastically over the last two decades (Hijzen et al, 2008). Through applying M&A, companies could expand their scales quickly. However, due to many acquisition deals cannot be handled in a systematical way, the failure rate is high (Christensen, et al, 2001). Conducting a successful acquisition, company must take rebranding issue into consideration since brands are crucial assets in mergers and acquisitions (Keller 1993, Rao, Mahajan, and Varaiya 1991). In many literatures, scholars state that brand contains two levels: product brand and corporate brand (Balmer and Gray, 2003). In M&A, the value of brands depends on how their owners leverage these different level’s brands (Bahadir, Bharadwaj, and Sribastaba, 2008), in other words depends on how to adjust the relationship among and/or between corporate brands and product brands. Brand architecture refers to the relationship among and between corporate, company (subsidiary), and product brands. Through exploiting brand architecture properly, different brands in one corporate are organized as a unit to create synergy, clarity.

After reviewed literatures in the field that we mentioned above, we decide conduct a study which is to research the role of product brand in rebranding after M&A, can company strengthen its corporate brand by acquired product brand, and if company acquired a brand how can the company leverage different levels brand to achieve synergy. We propose that product brands also take an important role in M&A, and it can influence corporate brand, if company leverage it properly by using right rebranding strategy.

2.8. Chapter summary

In this chapter, we reviewed literatures relating to brand as well as rebranding and brand architecture under M&A context. In the next part, we will depict the research methodology that we adopt. The objective of methodology chapter is to present the approach and data collection in our studies and convince readers trust our findings.
3. Methodology

3.1. Chapter introduction

In this chapter, we want to describe the importance of the research methodology, depict which method we choose and explain why readers should trust and rely on our research results. Bryman and Bell (2007) states that some factors can influence a business research. We will start with the two different research strategies and our approach procedures. Then, we will continue with the data collection and finally conclude with validity and reliability.

3.2. Research strategy

There are two general kinds of research strategies, which are quantitative and qualitative research. Parkhe (1993:230) demonstrated that “Relatively few theorists utilize ‘qualitative’ research (such as case studies or participant observation) that may permit deeper understanding and sharper delineation of concepts domains, and fewer still resort to ‘joint’ research (combining qualitative and quantitative)”. Normally, quantitative method are research techniques that are used to gather quantitative data and uses statistical methods to analyze the data while qualitative researchers aim to gather an in-depth understanding, this method does not use the quantitative techniques analyze data (Bryman and Bell, 2007).

The aim of our thesis is try to make a research about the importance role of product brand in brand strategy post-M&A. According to the distinction between quantitative and qualitative research, we think the best way to do our thesis is qualitative research. We choose a company as our case study and make an interview to someone who has involved the brand building process. It would give us the chance to access some important information and help us to make an in-depth understanding.

3.3. Research approach

There are two different approaches using in business research: induction and deduction. Generally, induction is based on empirical evidence, while deduction is based on logic (Ghauri, Gronhau and Kristianslund, 1995). In inductive approach, the research starts from the empirical studies and ends up with some logic concluding from the observation findings. In other words, induction is the process of observing facts to generate a theory. Deductive approach, in contrast, we look at the consequences of a theory. The researcher develops some new hypotheses based on the
existing theory and uses some empirical cases test those hypotheses. This kind of research approach involves the gathering of facts to confirm or reject the hypotheses (Ghauri, Gronhaug and Kristianslund, 1995; Bryman and Bell, 2007). Although most researchers believe that these two approaches cannot separate from each other easily and they have been using both of them in their research, they still have a clear distinction. Deductive approach called as “theory before research” and inductive approach called as “research before theory” (Ghauri and Gronhaug, 2005; Bryman and Bell, 2007).

Our thesis is a typical deductive approach with a hypotheses that product brand can influence company brand. We will use some theories relevant to the brand that already existed in the literature and through an empirical case to test and analysis our hypotheses. This kind of research approach can afford evidence prove our hypotheses.

### 3.4. Research design

It is normally followed by the research design after defining the research strategy and approach. Bryman and Bell (2007) demonstrated that there are five different types of research design including experimental, cross-sectional, longitudinal, case study, and comparative design. Ghauri, Gronhaug and Kristianslund (1995:26) state, “The research design is the overall plan for relating the conceptual research problem to relevant-and doable-empirical research”. The role of the research design is to collect the data and get the information wanted to answer the research questions.

Our thesis can be considered as a case study research that we will choose a Chinese-based multinational computer technology corporation-Lenovo, as our empirical research object. On May 2nd, 2005, Lenovo acquired the IBM PC Company Division, which marketed the ThinkPad line of notebook PCs. Through this acquisition, Lenovo became the China’s largest and the world’s fourth largest vendor of personal computers. The reason we choose this company as our empirical case because we want to study the possibility of Lenovo enhancing the image of their company brand with the strong influence of the product brand (ThinkPad). We will collect the information both form the secondary data and primary data, and analyze this information to answer our research questions.

### 3.5. Data collection

There are different ways to collect data for a thesis, generally, two methods usually used by researcher: Secondary data and Primary data.
3.5.1. Secondary data

According to Ghauri, Gronhaug and Kristianslund (1995:54) secondary data are information collected by others for purposes which can be different from ours. There are some secondary sources could be important for our research including central and local government studies and reports; institutions studies and reports; organizational journals, annual report, newsletters; historical studies, reports and thesis written by our own university, etc. (Churchill, 1991)

The advantages of secondary data are obviously. First, it is easy to access secondary information and save time and money. Second, those secondary data can suggest some suitable methods to handle a particular research problem. Disadvantage of secondary data, by contrast, those collected data may not completely fit the research problem; another problem is that researcher need to take the responsibility of the data accuracy (Ghauri, Gronhaug and Kristianslund, 1995).

3.5.2. Primary data

Primary data are original data relevant to our research problem collected by ourselves. In other words, according to Jacobesn (2002) means that the data are collected directly from persons or groups. Normally, primary data collecting method includes observations, surveys (questionnaires) and interviews (Ghauri, Gronhaug and Kristianslund, 1995).

Taking into account the purpose of our research we think the best way to collect data is interviews. Such form can ensure us get the first hand reports and help us make depth research. We intend to make an interview with the person who involved the brand building process in Lenovo Company. We found some manager’s information published on Lenovo homepage and contacted them through e-mail. Most of them did not reply, and others refused for various reasons. Fortunately, a manager who works in Lenovo company, WuHan branch agreed to participate. Due to the respondent request (consider those information would concern confidential issue), the name and e-mail address of the manger will not released in our thesis. Meanwhile, as Ghauri, Gronhaug and Kristianslund (1995) stated that the interview should use a simple and understandable language. Because all of us come from China, we are agreed to use Chinese. We will translate it into English in appendix.

Ghauri, Gronhaug and Kristianslund (1995:65) states that there are three types of interviews which include interview by mail, interview by phone and personal interview. The reason behind the choice of the e-mail interview for our thesis was due to the fact that the respondents is currently in China and the geographical distance influenced our choice, moreover, he is busy and e-mail would be the best form for
him.

Since the interview will be through e-mail, the interview can be shaped in a structured way which allows us to have an intense discussion on the brand integration issue. Such kind of in-depth interviews can let us have a more accurate and clear picture of the respondent’s opinion (Ghauri, Gronhaug and Kristianslund, 1995). As an interviewer, we need analyze our research problem and understand what information we really need from this interviewee. Actually, we prepared our interview questions for almost two weeks, and finally formed three main questions and some sub-questions. First question is why Lenovo want to acquire IBM ThinkPad division, what they can get from this acquisition, what they did after acquisition? Second, Lenovo market strategy, such as Lenovo product identity, advantage in competition, competitors and so on. Third, what are the advantages of Lenovo?

We send our first email in 16th April and asked him for response as soon as possible. Due to the time difference, he answered us two days later. We got many important information from his reply. However, in order to get a detail understand of Lenovo company, we send the second email with more detail questions on 20th April. Because we believe that the more detail questions we prepare for him, the more depth information he can afford us. After almost one week, we received his reply email. Fortunately, we got quite useful information for our thesis and then, we send the last email to thanks his help.

That information is what we really want to get from the respondent and we believe that the more questions we prepare, the more respond information we could get. Furthermore, the respondent has the full autonomy to discuss those questions and elaborate his personal views we cannot get from secondary data.

Meanwhile, our thesis also chooses secondary data collection methods. As a foundation for our empirical data as well as for the preparation of our interviews, we collected a lot of information about our case company. That information was mainly retrieved from the company’s homepage and annual reports. And some of them from financial website, organizational journals, and newsletters, institutions studies, etc.

3.6. Research reliability and validity

When writing thesis, there are two important criteria normally taken into consideration. First, other researchers in other cases can quote the research results. Second, research outcomes should be truth (Bryman and Bell, 2007). The former which called as reliability, and the latter, is validity.

Our thesis, as we have talked before is considered as a qualitative research, reliability criteria may not be ‘fit’ for it because Bryman and Bell (2007) states that such criteria
are more applicable to quantitative researches. In other words, qualitative research are usually case study or particular observations, it is not easy to repeatable. However, our thesis still needs to make sure the research results can be dependable. According with the criteria, we believe our empirical case is fairly suitable for our study. Meanwhile, we also believe our data collection method is appropriate.

Lincoln and Guba (1985) mentioned other criteria which called research trustworthiness can also be applied to a qualitative research. The criteria can be measured from credibility, transferability, dependability, and conformability.

Our research findings may be can afford some logic basis for other similar contexts company. However, since the results come from a particular case and the interviews are more open discussion based the personal views, it is still have the limitation.

3.7. Chapter summary

In this part we explained that interview by mail will be chose as our primary data collection method and secondary data such as annual report, company official website, internal material also will be used in our empirical part. In the next chapter, we will present those information we collected form company Lenovo.
4. Research findings

4.1. Chapter introduction

In the previous chapter, we described the methodology that we applied to do our research. In this chapter, we will give our empirical findings, which consist of the practical data and information that we received during our studies. We interviewed one company: Lenovo. In the beginning of this chapter we will give the background of Lenovo as well as other secondary data that we collected from company homepage, annual reports and internal material. Then primary data, which is retrieved from our respondent, will be added.

4.2. Secondary data

4.2.1. Company background

Lenovo Group is a Chinese multinational computer technology corporation, found in 1984. Through the development of twenty plus years, now, it becomes the fourth largest PC vendor. By the end of fiscal third quarter 2010/2011, the PC maker delivered strong growth and maintained its global market share at 10.2%. Besides, in Chinese domestic market, its market share attains 32.2%, the largest among all the competitors in domestic PC market. Lenovo positioned itself as an enterprise conducts developing, manufacturing, and marketing the most reliable and easy-to-use products. Its success is derived from their unremitting effort to help customers improve productivity and life quality.

Currently, Lenovo is headquartered in Morrisville, USA, and operates research in 9 research centers which located in China, USA, and Japan. The company’s products cover laptops, desktops, workstations, servers, monitors and a serious of peripheral products, which are almost geared to all consumers, from private customer to medium size businesses and large enterprises. The main businesses of Lenovo which include developing, manufacturing and marketing these products as well as providing related service are conducted in more than 60 countries. Lenovo sales PC products to about 160 countries’ customer, they divide target market into three types: China, Mature Markets, and Emerging Markets (excluding China). In 2010, China was still the principle market, the sales in this market accounted for 48% of the total sales. The
The mission of Lenovo is to be a premium international company that would provide differential PCs for its target customers. Lenovo intends to focus on design innovative, exciting products and services to meet customers’ needs. For this end, they constantly pour R&D investment into areas about customer-based critical application.

The core value of Lenovo covers four aspects: first, serving customers; second, trust and integrity; third, teamwork across cultures, and fourth, innovation and entrepreneurial spirit. They define these four elements as the foundation of the company and the guidance of who they are and how they work. The core value also reflects the culture of Lenovo, which is “we must do what we say, and own what we do”. They explain this Lenovo way as through careful planning and strong execution they meet their commitments everyday. They seek to exceed expectations not only for their customers, but also for their stakeholders. In this way, they move closer each day to their object that is to become the world’s leading technology-based company. In order to realize this, now, Lenovo employed a fundamental strategy called “Protect and Attack” Strategy.

What Lenovo concerns are not limited to internal developments; they are also committed to being a responsible and active corporate citizen. To achieve this, they are dedicating to contribute to the betterment of local communities, the environment and society overall. They practice the commitment in many ways such as manufacturing product quality and safety, providing safe and healthy workplaces, complying with the highest ethical standards, concerning for the environment and donating time and resources to philanthropy.

