Brand Adapting Management
In Merger and Acquisition
-A Case Study of Geely/Volvo’s Brand Acquisition

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ABSTRACT

The premise of this thesis is to conduct a research regarding the connection of brand image, brand identity, brand positioning with brand adapting management. The significant purpose of this thesis is for better understanding how a Chinese auto corporation can effectively manage and adapt an acquired foreign brand in Chinese market. In order to reach this purpose, a case study of Geely/Volvo’s acquisition has been carried out which entailed company visit (Volvo Brand Experience Center), interviews with Volvo brand specialists, Volvo dealer and Chinese market expert.

The Theoretical Framework describes the general concepts of brand, brand management, company acquisition and three brand adapting concepts of brand image, brand identity and brand positioning. The Empirical Data Collection deals with the Volvo’s brand identity and value proposition, Chinese customers’ perceptions on Volvo brand image and Geely’s brand positioning strategy on Volvo. The Analysis related the theory framework with the empirical results. It discussed and analyzed how Geely can adapt Volvo in Chinese automotive market through dealing with Volvo’s core values, brand image and brand positioning. The Conclusion summarized the Chinese auto corporation needs to concern on three factors for adapting an acquired brand: value proposition of acquired brand, Chinese customers’ perceptions on acquired brand image and brand positioning strategy. Finally our recommendation presents the limitations of this study, suggestions for future research in this field, and managerial implications for the case company.

Keywords: M&A, brand image, brand identity, brand positioning, value proposition, customer perception, brand adapting management
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1 INTRODUCTION

In this chapter it starts with the description of research background on our thesis topic, then followed by the statements on the mainly research problems which generated from previous researchers. Furthermore we formulate one leading research question that will be investigated in this study and three sub questions are designed to facilitate it. Finally, this chapter states the threefold purpose of this document in terms of description, analysis and recommendation.

Recently brand management has been an essential component of corporate business operation and a strong brand becomes a firm’s intangible resource which creates long term profitability and sustainability. Brand creates benefits for both consumers and firms. It is emphasized by Kapferer (2004) that brand provides its consumers with sources of information and other functions, such as identification, guarantee and badge. Meanwhile a strong brand enables the firm to be less risky as it generates high level of brand loyalty and sustainability of future sales (Kapferer 2004).

In the automobile industry, strong brand image and effective brand management have been the key issues for success. In recent decades, merger and acquisition (M&A) activities in automobile industry have been a tendency. Furthermore, more and more foreign brands are being acquired by the firms from emerging country markets. These acquiring firms are usually shortage of experiences on brand management, which brings challenges for them to successfully manage and adapt the acquired brand. Hence, a strategic brand adapting management plays a vital role for acquirers to adapt the acquired brand to the market.
1.1 Problematization

In the case of M&A, the acquirers face up the challenges to effectively manage the acquired brand. In the Chinese automotive market, the Chinese auto acquiring corporations meet with several challenges, such as sustaining the image of acquired brand and dealing with customers’ changeable perceptions on the image. We find the challenges originate from several problems that were mentioned by previous researchers, which will be described below.

Firstly, the challenge arises from the negative impact on brand image after acquisition. Based on Mesa’s (2005) argument, when two brands take participate in M&A, they sometimes leave behind their customers’ perceptions. As emphasized by Chang and Xiao (2010), customers’ perceptions of brand acquisition usually have negative influences on brand image. This is very dangerous for deal makers if they merely concern on making the company stronger and bigger, paying no attention to the changes of brand image.

And then, Mesa (2005) also outlines the M&A activity is supposed to be deal makers’ synergized communication, with outcome of “one and one are more than two”. However, the real-life outcomes of M&A are sometimes “less than two” or even worse derived from inappropriate brand identity and brand positioning for the acquired brands. The M&A activity inevitably ripples the business ocean where participating brands are in; changes and confuses over the images of brands definitely exist in people’s minds. Untimely brand identity and positioning have no choice but make people much more confusing.

Moreover, the challenge comes from dealing with the problems on adapting the acquired brand to the fast changing environment. Kapferer (2004) refers to “The only
way a brand can grow is through movement. You cannot expect growth and lack of change”. However the change is risky. Change means the company will do something new or go somewhere they are not unfamiliar with. Kapferer (2004) also expresses that brand only grows in a long run with consistency. Here come the questions for the brand managers: keep or change? Keep what? Change what? Is it possible for adapting the brand to the changing conditions while remaining consistency?