4.2.2. Company History

The history of Lenovo can be traced back to 1984. In that year, Lenovo’s founding chairman Liu Chuanzhi together with 10 Chinese scientists launched the New Technology Developer Inc. with $25000 start-up capital. Later they renamed it Legend. Their initial idea was to change scientific invention into successful products. In the beginning, Legend just developed software for personal computer and sold imported computer products. In 1987, they successfully rolled out the legend Chinese-character card, a kind of software can translate English operating system into Chinese. The next year, Legend Hong Kong was established. 1990s witness a development of Legend at a high pace. In 1990, Legend shifts from an agent for imported computer products into a producer seller of its own branded computer products. Three years later, Legend was listed on Hong Kong Stock Exchange. The Legend PC business division was formally established. 1996, Legend became the market share leader in China and introduced the first Legend brand laptop at the same year. After this, Legend extended to produce and market peripheral products of PC.
From 2000 to 2003, Lenovo experienced diversified development period. When 2003 arrived, Legend announced that in the future “Lenovo” would instead “Legend” which was the sign of the preparation for expansion into the overseas market. 2005 was a crucial year for Lenovo. In this year, Lenovo completed the acquisition of IBM’s Personal Computing Division, making it a new international IT competitor and the third-largest PC Company in the world. In 2006, Lenovo supported the 2006 Olympic Winter Games in Torino, Italy. The same year, Lenovo first time published large-scale of PC product overseas that was a new stage of Lenovo marching into global market and building global brand. In 2008, IdeaPad laptop and IdeaCentre desktop PC was marketed, Lenovo declared entering global consumer PC market. August, 2008, Lenovo as the Olympic partners supported 2008 Beijing Olympic game. In 2009, Lenovo changed its organizational structure by establishing two new business groups, one focusing on mature markets, and the other on emerging markets. December 2010, Lenovo fiscal second quarter 2010/2011 report indicated their global market share reached 10.4%. Lenovo was the fastest growing company among the top four PC vendor for four consecutive quarter.

4.2.3. Corporate brand—Lenovo

The original name of Lenovo Group is ‘Legend’. As the meaning of this word, the development of this company is a Chinese IT legend. However, with the expansion of company scale, and the increase of overseas sales, the brand ‘Legend’ impeded the process of internationalization. The sign ‘Legend’ had been registered by dozens of companies overseas. If company continuously had used ‘Legend’ in international market, the sales and marketing would have been seriously affected.

“On our way to becoming internationalized, we need to have an English brand name that can be used unrestrictedly in markets worldwide. However, the original English name—Legend—has been registered by others in many countries.”

—— Yang Yuanqing, Legend’s president and CEO

To further developing Lenovo’s brand and making it more consistent with their long-term strategic vision, April 2003, Lenovo announced that the sign of company officially changed from ‘Legend’ to ‘Lenovo’. This action was a milestone of internationalization of Lenovo.

“Lenovo” is a hybrid word, ‘Le’ comes from Legend, and ‘novo’ is from Latin word ‘nova’, which means innovation. The connotation of ‘Lenovo’ represents the company is innovation-oriented, it not only inherits its core value and fine tradition, but also dedicates to continuously innovation and development. Company hope that the brand identity of ‘Lenovo’ would convey four superb attributes. First, “trustworthy”, it is the innermost core value of Lenovo brand, which is also the base
of Lenovo to conduct business. Lenovo believe that honesty and sincerity as guiding principles is the best way to be responsible for customers, stakeholders and society as a whole (annual report 2002/2003). The second is “innovative and energetic” which “speaks of vitality, of the urge to constantly innovate, to swiftly and flexibly adapt to customer needs, and to continuously roll out advanced products and services” (annual report 2002/2003). Third is “superior professional service”. And the last is easy-to-use. That is to integrate high-end technology into human-oriented product design, thereby simplify operation when customer use product.

After acquired ThinkPad, Lenovo speeded up promoting its own corporate brand all over the world through strengthening advertisement intensity, sponsoring large-scale sports events and major events. Furthermore, to build up customers’ goodwill, they constantly improve the quality of customer service. The achievements of all these efforts have been reflected in its outstanding growth. In fiscal year 2010, Lenovo sales achieved $16,605 million, which hit historical high. The group has also achieved its highest global market share in its history. Lenovo has become the fastest-growing group among the top five global PC manufacturers during the second half of this fiscal year.

4.2.4. Lenovo products and markets

According to the maturity level of market, 2009, Lenovo had redrawn its markets. The former geographic organizational structure has been divided into two business units, one focus on mature market, and the other focus on emerging market. Due to China is the most important market, which is the cornerstone of Lenovo’s future profit growth, emerging market further is divided into China and emerging market except China.

To satisfy different target markets and further ensure faster and stronger end to end management, they create two product groups: the Think Product Group mainly targets at commercial customers and the Idea Product Group mainly targets at consumer customers. Our thesis mainly focuses on laptop product. Table 4.1, 4.2, and 4.3 illustrate Lenovo’s laptop product in China, emerging market excluding China, and Mature market according to different segmentation.

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1 Because in different countries and regions, the product provision would be different, in there, merging market excluding China and mature market we will take India and USA as example.
## Segment Product brand

<table>
<thead>
<tr>
<th>Segment Product brand</th>
<th>Individual and Family User</th>
<th>Growing Enterprise</th>
<th>Large-Scale Enterprise</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ThinkPad.</strong></td>
<td>SL Series, Edge Series, X Series</td>
<td>SL Series, Edge Series, X Series, X Series Tablet</td>
<td></td>
</tr>
<tr>
<td><strong>Essential</strong></td>
<td>G Series</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>扬天 (Yang Tian)</strong></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td><strong>朝阳 (Zhao Yang)</strong></td>
<td></td>
<td></td>
<td>K Series, E Series, M Series,</td>
</tr>
</tbody>
</table>

Table 4.1: Lenovo’s laptop in Chinese market


## Segment Product brand

<table>
<thead>
<tr>
<th>Segment Product brand</th>
<th>Professional-grade</th>
<th>Lifestyle</th>
<th>Essential</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ThinkPad.</strong></td>
<td>T Series, SL Series, Edge Series, L Series, X Series, W Series, X Series Tablet</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Essential</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Table 4. 2: Lenovo’s laptop in emerging market excluding China (India)


<table>
<thead>
<tr>
<th>Segment</th>
<th>Professional-grade</th>
<th>Lifestyle</th>
<th>Essential</th>
</tr>
</thead>
<tbody>
<tr>
<td>ideapad</td>
<td>T Series, SL Series, Edge Series, L Series, X Series, W Series, X Series Tablet</td>
<td>S Series, U Series, Y Series, Z Series,</td>
<td></td>
</tr>
<tr>
<td>ThinkPad.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Essential</td>
<td></td>
<td></td>
<td>G Series</td>
</tr>
</tbody>
</table>

Table 4. 3: Lenovo’s laptop in mature market (United States)


4.2.4.1. ThinkPad Series

Before acquisition ThinkPad belonged to IBM. It first was introduced in 1992. The name “ThinkPad” had rooted in IBM’s corporate history and culture. For over ten years (1992-2005), it associated with reliability, quality, durability, and exceptional performance. Besides their boxy black design had become the classical computer design.

After acquisition Lenovo not only inherited the tradition of designing and building superior products, but also added many new elements into it. In addition to ThinkPad’s original series, Lenovo developed a range of new series. Figure 4.1 illustrate the track of ThinkPad’s re-innovation after acquired by Lenovo.
Now ThinkPad is still positioned as the ultimate business tool—engineered for durability, security, and performance. It includes seven series, which are T-Series, SL-Series, L-Series, Edge, X-Series, X-Series Tablet, and W-Series. T-Series are the current premier line, with all the traditional high-end ThinkPad features. SL-Series as the new added series launched in 2008, which target mainly towards small business at a lower price. In this series, Lenovo reduced several traditional ThinkPad features, such as the ThinkLight, magnesium alloy roll cage, and lid latch. L-Series introduced to replace R-Series. They are designed as easy-to-use business laptop which contains more post-consumer recycled content than any other laptops in the world. Edge are the newest series which was released early in 2010. They are positioned as small business and consumer-end machines. The design is totally different from the traditional black boxy ThinkPad design, with glossy surfaces, round corners, and silver trim. Now, they also offer red color, a first for the traditionally black ThinkPad. Like SL-Series, it lacks many traditional ThinkPad elements. The presenting of SL-Series and Edge can be regarded as a revolution in ThinkPad. They overturned the stereotype of traditional ThinkPad. X-Series are for the highly mobile user with lightweight and highly portable design. It is offered in red, blue, and white in some countries. X-Series Tablet are seen as the up-dating version of X-Series equipped with
multi-touch and super-bright outdoor screens. The W-Series were introduced in 2008 to replace the p-suffixed performance T-series, and are geared towards mobile workers who run computer intensively, especially focused on CAD users, photographers, and others, who need a high-performance system for demanding tasks.

4.2.4.2. IdeaPad Series

ThinkPad laptops were the golden standard in business computer. Lenovo depends on them entered western markets, but the performance of consumer computer in these markets was still unsatisfactory. About 65% business was for business customers, therefore, in January 2008 Lenovo introduced IdeaPad, which substituted Lenovo 3000 series and Lenovo TianYi mainly focus on consumer computer market both in China and overseas. As the description, IdeaPad provide truly personal laptops with an emphasis on entertainment, accessibility, and style. IdeaPad highlights entertainment performance, also integrate vogue elements in computer design.

Like ThinkPad, IdeaPad also provides many sub-series including Y-Series, U-Series, S-Series, V-Series, and Z-series. Y-Series provide the richest multimedia experience for gamers, movie buffs and audiophiles. U-Series are designed in an array of stylish looks for everyday functionality. Its super-thin style meets customers’ portable needs. S-Series built for web browsing. They focus on the customers who have the need for light use and quick access to the Web at very affordable prices. V-Series is designed for small business or home office, featuring extra storage and security. They are first IdeaPad designed for work. Z-Series are offered for those who want great multimedia at a great price. The newest Z-Series are more stylish than ever, and amped up with even more entertainment features. They target on the group who wants show off its personality with trendy styles.

4.2.4.3. Essential Series

Essential line is positioned as basic affordable computing for home and work, which target at budget-conscious customers impressing with clever design on the outside and useful features on the inside. It includes two series—G-Series, B-Series, C-Series, and H-Series. G-Series are emphasis on reliable and budget-friendly. The characteristics of this series are affordable, easy-to-use, everyday laptop that does not sacrifice quality or looks. B-Series, C-Series and H series are only sold in emerging markets except China. They are introduced to attract customers who are budget-conscious but have the needs using laptop everyday no matter at home or at office with reliable performance.

4.2.5. Acquisition background

Through long time negotiation, on May 1st 2005, Lenovo announced that the
acquisition of IBM’s Personal Computing Division completed. The cost of acquisition is approximately US$1.75 billion (US$650 million in cash, US$600 million in shares, and US$500 in debts) and IBM’s half billion liability was transferred to Lenovo. Whereas from this acquisition, Lenovo gained all IBM PC Division’s business, five years’ right of use IBM brand, and permanent ownership of the renowned “Think” trademark. IBM received 18.9% stake in Lenovo.

This sizable share meant that in the future, Lenovo Group and IBM would work closely. Figure 4.2 illustrate changes of the share holding before and after M&A. According to part of the agreement, these two parties would form long-term strategic alliance in PC sales, customer service, and customer finance areas. Lenovo could market PC product through the world wide distribution channel that IBM already had, and become IBM’s preferred PC provider. While IBM would continue providing solutions for small and medium size enterprise, and becoming Lenovo’s preferred maintenance, warranty as well as channel financing provider. Meanwhile, with the closing of the acquisition, Lenovo were faced with a big challenge, which is to leverage the different brand recognitions of the “Lenovo” and “Think” names, the complementary nature of Lenovo and IBM’s personal computer business and their sophisticated operating platform.

![Figure 4.2: Changes of share holding](source: annual report 2004/2005)

4.2.6. Company’s sales performance after acquisition

The same year that Lenovo acquired IBM PC Division, Lenovo ranked the third largest PC maker with US$13 billion sales revenue. In August 2005, Lenovo published the newest financial report, which showed that after acquisition Lenovo global sales increased steady. Compared with the same time in the last year, its sales revenue increased by 234%. The increment mainly was from new market, and the contribution of the acquired PC business. Figure 4.3 and 4.4 shows company’s
turnover between 2001 and 2010. From these two figures, we can see the year of acquisition is a break point for Lenovo. The turnover jumped from HK$22,555 million to HK$103,551 million. After this year, turnover has kept steadily growing except for 2009.

![Lenovo Turnover 2001-2006](image)

**Figure 4.3: Lenovo turnover 2001-2006**
*Source: Annual Report 2001-2006*

![Lenovo Turnover 2006-2010](image)

**Figure 4.4: Lenovo turnover 2006-2010**
*Source: Annual Report 2006-2010*
Acquisition was the access to the international market. Figure 4.5 clearly demonstrate Lenovo’s turnover analysis by geography from 2006 to 2009. From this figure we can see that in 2005, Lenovo sold products in Greater China, and the sales revenue was low compare with 2006. Between fiscal year 2005 and 2006 the volume increased sharply, from US$2891 million to US$ 13276 million. The increment was mainly from overseas. During these five years, the sales in China increased steady, in Americas slightly decreased, in Europe, Middle East, Africa and in Asia Pacific (excluding China) was remain the same.

![Sales Analysis by Geography 2006-2009](image)

*Figure 4.5: Turnover by geography 2006-2009*

*Source: Annual Report 2006-2009*
4.3. Primary data

4.3.1. Lenovo’s present market strategy

As we mentioned before, now Lenovo adopts “Protect and Attack” Strategy. Form our respondent, we got more detailed information about this strategy, and context the strategy adopted in. We will use this as the start point further giving Lenovo brand integration findings that retrieved from interview.

4.3.1.1. Position of Lenovo in PC industry

What strategy does a company choose closely relate to which industry it competes in. PC industry which Lenovo mainly compete in now has been on maturity stage. The characteristics of this kind of industries are intensive competition and decrease profit margin. As our respondent states:

“PC market is not like dozen years before. Now it is matured. The price of PC products is to be increasingly lower. The pressures from our competitors such as HP, Dell, and Acer are more immense than ever before in both China and overseas PC market."

In 1990s, PC industry was in developing stage. Increasing market needs, high profit was the sign of this stage. That time many companies in PC industry experienced rapid growth. Lenovo as one of them also realized high development in this period. This period, Chinese PC market was relatively closed, which is hard for outside rivals marketing their PC product. In the late 1990s, Lenovo (former Legend) became the PC leader in China. However, with China’s accession to WTO, Chinese market access was eased. Furthermore, Chinese PC market as one of the largest developing markets, which still has had greater potential than developed market attracted more PC vendors competing in there. Fierce competition could not avoid. Confront with intense competition, Lenovo must react swiftly to protect the market share it already had and exploit the markets with more potential.

“/…/ due to the serious situation, Lenovo had no choice but to become an international firm in PC business.”

Enlarging market share and keeping profit margin in this market requires company having a clear strategy. Our respondent claims:

“To win out in this market, clear short-and long-term strategy is important. During strategy formulation, you must know where you are and where you want achieve. For Lenovo, we position it as an innovative company, which can provide up-to-date
innovative technology, product, and service. This positioning is also coincident with our brand positioning. We believe that innovation is crucial for constantly bringing reward to our customers and stakeholders, if you want achieve long-term development.”

Besides clearly positioning, company must have its unique competitive advantage. He further points out:

“In our industry, we have two advantages with which our rivals could not compare. First is efficient operation platform. Presently, the rate of core business operating expense is the lowest among the top ten PC company. Second is Lenovo’s end to end supply chain. These two competitive advantages ensure company operating efficiently and effectively at a low cost.”

4.3.1.2. “Protect and Attack” Strategy

In 2009, Lenovo clarified their strategy that is “Protect and Attack” strategy. The main idea of this strategy is to protect Lenovo’s core business in China and global commercial business, while at the same time, attack the hyper-growth areas in global transactional business in emerging markets. These “protect and attack” activities are based on effective business model, lean cost structure and innovation leadership. Through this, we are able to protect our core businesses and attack new opportunities for growth in any market worldwide. Our respondent gave us more detail during interview. He explains:

“For protect strategy, we mainly focus on Chinese PC business, and the word ‘protect’ not only means keeping current market share, but also indicating doing better. We have had a decent performance in this market, what we will do next is to achieve greater success. Meanwhile, commercial business, which took over from IBM, is another territory needed to protect. The purpose is to turn losses into gains in this filed. Comparison with ‘Protect’ strategy, ‘Attack’ strategy concentrates on emerging market. We take aggressive action in there to grab market share and finally achieve high growth. Another market implemented ‘Attack’ is middle and small scale companies in maturity market. This area is a new segmentation for Lenovo.”

In PC industry, companies rarely divide market according to development level. According to respondent, it is necessary for Lenovo. Because the stages of development and market competition are different, the characteristics of each market also have great differences:

“China is the principal market for Lenovo. The growth of market demand increases fast. We are the leader in Chinese PC market. Our company and brand recognition are relatively high. This market also contributes to almost half of company's total sales. In this market, we are dedicated to strengthen leadership and profitability
through expanding distribution network and product portfolio to better serve the high growth segments such as small and medium-sized business segments and rural market.

**Emerging market excluding China is a new market for Lenovo. It covers Hong Kong, Macao, Taiwan, Korea, ASEAN, India, Turkey, Eastern Europe, Middle East, Pakistan, Egypt, Africa, Russia, and Central Asia.** Many customers in this market are the first time to buy a PC product, especially laptop. We mainly focus on this group, by using experience from domestic market to win lower-income user in this market. Entering in this market is a possible turning point for Lenovo to ease the dependence on mature market.

**Mature market covers Australia, New Zealand, Canada, Israel, Japan, USA, Western Europe, and Global Accounts.** Because of the sluggish condition in this market, we are struggling to restore profitability in there. Most of the mature market customers no matter individual enterprises have PC products already. Their needs are to find new substitutes. So, we put more emphasis on the distribution channel to make itself the vendor of choice for channel partners.”

### 4.3.2. Lenovo and customer

“To respond to changes in China IT market, Lenovo is committed to building a more customer-oriented sales model and organizational structure with the aim of providing products and services to meet the requirements of different customers more effectively. Catering for customers’ different needs in product application, buying patterns, preferred ways of delivery and service requirement, the Group will adopt a combined model. Through optimizing existing distribution model, enhancing the capabilities of channel partners to win and serve customers, and establishing direct-to-customer model, we will build the optimal sales models for its different customer groups.”

### 4.3.3. The breakthrough—The acquisition of IBM PC Division

In 2005, Lenovo closed the acquisition of IBM PC Division. The acquisition deal had been seen as the win-win situation. Both Lenovo and IBM parts gain benefit from it. On one hand:

“Before acquisition, IBM PC Division had sunk into loss for three and half years. In 2004, the accumulated losses were almost $1 billion. From IBM prospect, the situation of its PC Division was worse. Moreover, IBM was conducting strategic transformation, shifting from computer hardware manufacture to higher value-added soft-ware and service field, at that time. The sale of its PC Division was one step of their whole transformation plan. After acquisition, their financials and core
"In the middle of 1990's, Lenovo was the biggest PC supplier in Chinese market. However, as this market opened further, many international competitors such as Dell, HP started marketing their products here. Fierce competition is unavoidable. /.../ to survive and grow, Lenovo not only had to keep market share that it already had in China, but also need consider how to march into the market outside China. Lenovo had two choices: the first was to develop by itself; second was through M&A. The first choice was very difficult. For Chinese company or product made in China, there have still existed many controversies about Chinese counterfeit product, and the questionable quality. Due to this, establishing brand recognition was difficult. Moreover, if you have not a good brand, it is hard to attract talented people working for you. The same, customer would not trust you. Thus, we chose acquisition, and just at this time, PC industry needed re-integration. It gave us a very valuable opportunity accessing a good brand IBM ThinkPad."

It is one of the biggest breakthroughs within Lenovo’s history. From there, Lenovo started its international journey.

"After acquisition, Lenovo gained high-end technology especially technology of Think series as well as three R&D Center which located in USA, Japan, and China directly without extra money and time consuming. Meanwhile, new Lenovo was run by several former IBM executives, staff in IBM PC Division. Besides technology and human resources, the most important asset which Lenovo acquired was brand. Lenovo acquired the product brand, ThinkPad, and five years right of use brand IBM. Both IBM and ThinkPad had high reputation on a world wide scale. Through acquiring IBM PC Division, Lenovo gained the instant brand equity of IBM and its sub-brands ThinkPad, moreover removed one of the strongest competitors, IBM, in global PC market. In contrast, Lenovo was a very new brand, only well known in Chinese domestic market, and obviously lake international influence. Many customers outside China recognized Lenovo through the big M&A deal. To penetrate into international market, the acquire brand was of paramount importance. Using acquired brand helped Lenovo to promote customer awareness."

To ensure the whole acquisition went smoothly, Lenovo designed an incremental integration strategy.

"To achieve synergy effect, after acquired IBM PC Division, Lenovo proposed three-step strategy. First, integrate two companies, retain employees and customers. Second, gain profit growth as well as promotion of Lenovo brand equity by further brand integration. Third, leveraging brand to achieve brand synergy, consequently, let Lenovo become a global brand."
4.3.4. Brand integration after acquisition

Indeed, IBM ThinkPad was a good brand, but how to use it for Lenovo was a problem. Furthermore, Lenovo and IBM have different brand identities, brand equities, in either corporate level or product level. Only use it properly, the brand equity can come out. Lenovo chose to abandon IBM brand and integrate these two brands Lenovo and ThinkPad. After acquired IBM PC Division, Lenovo have put a great effort into the integration of Lenovo brand and the brand took over from IBM. In this part, we will depict the content and effects of the brand integration after acquisition that we gain from interview.

4.3.4.1. The content of brand integration

Lenovo divided brand integration into three stages after acquired IBM PC Division. The first stage was to continuously use IBM brand to state that Lenovo would keep high quality of “ThinkPad” brand. Second stage was to strengthen sub-brand, “ThinkPad”, meanwhile introduce corporate brand “Lenovo” in overseas markets in order to faster build Lenovo’s brand image. The third stage was to abandon IBM brand, and accelerate the speed of promoting Lenovo brand in worldwide. Our respondent provides more details about these three stages.

“The first eleven months after acquisition, Lenovo and IBM PC Division were operated independently. Lenovo tried maintaining IBM ThinkPad unchanged. This stage, the position of Lenovo brand and Lenovo owned sub-brand focused on low and middle-end customers as well as minor enterprises, and IBM ThinkPad brand aimed at high level customer. For employees who worked in IBM before, Lenovo remained work environment, salary, working style, job responsibility unchanged. Meanwhile, Lenovo carried on marking IBM on ThinkPad product. The product after service in overseas market was wholly outsourced to IBM Global Service. This stage’s main task was to maintain relationships with IBM’s existing customers, instill new confidence in this type of customers. Ultimately protect product sale.”

However, this dual-brand strategy appeared some defects in business operation:

“The disadvantage of dual-brand strategy was that management and implementation are too difficult. Execution of this strategy meant that two brands had to be operated separately by two teams. In other words, we could not synergy common resources. That time, IBM PC Division’s amortized cost was much higher than Lenovo. Within Lenovo, we believed that we have the capability making ‘Think’ business profit under relatively low-cost operation system. For us, integrate these two brand was inevitable, and it was just only a matter of time.”

After eleven months, which was earlier than what Lenovo board envisaged in the initial, Lenovo speeded up the process of brand integration.
“For Lenovo, although we have five years’ right using IBM brand, we would consider giving up IBM brand when we recognized market evaluation of this acquisition was not bad. Company’s brand strategy includes two levels: corporate brand which is located in company level and product brand which is located in sub-level. When in the initial stage of market development, customer was unsure of the product quality, change corporate brand would cause huge impact on customer’s choice. However, when market has become mature, this kind of impact would decrease.”

Lenovo started use uniform corporate brand “Lenovo” in different markets, and turned “ThinkPad” into product brand: “The consideration of this transformation includes three aspects. First, goal of this acquisition is through acquiring IBM to help Lenovo improve its brand image and reputation in the world. Lenovo has to break away from the influence of IBM brand ultimately to reach the goal. Second, brand integration could increase the possibility of further achieving synergy effect, thereby to get complementary advantages. Third, powerful brand has distinct personalities. If Lenovo used two brands for a long period, it would have the risk of fading these two brands’ unique personalities and causing brand conflict. To avoid brand schizophrenia, company need integrate two brands to improve Lenovo brand.”

During brand integration, Lenovo made a lot of changes:

“../ Lenovo abandoned IBM brand by integrating ThinkPad as sub-brand. On the basis of the original brand positioning, we readjusted our product brand in terms of injecting new elements into brand, and complementing each brand’s strength to decrease brand conflict. The designs of some Lenovo series are more close to the IBM style. In addition, they apply IBM technical patents to Lenovo laptop, such as the keyboard. Meanwhile, ThinkPad did a series of strategic adjustment. Besides kept its regional product lines, it introduced new product ranges such as SL series, ThinkPad Edge to satisfy different customers’ needs. With the introduction of new series, the price also did some changes to attract broader potential customers. On the other hand, Lenovo’s advantages, low-cost operation and value-chain integration had been transplanted to ThinkPad.”

Presently, Lenovo entered into the third stage. Through incremental integration strategy, Lenovo completed brand transformation, from IBM ThinkPad to Lenovo ThinkPad. Latter, Lenovo reorganized its brand architecture by introducing IdeaPad which focus on consumer PC market.

“After a period of exploring in overseas markets, we have begun to grasp customers’ different choices. Through the integration of ‘Think’ PC business, we have a deeper
understanding about our product position and market segmentation. Now, we set brand ‘Lenovo’ as corporate brand, and use ‘ThinkPad’ which mainly target at commercial markets and ‘IdeaPad’ which generally target at consumer markets as a product brand. Since then, Lenovo’s brand architecture became clearer. The move solved product line confusion problem existed previously.”