1.2 Research Question

Based on the discussion of research problems we formulate a main research question for this thesis:

**How can a Chinese auto corporation adapt an acquired foreign brand to Chinese Market?**

In this thesis we concentrate on Chinese automotive market and the M&A conducted by Chinese carmakers and foreign firms. It is attractive and interesting to investigate on this unexplored field. This research is motivated and founded based on this Main Research Question. In order to facilitate this research question, three sub questions are designed as follows:

**Sub-question One: How can a Chinese auto corporation sustain the brand identity of acquired brand?**

*Sub-question one* deal with how a Chinese company can keep acquired brand’s identity. Aaker (2010) states that brand identity is a specific group of brand associations which are created or maintained by a firm and it builds up a bridge between brand and customers. Hence the premise for adapting a foreign brand in Chinese market is to know how to establish and sustain the ‘bridge’ between acquired
brand and Chinese customers.

**Sub-question Two: What are the potential changes of acquired brand’s image in Chinese customers’ minds?**

*Sub-question two* deals with the potential changes of Chinese customers’ minds on the acquired brand’s image. Aaker (2010) describes that brand image reflects on how customers perceive the brand. However the customers’ perceptions on brand image will be influenced by certain external factors. The challenge for adapting an acquired foreign brand is to realize the potential changes of customers’ perceptions on the brand image and make efforts to diminish the negative impact.

**Sub-question Three: How can a Chinese auto corporation position the acquired brand in Chinese automotive market?**

*Sub-question three* deals with how a Chinese auto corporation can position the acquired brand in Chinese automotive market. Kapferer (2004) emphasizes that positioning a brand means to make the brand distinctive from the competitors and attractive to the public. Brand positioning is a manner for sustain a brand’ core values and image. The essence for Chinese firm’s successfully adapting an acquired foreign brand is positioning the brand with sustaining its core values, benefits and image alongside with making the brand adaptable to Chinese automotive market.
1.3 Purpose of the Thesis

The significant purpose of this thesis is for better understanding how a Chinese auto corporation can effectively manage and adapt an acquired foreign brand in Chinese market, with sustaining the core values of the brand and its created benefits to customers.

➢ *Describe* the concept of brand’s value proposition to customers, in terms of functional, emotional and self-expressive benefits; the branding strategies for creating core values, such as brand identity and brand positioning.

➢ *Analyze* the case company, Volvo’s core values and brand image; Chinese consumers’ preferences on choosing auto brands and their potential changeable perceptions on the acquired Volvo brand image; as well as Geely’s possible brand positioning strategy on Volvo in Chinese market.

➢ *Recommend* how the Chinese acquirers can successfully adapt the acquired foreign brands on the local market through sustaining the acquired brand’s core values, diminishing customers’ potential changed perceptions and carrying on effective brand positioning strategy.
1.4 Outline of the Thesis

Figure 1: Outline of thesis
2 METHODOLOGY

This Chapter will initially introduce two research approaches - inductive Vs deductive research approach, and two research methods - qualitative Vs quantitative research method. Followed by it will present the methodological techniques related to Case Study research, including case study approach, case study design, empirical data collection in case study. Finally it ends up with the description on quality of research.

2.1 Inductive Vs Deductive Research Approach

When conducting a research project, apparently there is a need to use both theory and data. And the two research approaches, *induction and deduction* (Saunders et al, 2009), emanate from the causal relationship between theory and data. As illustrated by Saunders et.al (2009), *deductive approach* is necessary when the researcher develops a theory or hypothesis and then tests it through data collection while the *inductive approach* is used when the investigator initially collects data and then creates theory model. Saunders et al (2009) describe one essential characteristic of *deductive approach* is generalisation, which means that the researchers need to select a large sample in order to generalise the findings statistically. By contrast, the *inductive approach* would choose a small sample for focusing on the context in which the event was happening.

In this thesis, we used *inductive* approach in order to solve the research problem. In this thesis we chose a small sample, which is Geely/Volvo’s brand acquisition, to collect *qualitative data*. In this way, the *inductive approach* was applied and data was collected based on the sample in order to improve and strengthen the theory.
2.2 Qualitative Vs Quantitative Research Methods

There are two types of research methods that are used in scientific researches: qualitative methods and quantitative methods. *Qualitative methods* are planned to offer profound insight and understanding of designed problem through analysis on small samples (Malhotra and Birks, 2007). *Quantitative methods* are research techniques that intend to quantify data collections and apply some form of statistical analysis in order to find certain general regulations (Malhotra and Birks, 2007).