The respondent further explains the reason of introducing “IdeaPad”:

“Main reason of the birth of brand ‘IdeaPad’ is pervious unsuccessful marketing of consumer PC product in overseas markets. Our consumer PC product with Lenovo brand still could not be accepted by most overseas consumers. The purpose of naming this product brand as ‘IdeaPad’ is to create an image that it is complementary products of ‘Think’, and depend on the influence of ‘ThinkPad’ promoting Lenovo consumer PC product in international market.”

In the same time, Lenovo focused on improving brand image and reputation. The brand Lenovo and ThinkPad frequently appeared in Olympic Games, F1, and international tennis open.

“We provided computing technology equipment for the 2006 Turin Olympic Winter Games and supported for the 2008 Beijing Olympic Summer Games.”

4.3.4.2. The effects of brand integration

The effects of brand integration are obvious. According to the respondent:

“I believe that this brand integration is to be more a benefit than a bane. After integration, we have a larger space to do our business in different segmentation. Our corporate has been an international company. Moreover, the brand awareness of corporate brand ‘Lenovo’ has improved a lot. Lenovo is ranked number four in world PC market, and keeps stable growth. All of this shows that the brand Lenovo is continuously improving. This improvement raises our business performance. It can be reflected in two indicators. First, Lenovo’s market share is increasing year by year. Second, our profit levels are improving, which means our business is developing toward a more healthy direction.”

Through acquiring and managing the former IBM PC Davison, Lenovo have changed the stereotyped image of Chinese enterprise and proved that Chinese enterprise can manage international company.

4.4. chapter summary

In this chapter, we gave our research findings of the company Lenovo and its brand
integration after M&A that we gained from interview and secondary data, annual report, company official website, internal material. In next chapter, we will combine theories that we reviewed before to analyze what we find.
5. Analysis

5.1. Chapter introduction

In the previous chapter we have outlined our research findings about which rebranding strategies Lenovo have used and how have they integrated acquired brand after M&A. In this chapter, we will analyze the empirical findings based on the theories that we found from the literature review. In other words, we will analyze the strategy of rebranding and leveraging different level’s brands which Lenovo has applied to strengthen its corporate brand.

5.2. Brand merger

Before acquisition, Lenovo was a well-known local PC company in China. Its market share was keeping ahead compare with the rest in Chinese PC industry. However, good times did not last long, with the PC industry getting mature, competition has become fierce. Especially after China joined in WTO, many multinational companies such as HP and Dell entered in. From the respondent’s point view:

“PC market is not like dozen years before. Now it is matured. The price of PC products is to be increasingly lower. The pressures from our competitors such as HP, Dell, and Acer are more immense than ever before in both China and overseas PC market.”

Confront with intense competition, Lenovo must react swiftly to protect the market share it already had and exploit the markets with more potential. As our respondent saying:

“/.../ due to the serious situation, Lenovo had no choice but to become an international firm in PC business.”

M&A is a fast route for a company to access desired capability without experiencing tortuous process of capability development (Grant, 2010). M&A activities have increased drastically over the last two decades (Hijzen et al., 2008). Lenovo also chose it as their corporate strategy to expand their scale. PC industry which Lenovo compete in is a mature market, in mature market, there was no time for Lenovo growing step by step. Only by growing quickly can Lenovo compete with these large-scale international companies. Furthermore, outside world still has questioned Chinese company. Our respondent says:
“To survive and grow, Lenovo not only had to keep market share that it already had in China, but also need consider how to march into market outside China. Lenovo had two choices: the first was to develop by itself; second was through M&A. The first choice was very difficult. For Chinese company or product made in China, there have still existed many controversies about Chinese counterfeit product, and the questionable quality. /…/”

In 2005, Lenovo accomplished the acquisition of IBM’s Personal Computing Division. From this acquisition, Lenovo gained all IBM PC Division’s business, IBM’s high-end technology in PC, IBM’s management and technology personnel. Meanwhile, Lenovo acquired another precious intangible asset—brand. Through this M&A deal, Lenovo gained five years’ right of use IBM brand, and permanent ownership of the renowned “Think” trademark. The respondent states.

“Through acquiring IBM PC Division, Lenovo gained the instant brand equity of IBM and its sub-brands ThinkPad, moreover removed one of the strongest competitors, IBM, in global PC market.”

On one hand, the acquisition was a good chance to let world know Lenovo, and the famous brand “Think” provided a wider channel accessing potential customer that Lenovo need. According to the respondent:

“/…/ Lenovo was a very new brand, only well known in Chinese domestic market, and obviously lacks international influence. Many customers outside China recognized Lenovo through the big M&A deal. To penetrate into the international market, the acquired brand was of paramount importance. Using acquired brand helped Lenovo to promote customer awareness.”

On the other hand, under fierce completion, the price of the PC dropped substantially. To maintain the premium price of PC, brand recognition was necessary for Lenovo keeping its profit margin, since many local competitors could provide inexpensive computing with identical features. To have a global brand with innovative identity would help Lenovo differentiate itself from others.

Brands are crucial assets in mergers and acquisitions (Keller 1993, Rao, Mahajan, and Varaiya 1991). Without a solid brand platform to work, company integration will often be mismanaged (Ettenson and Knowles, 2006). If brand issues are handled properly, the integration between acquiring and acquired parties will be more smoothly. Thus handle rebranding issues conscientiously was of the utmost importance in the M&A. Company can take advantage through re-branding, while they should have enough recognition of risk. Muzellec and Lambkin (2006) states that the individual companies involved in M&A deals gather products, brands and locations with widely varying heritages and differing level of value. This is at risk of dilution the consistency of the original brand portfolio (Muzellec and Lambkin,
The gaps between these two brands, Lenovo and Think, in heritages and values were especially huge. As we discussed in theory part, brand takes the role of a bridge communicating its company’s essence, character and purpose to stakeholders and customers and association about its product and service (Gregory, 1999). For the original IBM PC customer, a large part of them were business customer. They chose IBM because the reliable solution provision and strong R&D capabilities behind its products. In addition, for individual customers, many of them are IBM loyalties. The meaning of IBM brand for them is more than high quality and good reputation. For ThinkPad, It is no doubt that IBM ThinkPad series are excellent laptop, for those people who intent to purchase IBM ThinkPad notebook it is not only just means safety, steady and quality, but also a sign of successful business people. They trust IBM, also believe IBM’s product can offer them extraordinary experience.

“Think” was one of the most well-known PC trademark in the world, it referred to reliability, quality, durability and exceptional performance, whereas, Lenovo was only a well-known brand in Chinese domestic market. People outside China were unfamiliar with it. Even if someone knew it, they would associate it with Chinese brand. Our respondent admits: 

“For Chinese company or product made in China, there have still existed many controversies about Chinese counterfeit product, and the questionable quality.”

In addition, Lenovo was never ranked global IT top 3 before acquisition and it is difficult to associate it with the highest quality and best service. When ThinkPad products were labeled Lenovo brand, at least in a short time, Lenovo ThinkPad might not be recognized by the original IBM’s customer, especially for those IBM ThinkPad loyalty customers. This situation would cause adverse impact when Lenovo retain existing PC customer and implement new business in western market. Meanwhile, stakeholders would lose confidence in the company due to the unsatisfactory performance.

Indeed, this M&A deal enhanced Lenovo’s own strength. However, to make sure long-term benefit derived from M&A, a clear defined rebranding strategy is necessary for Lenovo. “In the absence of a clearly defined strategy, brand mergers are too frequently driven by short-term goals or by personal agendas leading to mistrust and failure” (Basu, 2006:29). After acquisition, Lenovo drew out a three-step strategy. First, integrate two companies, retain employees and customers. Second, gain profitable growth, and Lenovo brand equity promotion by further brand integration. Third, leveraging brand to achieve brand synergy, consequently, let Lenovo become a global brand.
5.3. Corporate brand

5.3.1. Corporate brand identity

In this part, we will analyze Lenovo’s activity of how they identify their corporate brand. In other words, what does the corporate brand say to customers? Or which kind of corporate brand image they want to establish? In doing so, we will connect our theoretical part to the empirical findings from the interview and the secondary sources collected at the company Lenovo.

Aaker and Joachimsthaler (2000) state that brand identity should help establish a relationship between the brand and the customer. We notice that from customers’ perception, brand name and logotype are the most direct impression that they can achieve from the company. Research recently carried out in the brand area by Maluszynska and Torstensson (cited in Mikael Hellman, 2004:64) found that ‘The logo and the name are the most important brand bearers to build a brand in the insurance business, together with the customer’. Moreover, the importance of the brand name and logotype as a means for building a positively charged awareness of the brand realized by them (Maluszynska and Torstensson, cited in Mikael Hellman, 2004:65). A corporate brand should reflect the company’s content. Regarding these definitions, we will investigate the Lenovo’s corporate branding.

Legend as the original name of Lenovo Group has been officially changed on April 2003. It is no doubt that the name ‘Legend’ reflects the ambition of the company. However, except show their desire to become a big company and dominate the market, what message customer could get from the brand name? This brand name just like a unilateral declaration and ignore to establish some relationship between customer and company, customer cannot get useful information from it. At this stage, Legend corporate brand identity was fuzzy and the objective was also not clear. Survival was the first thing and the impression they gave to the customer just a simple IT company.

In contrast, their new corporate brand name-Lenovo, as a hybrid word, Lenovo not only retained the tradition (‗Le‘ comes from Legend) but also means innovation (‗novo‘ is from Latin word ‘nova’, which means innovation). From the secondary data, Lenovo choose this brand based on two main reasons: First, the company wants to express such a message that Lenovo is an innovation-oriented company. Customer can understand the corporation’s identity. Second, most of senior managers think Lenovo is a relative ‘international’ name.

“On our way to becoming internationalized, we need to have an English brand name that can be used unrestrictedly in markets worldwide.”

—— Yang Yuanqing, Legend’s president and CEO
From this period, Lenovo has had a clear corporate brand identity—international, innovational. Cited from the company’s slogan is ‘New World, New Think’. From the data we collected (interview and secondary source), Lenovo wants open up to the customer such impression: international, attractive in price and quality, social responsible, safety, reliable, quality service and honesty and credibility.

In Table 5.1, we summarize Lenovo’s corporate brand identities in different stage. This figure demonstrates the main different brand identity between Lenovo stage and Legend stage. First, the fierce competition exists at Lenovo stage. Lenovo understand there are numerous competitors around such as Dell, HP, Acer, etc.. However, fewer competitors existed in Legend period. Second, with the acceleration of globalization, it is necessary to understand different market needs. In contrast, at Legend stage, China was the only market and because fewer competitors existed during that period, the company would ignore customer’s needs. Third, Lenovo now can be seen as a multinational computer technology corporation includes computer software, hardware, phones and so on. Legend, however, was just a simple computer company which produces computers.

<table>
<thead>
<tr>
<th>Competitor</th>
<th>Lenovo</th>
<th>Legend</th>
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<tr>
<td></td>
<td>Numerous</td>
<td>Few</td>
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<td></td>
<td>Understand</td>
<td>Incomprehension</td>
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<tr>
<td>Customer</td>
<td>Deep insight</td>
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<td></td>
<td>Global Market</td>
<td>China Market</td>
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<td>Brand perspective</td>
<td>Extensive</td>
<td>Limited</td>
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**Table 5.1: Corporate brand identity in different stage**

From above discussion, Lenovo try to use some useful methods to create an effective corporate brand identity, that is, market reliable, high quality, secure, innovative, social responsible and easy-to-use technology corporation.

**5.3.2. Corporate brand strategy**

In this part, we want to discuss which brand merging strategies Lenovo chose after they acquire IBM PC Division. As we have mentioned in our theoretical frame, four generic brand merging strategies exist, which include One brand (A or B), Joint Brand (A-B), Flexible Brand (A & B), and New Brand (C) (Basu, 2006).
Due to the particularity of this acquisition (Lenovo just acquire IBM PC Division), it seems obviously that Lenovo can only choose one brand strategy. However, under the agreements Lenovo had 5 years right of use brand IBM. Based on these agreements, Lenovo chose two different brand strategies in different stages.

We can say that Lenovo is more involved in Joint Brand strategy at the first year after merge. It can be explained by two reasons. First, Lenovo and IBM have different brand identity, and each of the brands has strong influence among its target customers. The position of Lenovo brand and Lenovo owned brand focused on low and middle-end customers as well as minor enterprises, and IBM brand aimed at the high level customer. Second, although Lenovo is already the largest computer corporation and quite famous in China. However, Lenovo is still a ‘smaller’ company to global market and many customers never heard of it. Lenovo want to enhance their brand influence through IBM brand. Furthermore, by using IBM brand changes customers’ (especially those customers who already know Lenovo) traditional impressions to Lenovo. They want to establish a new brand image that is Lenovo represent innovation and technological precedence rather than low-cost.

Beyond our expectations, Lenovo totally abandoned IBM brand much earlier before the date appointed in M&A agreement. Since then, one brand strategy was chose by Lenovo. Although many people confused by this decision, from our point view, it was a sane decision. First, abandon IBM brand can reduce the risk of fading these two brands’ unique personalities and brand conflict. The respondent point out:

“If Lenovo used two brands for a long period, it would have the risk of fading these two brands’ unique personalities and causing brand conflict. To avoid brand schizophrenia, company need integrate two brands to improve Lenovo brand.”

Second, when the process of integration finished, Lenovo’s consolidated turnover increased by 16% at the fiscal second quarter in 2007. Good sales track record enhanced their confidence. Third, after years’ exertion, Lenovo has raised up their corporate brand image step by step. Moreover, Lenovo supported the 2006 Olympic Winter Games and 2008 Olympic Games, Lenovo have a greatly achieve in business image and sales volume, and won the reputation in the trade. Last but not least, brand strategy can be divided into two levels: corporate brand and product brand. In the initial stage of market development, the corporate brand changing has a great impact on customers because they still do not trust the quality of the product. However, this impact will be decreased when the market has developed matured. The direct effect on customer is product now. With the recognition of Lenovo brand, it is a suitable timing to change. The respondent stresses:

“/.../During strategy formulation you must know where you are and where you want achieve. For Lenovo, we position it as an innovative company, which can provide up-to-date innovative technology, product, and service. This positioning is also
coincident with our brand positioning. We believe that innovation is crucial for constantly bringing reward to our customers and stakeholders, if you want achieve long-term development.”

The above discussions indicate that Lenovo adopt both Joint brand and One brand strategy. Generally, we believe that Lenovo has chosen a wisely approach, which is to choose different brand strategies in different situations.

### 5.4. Product brand

#### 5.4.1. Product brand identity

As we have mentioned before, corporate brand should have a distinctive feature to reflect the company’s connotation and the product brand, meanwhile, can have their own characters. For example, HP as a corporate brand is known for its performance and quality. The product brand HP EliteBook, HP ProBook, HP G series, Compaq Presario, however, each of them have their own characteristics (HP, 2011). We have already known that brand Lenovo represents innovative, high quality, secure, and social responsible. In this part, we will analyze their different product brand identity. Like the same way of the corporate brand identity analysis, this part will be divided into pre-acquisition and post-acquisition.

At pre-acquisition stage, there were two product brands which are Yang Tian and Zhao Yang. Lenovo tried to use the way marking computers in different brand to satisfy different market needs, but most customers cannot distinguish differences between them. Customer confused for many reasons, through our research, we think Lenovo’s brand promotion was not enough, product fuzzy position are the main reason.

Since the acquisition of IBM PC division, Lenovo had tried very hard to integrate its business. After the later integration process, Lenovo have formed three product brands which are ThinkPad brand, IdeaPad brand and Essential. Based on the information we got from the empirical part, we illustrate their orientation, target customer and competitors in Table 5.2.
### Table 5.2: Lenovo product brand identity

From Table 5.2, we concluded three different identities for each product brand:


**IdeaPad product identity**: Entertainment, stylish design, good quality personality to attract younger customers.

**Essential product identity**: Common quality and looks, low price to attract the budget-conscious person.

#### 5.4.2. Product brand strategy

In this part, we will analysis Lenovo’s product brand strategy. There are four different product brand strategies we have mentioned in our theory part which include global brand, one offer, one message and best fit.

Through our interview and data collection, it is obviously that Lenovo chose one message as their basic product brand strategy. The main content of this strategy is that
corporate brand acts as the lead brand name, and offering sub-brands with specific segments under the overall name and message umbrella. Lenovo, as the master brand represents international and innovation, Thinkpad and IdeaPad, as the main sub-brands focus on different market.

Lenovo used two steps to achieve this strategy. First is brand integration. Lenovo replaced TianYi, ZhaoYang with IdeaPad. This process got rid of brand risk in terms of confused positioning, and uniformed product brand more easily to be identified. Second is segmentation. Lenovo that practice niche marketing make different products for each market segment and then create different advertising campaigns. For example, ThinkPad declare that in the laptop world, they are the gold standard-pure and simple to attract professional customers. Meanwhile, IdeaPad claim that sleek, gorgeous design on the outside, inventive features and the latest technology on the inside. According to our respondent:

“/…/ Through the integration of ‘Think’ PC business, we have deeper understanding about our product position and market segmentation. Now, we set brand ‘Lenovo’ as corporate brand, and use ‘ThinkPad’ which mainly target at commercial markets and ‘IdeaPad’ which generally target at consumer markets as product brand. Since then, Lenovo’s brand architecture became clearer. /…/”

By analyzing and summing up Lenovo’s approach in recent years, one message product strategy can meets customer’s different needs and we think this is the best strategy they can choose right now.

5.5. Brand architecture

5.5.1. Brand spectrum

We will connect the information get from theory and empirical part to analyze Lenovo’s brand relationship spectrum in this part. Brand relationship spectrum, as we mentioned before, is a powerful brand architecture toll to organize brand structure, which include four options: house of brands, endorsed brands, subbrands and branded house (Aaker and Joachimsthaler, 2000b). Through our research, we notice that Lenovo actually chose two different options during the brand integration process, that is, endorsed brand and branded house, see Figure 5.1:
Endorsed brand theory emphasizes the independence of endorsed brand and endorser brand, but indicates that they can interact with each other. That is, a strong endorser brand can impact the endorsed brand image and brand value. On the other hand, some endorsed brands can also provide some useful associations for the endorser (Aaker, 2002a; Aaker and Joachimsthaler, 2000b). We have mentioned that as an important part of M&A agreements, Lenovo acquired the ThinkPad brand and had the right to use IBM brand for five years. Through the interview, we can see that except for the acquired core technology, the product brand ownership was also an important resource affected Lenovo to acquire. Lenovo, actually, want to enhance influence of the corporate brand globally by this powerful product brand.

From above analysis, Lenovo-IBM can be seen as an endorser brand. ThinkPad, which is endorsed brand in Joint Brand stage. As the brand of laptop computers originally designed, ThinkPad is well known for its reliability, quality, durability, and performance. Such powerful endorsed brand can absolutely raise endorser brand image. Meanwhile, such brand architecture maintains ThinkPad brand independence. Because from year 2005 to 2007, Lenovo was still a domestic company in China, many overseas customers never heard of it. Keeping ThinkPad logo and IBM brand could ensure customer still believe the computer’s quality. The respondent states:

“/…/ Lenovo acquired the product brand, ThinkPad, and five years right of use brand IBM. Both IBM and ThinkPad had high reputation on a world wide scale. Through acquiring IBM PC Division, Lenovo gained the instant brand equity of IBM and its sub-brands ThinkPad, moreover removed one of the strongest competitors, IBM, in global PC market. In contrast, Lenovo was a very new brand, only well known in Chinese domestic market, and obviously lake international influence. Many customers outside China recognized Lenovo through the big M&A deal. /…/”

With the greatly enhance of Lenovo’s brand reputation, Lenovo decided to abandon IBM brand and do some change of ThinkPad product, that is, subbrand stage. The respondent points out:

“Lenovo abandoned IBM brand by integrating ThinkPad as sub-brand. /…/, ThinkPad did a series of strategic adjustment. Besides kept its regional product lines,
it introduced new product ranges such as SL series, ThinkPad Edge to satisfy different customers’ needs. With the introduction of the new series, the price also did some changes to attract broader potential customers. On the other hand, Lenovo’s advantages, low-cost operation and value-chain integration had been transplanted to ThinkPad.”

From what we discussed before, subbrand and endorsed brand are quite similar strategies, the most different is subbrand are closer to a master brand than endorsed brand are to endorser (Aaker and Joachimsthaler, 2000b). Actually, most of computer companies use subbrand architecture, for example, HP, Dell and Sony. Such relationship can ensure Lenovo ‘get closer’ to the ThinkPad, and, they can influence each other.

5.5.2. The dynamic brand architecture

In this part, we examine the changing of Lenovo Group’s corporate brand and the degree of synergy between its corporate brand and product brand by adopting the dynamic brand architecture theories. As we discussed in the theoretical frame, the dynamic rebranding model take both horizontal dynamics and vertical dynamics into consider. Horizontal position demonstrates different image before and after rebranding (Muzellec and Lambkin, 2009). The vertical dimension is the different strategies between corporate brand and product brand. Our analysis is depicted in two parts, horizontal and vertical aspects.

5.5.2.1. Horizontal change

Muzellec and Lambkin (2008) named the changing from one corporate brand to another as horizontal dynamics. “Corporate brand has a utility in several regards: they communicate the brand’s values, they afford a means of differentiation from their competitors, and they enhance the esteem and loyalty in which the organization is held by its stakeholder groups (Balmer 2001b cited in Balmer and Gray, 2003:974).” It influences both customer and stakeholders (Knox and Bickerton, 2003). “When company changes its name, the new name along with its new visual identity can help company create new image association (Muzellec and Lambkin, 2008:286).”

Although Lenovo did not change its corporate brand name after acquired IBM PC Division, its image has changes a lot. According to our respondent:

“/…/ the brand awareness of corporate brand ‘Lenovo’ has improved a lot. Lenovo is ranked number four in world PC market, and keeps stable growth. All of this shows that the brand Lenovo is continuously improving.”

Before the acquisition, the image of Lenovo at the best was domestic famous
company, its target market only based in China. From Figure 4.7, we can see the annual turnover one year before the acquisition was only US$ 2891 million. When Lenovo announced the acquisition plan, most enterprises in United States claimed that they would consider buying PC product from HP or DELL. In the week after acquisition plan released, Lenovo’s share price declined by 14%. Certainly, various indications showed that stakeholders and customers associate Lenovo with a local company which sales identical feature computing in lower-price.

After acquisition, Lenovo adopted a dual-brand strategy. Lenovo brand and its owned sub-brand were positioned as mid- and low-end brand, and ThinkPad brand was positioned as high-end brand. “Think” products were still marked corporate brand IBM. At the same time, Lenovo and IBM PC Division were operated independently. Our respondent states:

“The first eleven months after acquisition, Lenovo and IBM PC Division were operated independently. Lenovo tried maintaining IBM ThinkPad unchanged. This stage, the position of Lenovo brand and Lenovo owned sub-brand focused on low and middle-end customers as well as minor enterprises, and IBM ThinkPad brand aimed at high level customer.”

The purpose of this strategy is to convey that even though ThinkPad belongs to Lenovo, the essence of ThinkPad was still unchanged. The respondent point out:

“This stage’s main task was to maintain relationships with IBM’s existing customers, instill new confidence in this type of customers. Ultimately protect product sale.”

During this period, Lenovo put all their effort into image-building. They tried hardly to improve that they have the capability manage international organization. In the fiscal year 2006, its turnover reached US$ 13,276 million, almost five times larger than before acquisition. The respondent states:

“For Lenovo, although we have five years’ right using IBM brand, we would consider giving up IBM brand when we recognized market evaluation of this acquisition was not bad.”

Along with improving of company’s image, Lenovo decided to abandon IBM. They marked corporate brand Lenovo on ThinkPad products. Their organizational structure also had been reorganized. For stakeholder and customers outside and inside company, they attempted to establish a uniform image. During this period, corporate brand Lenovo had appeared in various media, top sporting events. The most noteworthy events are 2006 Turin Olympic Winter Game and 2008 Beijing Summer Games. Through supporting these two big events, Lenovo attracted much greater attention. From 2006 to 2010, Lenovo’s turnover had kept growing steadily. Although till now we cannot conclude Lenovo brand is a world famous brand, compare with
pre-acquisition, the image of company and its corporate brand indeed improved a lot.

5.5.2.2. Vertical effects on the brand architecture

"Brand architecture refers to the relationship among and between corporate, company (subsidiary) and product brands (Balmer & Gray 2003:983)." "The degree of synergy between the corporate brand and the product brands on the brand architecture (Keller, 1998 cited in Muzellec and Lambkin, 2009:42)." The dynamic architecture offers much understanding of the vertical interactions among the levels within brand hierarchy. It takes the role of adjusting the degree of relationship between corporate brand and product brand (Muzellec and Lambkin, 2008).

According to Aaker and Joachimsthaler (2000b), the closeness degree of the relationship between corporate brand and product brand can be illustrated along a continuum from the ‘house of brand’ to the ‘branded house’. The synergies between these two level’s brands are stronger in branded house situation than in the house of brand situation (Aaker and Joachimsthaler, 2000b). Brand architecture and corporate identities are evolving to the extent that they modify the degree of synergy between the corporate brand and the product brand when rebranding occurs (Keller and Aaker, 1998). Base on these previous literatures, Muzellec and Lambkin proposed two strategies to analyze the degree of synergy within brand hierarchy. One is integration strategy, which refers to “unit the corporation and its constituent businesses and products under a single name or master brand” (Muzellec and Lambkin, 2009:43). The other one is called separation strategy, which is the opposite of the integration strategy (Muzellec and Lambkin, 2009).