*Qualitative methods* go deeper on study of issues and seek for details. The process of conducting the investigation will not be controlled by certain predetermined categories designed to achieve the depth and details. *Qualitative methods* have several strengths and weaknesses compared with *Quantitative methods*. *Qualitative methods* increase the detailed information and profound understanding of investigating cases and situations by focusing on small samples, this is the chief advantage. However, the results through qualitative research reduce generalization which means could not fit for general situations. Moreover, in qualitative survey, the researcher is the only instrument measure that used and his/her personal skill, competence and experience will directly lead to the credibility of the research results. (Patton MQ, 2002)

In this thesis, the Qualitative method was used. The mainly research problem in this thesis is: *How a Chinese Auto Corporation can adapt an acquired foreign brand to Chinese Market*. With using of *Qualitative Method*, we achieved a deep insight and understanding on this research problem. In order to seek details on this study issue, the *Case Study* was chosen as a qualitative research method that will be described in the next section.
2.3 Case Study as Research Strategy

Yin (2009) points out that there are five research methods that available for the researchers to choose. The choice of each method is decided by three conditions, which are type of research question, requires of behaviour events and degree of focus on contemporary events (Yin RK, 2009).

<table>
<thead>
<tr>
<th>METHOD</th>
<th>Form of Research Question</th>
<th>Requires Control of Behaviour Events?</th>
<th>Focuses on Contemporary Events?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Experiment</td>
<td>How, why?</td>
<td>Yes†</td>
<td>Yes‡</td>
</tr>
<tr>
<td>Survey</td>
<td>Who, what, where, how, how many, how much?</td>
<td>No‡</td>
<td>Yes‡</td>
</tr>
<tr>
<td>Archival</td>
<td>Who, what, where, how, how many, how much?</td>
<td>No‡</td>
<td>Yes/No‡</td>
</tr>
<tr>
<td>History</td>
<td>How, why?</td>
<td>No‡</td>
<td>No‡</td>
</tr>
<tr>
<td>Case Study</td>
<td>How, why?</td>
<td>No‡</td>
<td>Yes†</td>
</tr>
</tbody>
</table>

*Figure 2: Relevant situation of different research methods (Source: Yin, 2009:8)*

In this thesis, we used the form of “how” leading research question. As stated by Yin (2009), “how” and “why” questions are explanatory guide to the use of case study, experiment and history. Additionally, this study concentrated on contemporary event—Volvo Car Corporation’s acquisition with Geely in 2010, and had no special requires control of behaviour events. In this way, the Case Study method is the most suitable method for this thesis.

2.3.1 Case Study Approach

Based on Berg’s (2004) argument, several designs for case studies including three types: exploratory, explanatory and descriptive case studies. As mentioned by Berg (2004), exploratory case studies may be regarded as preparation stage for certain large social scientific study. In this way, the researchers might have a clear framework on
the investigated field and have started to collect the data needed before conducting the research. And Berg (2004) also points out that the exploratory approach could be effective as a pilot study.

Berg (2004) describes that *explanatory* case studies are fit for investigating causal researches, especially for the complicated researches of organizations or communities. Berg (2004) also emphasizes that *Pattern-matching* technique is usually used when one organization wish to test a plurality of influences by using multivariate cases. It is emphasized by Berg (2004) that the researchers need to launch a *descriptive* theory when conducting the *descriptive* case studies. And the descriptive theory creates the framework that the study will follow during the whole research process.

Apparently this thesis used the approach of descriptive case study and the descriptive theory of “brand management in conjunction of acquisition” was presented at the beginning. Followed by this descriptive theory, we designed our study question: *How can a Chinese Auto Corporation adapt an acquired foreign brand to Chinese Market.* Base on this study proposition, we defined the Geely/Volvo Car Corporation as the case.