Through our research, we believe Lenovo took the former strategy, which is integration strategy. Integration strategy is a result of the trend towards consolidation, companies who want build scale and market share usually adopt this strategy (Muzellec and Lambkin, 2008). Lenovo now is in maturity market, it confronts with a great number of competitors. To survive, Lenovo have to expand their market share. In order to expand territory, company need access more potential customers. From customers’ side, they usually would prefer choosing products with strong brand. Only increasing the influence of brand awareness can help Lenovo approaching more potential customers. However, Lenovo brand was not powerful enough to capture customer’s attention and trust. It had to depend on a stronger brand to strengthen itself. Our respondent mentions:

"/.../ Lenovo was a very new brand, only well known in Chinese domestic market, and obviously lake international influence. Many customers outside China recognized Lenovo through the big M&A deal. To penetrate into international market, the acquire brand was of paramount importance. Using acquired brand helped Lenovo to promote customer awareness."
IBM ThinkPad promoted Lenovo’s brand awareness, although the first stage of brand integration did nothing with the structure of company brand and IBM ThinkPad brand. With the progress of integration, the disadvantage of dual-brand strategy had become more and more obvious. The respondent adds:

“The disadvantage of dual-brand strategy was that management and implementation are too difficult. Execution of this strategy meant that two brands had to be operated separately by two teams. In other words, we could not synergy common resources.”

The cost of maintain the operation of original ThinkPad division was expensive, which forced Lenovo considering to integrate these two brand.

In this dynamic architecture, the vertical dynamics indicate that image transfer between the levels of the brand hierarchy (Muzellec and Lambkin, 2008). One way of achieving integration strategy is that when a company owns a strong brand, it can attempt extend the positive association related to the product brand name throughout the entire corporation (Muzellec and Lambkin, 2009). Through the first stage, Lenovo had accumulated certain brand recognition in overseas markets. It was a good time to make a change since the change would not create huge impact on customer’s choice. Our respondent points out:

“For Lenovo, although we have five years’ right using IBM brand, we would consider giving up IBM brand when we recognized market evaluation of this acquisition was not bad.”

ThinkPad had a high reputation on a worldwide scale. Lenovo tended to extend ThinkPad’s positive association throughout the entire corporation. By means of brand awareness of ThinkPad, brand “Lenovo” has accepted by more customers. Later, Lenovo abandoned IBM, and then integrated ThinkPad as a product brand. Lenovo has gradually strengthened its relationship with ThinkPad through many ways to narrow down the gaps between Lenovo and ThinkPad. The respondent states:

“Lenovo abandoned IBM brand by integrating ThinkPad as sub-brand. On the basis of original brand positioning, we readjusted our product brand in terms of injecting new elements into brand, and complementing each brand’s strength to decrease brand conflict. The designs of some Lenovo series are more close to the IBM style. /.../.”

Lenovo also has been used to influence other product brands. 2008, Lenovo introduced the other product brand IdeaPad, which mainly focus on consumer markets. From the respondent’s prospective:

“/.../ we set brand ‘Lenovo’ as corporate brand, and use ‘ThinkPad’ which mainly target at commercial markets and ‘IdeaPad’ which generally target at consumer
markets as product brand. Since then, Lenovo’s brand architecture became clearer. The move solved product line confusion problem existed previously.”

The name of IdeaPad is similar as ThinkPad. By the similar naming, IdeaPad could easily associate brand awareness with ThinkPad. The respondent explains:

“Main reason of the birth of brand ‘IdeaPad’ is previous unsuccessful marketing of consumer PC product in overseas markets. Our consumer PC product with Lenovo brand still could not be accepted by most overseas consumers. The purpose of naming this product brand as ‘IdeaPad’ is to create an image that it is complementary products of ‘Think’, and depend on the influence of ‘ThinkPad’ promoting Lenovo consumer PC product in international market.”

Through the influence of ThinkPad, corporate brand Lenovo and product brand ThinkPad has been improved a lot. 2005 Lenovo entered in overseas market, in the next five years its turnover improved steady, and its market share was kept stable. According to our respondent:

“After integration, /…/ Our corporate has been an international company. Moreover, the brand awareness of corporate brand ‘Lenovo’ has improved a lot. Lenovo is ranked number four in world PC market, and keeps stable growth. All of this shows that the brand Lenovo is continuously improving.”

According to Figure 2.5 and 2.6, we form Figure 5.2, which illustrate the process of Lenovo rebranding in two levels, corporate level and product level.

![Dynamic brand architecture of Lenovo](image)

**Figure 5.2: Dynamic brand architecture of Lenovo**
Before rebranding, Lenovo took dual-brand strategy that tried to keep IBM ThinkPad image independent, in order to create customers and stakeholders’ confidence in the ability of Lenovo. When Lenovo’s brand awareness has been increasing, Lenovo speeded up rebranding process by adopting integration strategy. In rebranding, Lenovo positioned ThinkPad as product brand, and introduced the other product brand IdeaPad as complement. The image of ThinkPad has transferred between corporate and product level influencing corporate brand Lenovo and product brand ThinkPad.

5.6. chapter summary

In this chapter, we analyzed the empirical findings based on the theories that we found from the literature review. We have identified which corporate level and product level strategy that Lenovo applied to integrate their brands after acquisition. Next, we will give our conclusion which includes our key findings, its implication in the practical environment and limitation of our study.
6. Conclusion

6.1. Chapter introduction

We have analyzed the findings of our investigations at the company Lenovo based on the theories. In this part, we will connect the research findings to research questions in order to answer them. Meanwhile, the implication in management, the limitation of our thesis will be depicted as well.

6.2. Key findings

We brought up two research question in the beginning of our thesis. In conclusion, we will answer these two questions based on our analysis in order to generalize our key findings.

The first question concerns the role of product brand and its impact on corporate brand.

• The role of product brand in rebranding after M&A, how can product brand influence corporate brand?

Form our literature review, we knew that brand can be further divided into two levels: corporate brand and corporate brand. Corporate brand communicates with both customers and stakeholders, differentiates one company from its competitor. Product brand establishes directly association with customer in terms of communicating with the target customer in a given product market. If company owns a strong product brand, it can extend the product brand’s positive association to affect other brands in company’s brand hierarchy.

Our study shows that, through appropriate rebranding strategy, company can get benefit from acquiring a strong brand, and through right brand architecture, product brand can influence other different level’s brand of the company.

Once a company, especially unknown company, announced an acquisition of a strong brand, the deal will attract great attention. People who did not know the company and its brand before will be familiar with them. In other words, with the further operation of the acquisition, company’s brand awareness can be improved.

Product brand takes the role of establishing directly association with customers. This advantage is beyond the reach of corporate brand. People usually prefer to choose the
familiar items. Presently even though many companies can provide products with identical feature, their products without a strong brand still cannot be recognized by customers. Whereas, if a company owns a high equity brand, the opportunity for the firm to keep existing customers and attract potential customers could raise. After acquisition, customers and stakeholders could question the company about its capability of managing such a high equity brand. However, if company can prove the essence of the product brand unchanged, it could be an opportunity to show the company’s outstanding capability, and strengthen customers’ and stakeholders’ confidence. By using product, customers can perceive quality of product. Good perception will strengthen brand association. Further the outstanding product brand images will be maintained and confidence in the company will be strengthened.

At the same time, company need consider integrating the product brand into company’s brand architecture. At this stage, it is necessary to strengthen the relationship between corporate brand and product brand. This time well-designed brand architecture is important. The brand image will transfer between the levels of brand hierarchy through the well-designed brand architecture, which means corporate brand and other product brands is improved by this strong brand. Besides this, in order to minimize brand conflicts, company can consider inject company’s merits into product brand to let product brand really integrated into the whole company brand structure.

• How can company strength corporate brand through organizing brand architecture to achieve brand synergy after acquiring a strong product brand?

We realized that company must have a clear brand position if they want to strength corporate brand after acquire a powerful product brand. In other words, the company need choose a suitable brand architecture strategy. From the literature review, we noticed that brand architecture is a useful diagnostic framework to help map the complex brands position owned by large companies. Through our research, we found that brand architecture, actually, is not stable but an evolutionary strategy decision. Company should base on the different contexts to choose different brand architectures.

There are two broad brand strategies which integration strategy and separation strategy we mentioned in the theoretical part. Through our analysis, we recognized that integration strategy is a better choice in such situation. The main reason is that integration strategy can achieve image alignment between corporate and product brand. Meanwhile, we found that company can leverage the strong image of product brand to enhance the corporate brand image during integration process. For example, IBM ThinkPad promoted Lenovo’s brand awareness.

In addition, we found out that building a suitable brand relationship during integration
process is very important for a company. Based on the literature review, we have already known that four type of brand relationships exist which include house of brands, endorsed brands, subbrands and branded house. Through our research, we realized that subbrands relationship should be chose when a company want to strength its corporate brand after acquire a powerful product brand. In subbrands relationship, product brand as a co-driver has considerable potential to affect the corporate brand associations. Meanwhile, a powerful product can extend a new segment for a corporate brand. For example, ThinkPad promoted Lenovo’s brand influence, help it penetrate into international market and high-end segment. Subbrands relationship enhance the corporate brand influence as well as keeps product brand original image in such situation.

6.3. Implication in management

Currently, with the developing of economy, globalization has become an unavoidable trend. Many domestic companies are forced to compete with large-scale multinational companies. For surviving in the fierce competition, M&A as a quicker mean to increase the scale has been chosen by many companies. Through M&A, company usually can gain one kind of precious intangible asset that is brand. Our thesis is written under this context to discuss how to strengthen corporate brand by integrating acquired brand to help company achieve synergy.

In order to expand market, companies usually are inclined to acquire a famous brand. However, only own the acquired brand without doing anything is the most damaging response. Companies should gain benefit through reorganizing acquired brand. For this purpose, we wrote the thesis by using Lenovo as the case to analyze rebranding after M&A through a well-designed strategy, and integrating famous product brands through brand architecture. In our thesis, we only focus on product brand acquisition. We hope our work could bring some inspiration for further study in this domain.

The major implication as we think contains three aspects. First, stress the important role of product brand. In many literatures, they only point out the importance of corporate brand. However, if we use acquired strong product brand wisely, it also can influence brands among company’s brand hierarchy. Second, even though the acquired product brand is very famous already, it may have conflicts with the acquiring company in image and culture, through proper brand architecture can improve the relationship between acquired product brand and corporate brand. Furthermore, managing brands is costly, company can decrease cost by sharing resources after brand integration. Third, goal of acquiring product brand is to strengthen corporate brand, and ultimately promote corporate capability. Company should have clearly strategy, continuously improve and clarify different level’s brands to realize uniform brand image. Finally, enlarge its influence in international markets.
6.4. Scope and limitation of thesis

This thesis focuses on the particular field which is how can company strength corporate brand after acquire a powerful product brand. We found some interesting results during our research. However, because of time and scope limitation in our research, there still exist some deficiencies:

- We only interviewed one manager from company Lenovo. Although we got a lot important primarily data from him, two or three people can interviewed would be better for our thesis.

- Due to the geographical distance, we chose e-mail interview method. However, face-to face interview should be the best choice for our research. Face-to-face interview can let us have more interaction with the respondents and furthermore, we can receive more depth information.

- Our thesis analyzes the relationship between product brand and corporate brand from brand architecture facet. However, there are other options for analyzing how product brand influence corporate brand that can be taken into account.
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Appendices

Appendix I

Interview guide and answers to examine Lenovo’s rebranding after M&A

This interview guide is designed to contribute to the empirical part of our master thesis on rebranding process and strategy at company Lenovo. We chose interview by e-mail as our research method to collect needed information. For the purpose of precision and clarity, we conducted the interview in Chinese. In this appendix, we provide the interview questions in English that are translated by us. In the next appendix, we will give the original Chinese version.

Interview questions and answers

1. Why did Lenovo choose IBM PC Division? Would you please provide more company information of both parties, IBM and Lenovo, in that time?

Before acquisition, IBM PC Division had sunk into loss for three and half years. In 2004, the accumulated losses were almost $1 billion. From IBM prospect, the situation of its PC Division was worse. Moreover, IBM was conducting strategic transformation, shifting from computer hardware manufacture to higher value-added software and service field, at that time. The sale of its PC Division was one step of their whole transformation plan. After acquisition, their financials and core competitiveness was improved.

In the middle of 1990’s, Lenovo was the biggest PC supplier in Chinese market. However, as this market opened further, many international competitors such as Dell, HP started marketing their products here. Fierce competition is unavoidable.

PC market is not like a dozen years before. Now it is matured. The price of PC products is increasingly lower. The pressures from our competitors such as HP, Dell, and Acer are more immense than ever before in both China and overseas PC market. Due to the serious situation, Lenovo had no choice but to become an international firm in PC business.

To survive and grow, Lenovo not only had to keep market share that it already had in China, but also need consider how to march into market outside China. Lenovo had two choices: the first was to develop by itself; second was through M&A. The first choice was very difficult. For Chinese company or product made in China,
there have still existed many controversies about Chinese counterfeit product, and the questionable quality. Due to this, establishing brand recognition was difficult.

Moreover, if you have not a good brand, it is hard to attract talented people working for you. The same, customer would not trust you. Thus, we chose acquisition. And just at this time, PC industry needed re-integration. It gave us a very valuable opportunity accessing a good brand IBM ThinkPad.

2. After the acquisition, Lenovo gained five years’ right using IBM brand. Under this condition, Lenovo could adopt dual-brand strategy for a long time, why did Lenovo decide to abandon IBM brand two years before the agreement?

Although we have five years’ right using IBM brand, we would consider give up IBM brand when we recognized market evaluation of this acquisition was not bad. Company’s brand strategy includes two levels: corporate brand which is located in company level and product brand which is located in sub-level. When in the initial stage of market development, customer was unsure of the product quality, change corporate brand would cause huge impact on customer’s choice. However, when market has become mature, this kind of impact would be decrease.

The disadvantage of dual-brand strategy was that management and implementation are too difficult. Execution of this strategy meant that two brands had to be operated separately by two teams. In other words, we could not synergy common resources. That time, IBM PC Division’s amortized cost was much higher than Lenovo. And within Lenovo, we believed that we have the capability making ‘Think’ business profit under relatively low-cost operation system. For us, integrate these two brand was inevitable, and it was just only a matter of time.

3. As we know, now Lenovo introduced a new product brand Ideapad, its name is very similar to ThinkPad. Can you explain their position in market and in Lenovo’s brand architecture? What is the relationship between them?

Main reason of the birth of brand ‘IdeaPad’ is pervious unsuccessful marketing of consumer PC product in overseas markets. Our consumer PC product with Lenovo brand still could not be accepted by most overseas consumers. The purpose of naming this product brand as ‘IdeaPad’ is to create an image that it is complementary products of ‘Think’, and depend on the influence of ‘ThinkPad’ promoting Lenovo consumer PC product in international market.

4. What is the brand identity of bran Lenovo? How does Lenovo redefine this acquired brand? What essence does Lenovo choose to keep? What new element does Lenovo add in?

Since ThinkPad was born, it has been always positioned as high-end PC product
line. After acquisition, we still have maintained many classical designs, such as TrackPoint. It is certainly that we have made some changes to suit younger customers’ needs. For example, we introduced several ThinkPad products in red cover. They are totally different from tradition design. Besides this, we also released some widescreen ThinkPad laptops.

5. **What intentions have aspired the changes on ThinkPad?**

The original intention of these changes is that we want make the image of ThinkPad more flexible to attract different customer, then extend market share.

6. **ThinkPad is famous for its high quality and high price. Now Lenovo adopt marketing low-end laptop at a lower price to it. Will this strategy bring the loss of loyal customers? What does Lenovo think about it?**

Actually, ThinkPad still represents high-end product. Shortly after acquisition, we introduced ThinkPad T61, which was an extremely high-end laptop. It was the effective way of putting off outside’s doubts. Undoubtedly, it increased loyal customers’ confidence. The purpose of producing and marketing low-end product is to satisfy more demanding for ThinkPad. We have to recognize that low-end products do not equal to poor quality. ThinkPad products still have finest quality.

7. **What is company’s general brand strategy in the process of integrating ThinkPad into Lenovo’s brand architecture? What does Lenovo want to achieve through this activity?**

To achieve synergy effect, after acquired IBM PC Division, Lenovo proposed three-step strategy. First, integrate two companies, retain employees and customers. Second, gain profit growth as well as promotion of Lenovo brand equity by further brand integration. Third, leveraging brand to achieve brand synergy, consequently, let Lenovo become a global brand.

The first eleven months after acquisition, Lenovo and IBM PC Division were operated independently. Lenovo tried maintaining IBM ThinkPad unchanged. This stage, the position of Lenovo brand and Lenovo owned sub-brand focused on low and middle-end customers as well as minor enterprises, and IBM ThinkPad brand aimed at high level customer. For the employees who worked in IBM before, Lenovo remained work environment, salary, working style, job responsibility unchanged. Meanwhile Lenovo carried on marking IBM on ThinkPad product. The product after service in overseas market was wholly outsourced to IBM Global Service. This stage’s main task was to maintain relationships with IBM’s existing customers, instill new confidence in this type of customers. Ultimately protect product sale.
After this stage, Lenovo abandoned IBM brand by integrating ThinkPad as sub-brand. On the basis of original brand positioning, we readjusted our product brand in terms of injecting new elements into brand, and complementing each brand’s strength to decrease brand conflict. Through the integration of ‘Think’ PC business, we have deeper understanding about our product position and market segmentation. With the progress in overseas markets exploring, we have begun to grasp customers’ different choices. Now, we set brand ‘Lenovo’ as corporate brand, and use ‘ThinkPad’ which mainly target at commercial markets and ‘IdeaPad’ which generally target at consumer markets as product brand. Since then, Lenovo’s brand architecture became clearer. The move solved product line confusion problem existed previously.

8. **Why Lenovo position ThinkPad as a product brand?**

The consideration of this transformation includes three aspects. First, the goal of this acquisition is through acquiring IBM to help Lenovo improve its brand image and reputation in the world. Lenovo has to break away from the influence of IBM brand ultimately to reach the goal. Second, brand integration could increase the possibility of further achieving synergy effect, thereby to get complementary advantages. Third, powerful brand have distinct personalities. If Lenovo used two brands for a long period, it would have the risk of fading these two brands’ unique personalities and causing brand conflict. To avoid brand schizophrenia, company need integrate two brands to improve Lenovo brand.

9. **What adjustment did Lenovo do for ThinkPad?**

The designs of some Lenovo series are more close to the IBM style. In addition, they apply IBM technical patents to Lenovo laptop, such as the keyboard. Meanwhile, ThinkPad did a series of strategic adjustment. Besides kept its regional product lines, it introduced new product ranges such as SL series, ThinkPad Edge to satisfy different customers’ needs. With the introduction of new series, the price also did some changes to attract broader potential customers. On the other hand, Lenovo’s advantages, low-cost operation and value-chain integration had been transplanted to ThinkPad.

10. **What dose Lenovo gain from the acquisition (What does ThinkPad brand bring to Lenovo)? As the case stands, can we make a conclusion that ThinkPad promoted Lenovo’s brands? Does this enhance stakeholders’ confidence?**

After acquisition, Lenovo gained high-end technology especially technology of Think series as well as three R&D Center which located in USA, Japan, and China directly without extra money and time consuming. Meanwhile, new Lenovo was run by several former IBM executives, staff in IBM PC Division. Besides
technology and human resources, the most important asset which Lenovo acquired was brand. Lenovo acquired the product brand, ThinkPad, and five years right of use brand IBM. Both IBM and ThinkPad had high reputation on a world wide scale. Through acquiring IBM PC Division, Lenovo gained the instant brand equity of IBM and its sub-brands ThinkPad, moreover removed one of the strongest competitors, IBM, in global PC market. In contrast, Lenovo was a very new brand, only well known in Chinese domestic market, and obviously lack international influence. Many customers outside China recognized Lenovo through the big M&A deal. To penetrate into international market, the acquire brand was of paramount importance. Using acquired brand helped Lenovo to promote customer awareness.

I believe that this brand integration is to be more a benefit than a bane. After integration, we have larger space to do our business in different segmentation. Our corporate has been an international company. Moreover the brand awareness of corporate brand ‘Lenovo’ has improved a lot. Lenovo is ranked number four in world PC market, and keeps stable growth. All of this shows that the brand Lenovo is continuously improving. This improvement raises our business performance. It can be reflected in two indicators. First, Lenovo’s market share is increasing year by year. Second, our profit levels are improving, which means our business is developing toward a more healthy direction.

11. Would you please give us more details about Lenovo’s “Protect and Attack” Strategy?

For protect strategy, we mainly focus on Chinese PC business. And the word ‘protect’ not only means keeping current market share, but also indicating doing better. We have had a decent performance in this market, what we will do next is to achieve greater success. Meanwhile, commercial business, which took over from IBM, is another territory needed to protect. The purpose is to turn losses into gains in this filed. Comparison with ‘Protect’ strategy, ‘Attack’ strategy concentrates on emerging market. We take aggressive action in there to grab market share and finally achieve high growth. Another market implemented ‘Attack’ is middle and small scale companies in maturity market. This area is a new segmentation for Lenovo.

12. As we know in 2009, Lenovo had redrawn its markets into three parts, China, mature markets, and emerging markets except for China. Each of them covers which countries? For different markets, which strategy does Lenovo apply?

China is the principle market for Lenovo. The growth of market demand increases fast. We are the leader in Chinese PC market, our company and brand recognition are relatively high. This market also contributes to almost half of company’s total
sales. In this market, we are dedicated to strengthening leadership and profitability through expanding distribution network and product portfolio to better serve the high growth segments such as small and medium-sized business segments and rural market.

Emerging market excluding China is a new market for Lenovo. It covers Hong Kong, Macao, Taiwan, Korea, ASEAN, India, Turkey, Eastern Europe, Middle East, Pakistan, Egypt, Africa, Russia, and Central Asia. Many customers in this market are the first time to buy a PC product, especially laptop. We mainly focus on this group, by using experience from domestic market to win lower-income user in this market. Entering in this market is a possible turning point for Lenovo to ease the dependence on mature market.

Mature market covers Australia, New Zealand, Canada, Israel, Japan, USA, Western Europe, and Global Accounts. Because of the sluggish condition in this market, we are struggling to restore profitability in there. Most of the mature market customers no matter individual or enterprises have PC products already. Their needs are to find new substitutes. So, we put more emphasis on channel to make itself the vendor of choice for channel partners.

13. Currently, what is Lenovo’s market position? (What does Lenovo want to be?)

To win out in this market, clear short-and long-term strategy is important. During strategy formulation you must know where you are and where you want achieve. For Lenovo, we position it as an innovative company, which can provide up-to-date innovative technology, product, and service. This positioning is also coincident with our brand positioning. We believe that innovation is crucial for constantly bringing reward to our customers and stakeholders, if you want achieve long-term development.

14. What are Lenovo’s competitive advantages?

In our industry, we have two advantages that our rivals could not compare with. First is efficient operation platform. Presently, the rate of core business operating expense is the lowest among the top ten PC company. Second is Lenovo’s end to end supply chain. These two competitive advantages ensure company operating efficiently and effectively at a low cost.

15. How can Lenovo response customers’ constantly changing needs?

To respond to the changes in the China IT market, Lenovo is committed to building a more customer-oriented sales model and organizational structure with the aim of providing products and services to meet the requirements of different
customers more effectively. Catering for customers’ different needs in product application, buying patterns, preferred ways of delivery and service requirement, the Group will adopt a combined model. Through optimizing existing distribution model, enhancing the capabilities of channel partners to win and serve customers, and establishing direct-to-customer model, we will build the optimal sales models for its different customer groups.

16. In February, Lenovo acquired a Japanese company, NEC, do you think what will Lenovo gain from this M&A? Will Lenovo choose dual-brand strategy again?

I think, the advantages of this M&A contain three aspects. First, Lenovo turned into the third largest PC producer in the world once again. Second, it is a good opportunity for Lenovo to enter in Japanese PC market. Now we are the biggest PC vendor in there. Third, it further improved Lenovo’s company image. We unlikely take dual-brand strategy. Presently, Lenovo already has a certain reputation. Improving ourselves by NEC is unnecessary. If we chose dual-brand strategy, it would create brand confusion.

17. Recently we found that Lenovo has entered in tablet PC market. What factors cause Lenovo to make this decision?

Generally speaking, tablet PC and mobile internet will be a new trend in future PC development. Many companies such as Apple have started this. This new trend forces us to make this decision.

18. In the process of internationalization, many companies improve their image through cooperating with sport events. What did Lenovo do in this field?

We provided computing technology equipment for the 2006 Turin Olympic Winter Games and supported for the 2008 Beijing Olympic Summer Games.

19. Why does Lenovo terminate supporting Olympic Games?

First I have to admit the positive effect of supporting Olympic Games. Through this, our brand image had been improved a lot. However, with the adjustment of our general strategy, in the future years, we will devote a great effort to expand new emerging market such as Brazil, India, and Russia. Continuously supporting Olympic Game has little significance in our future development. Furthermore, to be Olympic Game’s TOP sponsor is very expensive. We’d prefer support NBA or F1 instead it.
Appendix II

Interview questions and answers in Chinese

1. 联想为什么选择收购 IBM PC 事业部？请给我们介绍一下当时收购的背景。

IBM 公司个人电脑事业部在我们收购前的三年时间里一直处于亏损状态，情况相当糟糕。在 2004 年，更是累计亏损近 10 亿美。同时，IBM 公司当时也正在进行战略转型，从计算机硬盘的制造转向更高附加值的软件和服务领域。出售个人电脑部门是他们整体改造计划中的一部。出售后，他们的财务和核心竞争力将大大改善。

从 1990 年代中期开始，联想就一直是中国市场是最大的电脑供应商。然而，由于这一市场的进一步开放，许多国际竞争对手如戴尔，惠普的销量日渐提高，竞争也日趋激烈。

个人电脑市场不像十几年前了，现在，它已经是一个很成熟的市场了，PC 产品的价格越来越低。像惠普，戴尔和宏碁这样的竞争对手在国内和海外市场给了联想巨大的竞争压力。因此，在这样的竞争压力下，联想必须更加的强大才能有实力和他们抗衡。

联想不仅要保持它在中国已经持有的市场份额，还需要考虑如何进入国际市场。当时我们有两个选择：第一是通过自身一步
步发展进入国际市场，二是通过并购一家有国际影响力的公司进入国际市场。而第一种方法对于中国公司或中国制造的产品是非常困难的，因为有一些中国生产的假冒产品给中国制造带了很多的争议和负面影响。

更重要的，如果你没有一个知名品牌，是很难吸引优秀人才为你工作的。同样，客户也不会信任你。而就在这个时候，IBM PC部门陷入了困境，亟待出售。因此，我们抓住了这个机会，选择了收购IBM PC部门。

2. 收购IBM PC之后，联想完全可以采用双品牌策略，扩大影响力，占有市场份额。但为什么会选择提前两年放弃IBM商标？

尽管我们能使用IBM这个品牌五年，但是当我们认识到整个市场对我们此次收购的评价还不错的时候，我们提前放弃了IBM品牌。我们知道，公司的品牌策略是包含两个层面的，一是公司品牌，二是产品品牌。当在产品发展初期，客户对产品质量还不确定时，如果我们改变企业品牌将对客户的选择产生巨大的影响；然而，当市场已趋成熟，改变公司品牌带来的影响将大大降低。

双品牌策略的管理和实施实在是太困难了。执行这一战略通常意味着必须有单独经营的两支队伍。换句话说，我们很难利用共同的资源，协同合作。当时，IBM PC部门的成本远远超过了联想。而我们相信，通过我们的整合，我们是有能力使‘Think’这个
品牌在联想相对较低的成本运营下带来更多的利润的。对我们来说，整合不可避免，它只是一个时间问题。

3. 我们知道，现在联想有了新的产品分类 idea pad 和 think pad，它们各自的市场定位是什么？他们在整个联想品牌体系里的位置和关系是什么？

在海外，联想公司的产品依然是不为大多数客户所知的。我们采用 IdeaPad 这个产品品牌，是为了借助 ThinkPad 的强大影响力去推广，让客户觉得这个产品是和 ThinkPad 有关系的，它们两者是互补的。

4. Lenovo Think Pad 的品牌身份 (brand identity) 是什么，公司是怎样定位这一重新组合的品牌的？保留了哪些东西？新加入了哪些元素？

ThinkPad 由于其自身的高品质，我们一直是把它作为高端产品来定位并推广的。在我们收购以后，仍然保留了其不少的经典设计，比如大家熟悉的“小红帽”。当然，为了顺应时代的发展和一些年轻客户的需要，我们也新加入了一些元素。比如，推出了几款红色的 ThinkPad，这和传统的黑色设计完全不同。另外，我们也推出了一些宽屏的 ThinkPad 笔记本。
5. 你刚刚谈到 Think Pad 改变了传统设计，加入了一些新鲜的元素。 为什么 Think Pad 会更改经典设计？

我们改变其经典设计的初衷是为了改变大家传统印象中 ThinkPad 略微保守的黑色形象，使 ThinkPad 这个品牌形象更有活力，吸引不同的客户，扩大市场份额。

6. 我们知道，ThinkPad 一直以来就是以高质量，高价格闻名于世。而联想现在采用了生产低端本，降低价格等策略，这么做会不会造成一部分忠实客户的流失？联想是怎么考虑的？

事实上，ThinkPad 依然是高端本的代表。在收购 ThinkPad 不久，我们推出的 ThinkPad T61 系列就是非常高端的一款笔记本，市场反应也非常的热烈。而这也给了很多怀疑联想的人一个有力的回应，同时给了那些忠实客户信心。生产低端本也是为了满足更多的消费者对于 ThinkPad 的需求。我们必须认识到，低端，降价不代表其品质的下降，ThinkPad 的质量依然是出众的。

7. 联想在将 Think Pad 收购整合成为旗下的产品品牌过程中，公司的战略是什么？通过调整联想想达到的效果是什么？
为了最终让这个品牌和我们公司的整体品牌战略有一个协同效应，我们在收购 IBM PC 事业部之后制定了三步走战略。第一步，整合 IBM PC 部门，尽可能留住其部门的员工和顾客。第二步，通过进一步的品牌整合实现盈利，同时提升联想品牌价值。第三步，实现品牌的协同效应，并且最终将联想打造成为世界品牌。

收购后的前十一个月，联想和 IBM PC 事业部是分开运作并且基本独立的，IBM ThinkPad 没有什么变化。在这一阶段，联想以及联想旗下的子品牌定位在中小客户和小型企业，而 IBM ThinkPad 针对高端客户。对于之前在 IBM 工作的员工，联想也尽可能保持他们的工作环境，薪酬，工作方式以及工作职责不变。同时我们也继续在 ThinkPad 产品上标记 IBM 品牌标识。ThinkPad 产品海外市场的售后服务由 IBM 全球服务部负责。这一阶段的主要任务就是保持与 IBM 现有客户的关系不变，并且维持这部分客户对 ThinkPad 产品的信心，最终达到保护现有产品销售的目的。

随后，联想逐步将 ThinkPad 纳入联想品牌旗下，并做出了放弃 IBM 这一品牌的战略。在原本 ThinkPad 定位的基础上，我们通过对该品牌注入一些新的元素来重新调整品牌定位，让 ThinkPad 与其他联想拥有的品牌形成互补之势以减少品牌冲突。

通过对 ThinkPad 的整合，我们对产品的定位和市场细分有了更深层次的了解。经过在海外市场一段时间的摸索，我们抓准了客户的不同需求。现在，公司的品牌架构更加清楚，Lenovo 作为一个整体的公司品牌，而 ThinkPad 和 IdeaPad 作为主要的产品品
牌，前者主要针对商务市场，后者主要针对消费市场。此举也解决了之前联想品牌混乱的问题。

8. 上面提到了联想逐步将 ThinkPad 作为公司的产品品牌。那么，做出这种改变，联想是基于什么考虑？

对于 ThinkPad 的改变，我们是出于以下三方面的考虑。第一，这次收购 IBM PC 事业部的最终目的是想通过收购提升联想在国际上的品牌形象和知名度。要实现这一目的，最终联想还是要脱离 IBM 的影响的。第二，整合品牌可以提高未来实现协同效应的可能性。第三，强大的品牌通常都有自己独特的品牌个性，如果联想长期使用两个品牌，很有可能会削弱这两个品牌的独立个性并最终导致品牌冲突。为了避免出现这种混乱的局面，公司需要整合这两个品牌从而提高联想这一公司品牌。

9. 在收购的过程中，联想和 ThinkPad 各自做了哪些调整？

在这个过程中，我们将一些联想旗下的产品设计的更接近 IBM 的风格。并且将很多原本属于 IBM 的专利技术应用于联想笔记本中，比如键盘。而对于 ThinkPad，我们也做了一系列的调整。除了保持原有的产品系列之外，我们新发布了很多新系列，例如 SL 系列，ThinkPad Edge 系列来满足不同客户的需求。随着新系列的
发布，我们在产品价格上也做了一些调整来吸引更多的潜在客户。另一方面，联想的低成本运营优势和供应链整合经验也被移植到了ThinkPad业务当中。

10. 收购给联想带来了什么（产品品牌对整个公司的影响）？就目前来看我们可以认为ThinkPad帮助提升了联想的整体品牌吗？联想的收购和ThinkPad这一品牌有增强联想的利益相关者（员工，投资人，供应商，经销商等）对联想未来发展的信心吗？带来的东西还是不少的。收购后，我们在没有消耗多余金钱和时间的情况下获得了IBM尤其是Think系列的高端技术，以及分别位于美国，日本和中国的三个研发中心。同时，新联想的日 常经营中加入了许多之前在IBM工作的高管和员工。除此之外，联想得到了最为宝贵的品牌资产—ThinkPad和IBM五年的使用权。这两个品牌在国际范围内都具有极高的知名度。通过收购联想不仅得到了他们，并且在国际市场上为自己消除了一个强大的竞争对手。我们前面谈到了，相较IBM而言，联想还是一个非常新的品牌，仅在中国本土市场上有一定的知名度，缺乏国际影响力。然而通过这次收购，许多中国之外的顾客知道了联想。对于联想渗透进入国际市场，收购的品牌起了至关重要的作用。它帮助联想提升了顾客的认知度。
11. 您可以给我们提供一些关于联想“防守进攻”战略的细节吗？

我们主要将防守战略用于中国的PC市场。“防守”不仅代表保持现有的市场份额，也表明我们要在这个市场做得更好。我们在中国市场已经有非常好的表现，下一步我们要在这里取得更大的成功。另一个要运用防守战略的是我们从IBM那里的得到的商业业务。这一市场的目标是扭亏为盈。进攻战略主要针对新兴市场和成熟市场的中小型企业。我们在新兴市场上采取非常积极的措施以获得市场份额的高速增长。而成熟市场的中小型企业是我们的一个新的细分市场。

12. 2009年联想将现有市场从新划分为中国市场，成熟市场和除中国以外的新兴市场三块。他们分别涵盖哪些国家？联想在不同的市场上采用什么不同的战略？

联想最重要的市场还是在中国这个需求增长迅速的市场上。我们目前是这一市场的领先者，公司和品牌认知度相对较高。联想将近一半的销售收入来自于这里。在这块市场上，我们通过扩大分销网络和不同产品组合去更好的服务于高速增长的细分市场，比如中小企业和农村市场，从而尽力巩固领先地位和盈利能力。

除中国外的新兴市场对联想来说是个全新的市场。它包括香港，澳门，台湾，韩国，东南亚国家，印度，土耳其，东欧，中
东，巴基斯坦，埃及，非洲，俄罗斯和中亚。这个市场上的不少顾客是初次购买 PC 产品，尤其是笔记本电脑。我们将在本土市场获得的成功经验应用于此，以求获得低收入用户的青睐。进入这个市场对联想来说很可能是脱离对成熟市场过于依靠的转折点。

成熟市场则包括澳大利亚，新西兰，加拿大，以色列，日本，美国，西欧和全球性大客户。由于这个市场一直处于停滞状态，我们一直在艰难的维持并且希望获得盈利。成熟市场中无论是个人用户还是企业用户大多数都已经拥有 PC 产品。他们寻求的是更好的新的替代品。因此，我们将更多的精力放在渠道建设中，将自己打造成为渠道合作伙伴的供应商选择之一。

13. 目前联想的自我定位是什么？

要想赢得市场，一个公司必须有短期和长期的不同策略，你必须知道你到底想要些什么。对联想公司来说，我们的定位是一家创新的，能给客户不断提供新技术，新产品的公司。这个定位也正是我们的品牌定位。我们相信创新能给客户和联想的广大股东带来好处的一项重要的长期策略。

14. 联想有哪些竞争优势？

我认为我们有这样两个优势。第一，我们有一个高效的工作
平台。目前来看，我们公司的核心运营成本在同行业中最低；第二，我们是供应链的终端。这两个优势能确保我们保持高效低成本。

15. 联想怎样增进它和客户之间的联系？

为了适应不断变化的中国市场，联想致力于打造一个以客户为中心的公司结构，为不同的客户提供高效高质的服务。联想有不同的模式去满足不同客户在购买，运输方式，消费习惯上的不同。我们优化了配送系统，有更多不同的购买方式能够提供给消费者。

16. 联想在二月份收购了日本的 NEC，那么您认为这次收购会给联想带来什么？它会继续采用双品牌策略吗？

我个人认为，这次收购的好处有这么几点。第一，联想重回世界前三；第二，挺进日本市场，成为全日本市场上最大的个人电脑集团；第三，进一步提升了联想的国际形象。我觉得这次采用双品牌策略的可能性不大，联想已经具有相当的知名度了，不用再通过 NEC 来提升什么。使用双品牌策略，反而容易混淆市场形象。
17. 我们看到在近期，联想高调进入平板电脑市场。联想此举是基于什么考虑?

平板电脑和移动互联应该说未来 PC 发展的一个趋势。很多公司已经走到了我们前面，比如大家熟悉的苹果公司。应该说，我们进入平板电脑市场是大势所趋。

18. 不少公司在走向全球化的过程中，选择和知名的体育赛事结合提升其形象。联想在这方面做了什么?

我们赞助了 2006 年都灵冬奥会和 2008 年北京奥运会。

19. 后来联想为什么没有继续赞助奥运会了呢?

首先，我必须肯定赞助奥运所带来的积极效果。联想通过两届奥运会极大的提升了品牌形象。然而随着我们根本战略的调整，我们将会投入更多的精力在扩大新兴市场上面，比如印度，俄罗斯。继续赞助奥运对我们将来的发展帮助很小。而且成为奥运赞助商的费用太高，目前我们更倾向于赞助一些 NBA 或者 F1 的赛事。