2.3.2 Case Study Design

Yin (2009) describes four types of case study designs that are based on the choices of cases and units of analysis. In order to build up the case study design, the researchers need to decide either use single case or multiple cases. And then they should evaluate on holistic-single-unit analysis and embeddedmultiple units of analysis. In our thesis, we choose single-case design with holistic analysis (Type One).
It is emphasized by Yin (2009) that single case study design is suitable when the case represent a typical case. When the case study could represent a typical example of many different examples, it is typical. As it for this thesis, Geely/Volvo is a typical case of our explored field. Yin (2009) also explains that holistic case design is used when the relevant theory underlying the case study has its own holistic nature. In this thesis, we used holistic case design as we investigated Geely/Volvo as a whole organization, and seek how Geely (acquirer) will adapt the acquired premium brand (Volvo) to Chinese auto market.

2.4 Empirical Data Collection in Case Study

As argued by Yin (2009), the six most commonly used sources of evidence in the case study are: documentation, archival records, interviews, direct observations, participant-observation, and physical artifacts. In this thesis, the empirical data was collected from the sources of documentation and interviews. According to Yin (2009), both strengths and weaknesses of the two sources are listed in the figure below.
As emphasized by Berg (2004), the sources of data can be divided into two terms including primary sources and secondary sources. Berg (2004) illustrates that primary sources involve the oral or written records of eyewitnesses and they might contain documents, photographs, recordings, journals, and memories and the like. The secondary sources are the oral and written records that fulfilled by others and are not immediately created due to the given study fieldwork (Berg 2004). As for the secondary data, we gathered lots of reading materials from VCC, such as company book, annual corporation report and brand introduction. Besides of these, we collected some information from VCC’s websites, articles from internet and so forth. As for the primary data, we collected it from three interviews.

### 2.4.1 Interview with Chinese market expert

In order for the data collection on Chinese customers’ perceptions and potential changes on perceiving Volvo image. We got an interview with a Chinese professor, Zhongming Wang from Zhejiang University in China, through the help of our supervisor, Hans Jansson. The interview was arranged on 6th April 2011 and we asked him several questions about Chinese customers’ perceptions on Geely/Volvo acquisition and Geely’s reaction on the negative impact brought to Volvo image.
2.4.2 Interview with Volvo Dealer

With purpose of realizing Volvo’s image and created benefits to customers in its country of origin, we chose to do an interview with the manager of Volvo dealer (Liljas in Kalmar), Håkan Borg on 3rd May, 2011. Through the interview, we collected certain information about Volvo’s functional, emotional and self-expressive benefits and Volvo’s brand image in Swedish market. Even though we aimed at analyzing the situation in Chinese market, the data is useful and meaningful as Volvo is rooted there and a brand’s core values and benefits would not be divided by country boarders.

2.4.3 Interview with Volvo Car Corporation

In order to have a deep understanding on Volvo brand and collect certain data about Volvo’s core values, fortunately we got a chance to visit Volvo brand experience center (Gothenburg) together with a visiting group on 13th May, 2011. Volvo’s environment specialist, Mr Jonas Wepsalainen and safety specialist, Miss Carolin Anderson separately guided us to visit the center and gave certain presentations on Volvo’s core values. After finishing the visit, we conduct a short interview with both of them and asked questions regarding Volvo’s core values and benefits.

2.5 The Quality of Research Design

Even though we were not supposed to generalize the empirical findings of this study to any other research studies due to the different situations of brand acquisitions, they indeed are helpful and enlightened for the readers who are interested in fieldwork. And the quality of the empirical findings is trustworthy to some extent, which could
be judged by Yin’s (2009) four tests, namely are *construct validity, internal validity, external validity and reliability*.

2.5.1 Construct Validity

Yin (2009) emphasizes that the *construct validity* is high when the investigator develop a sufficiently operational group of measures to objectively collect the data. In this thesis, we used multiple sources of evidence (Yin, 2009), which are both documentation and interview. When we referring to the sources of data, we noted the accurate information enable the readers easily to follow the chain of evidence (Yin, 2009). When conducting the interviews, we translate the concepts of theories into language, such as brand identity, brand positioning and value proposition.

2.5.2 Internal Validity

According to Yin’s (2009), internal validity deals with the question of how research findings match reality. In this thesis, we used multiple sources of data, interviews and documentations to confirm the emerging findings. For example, when we research on Volvo’s core values, we collected the data from interviews as well as company website, annual report, company book and etc. We also used the method of *repeated observations* (Yin 2009) to enhance internal validity. As for analyzing Volvo’s created benefits to customers, we asked the same questions from interviews with both Volvo specialists and manager of Volvo dealer.

2.5.3 External Validity

*External validity* deals with the extent of one case study’s findings can be applied to other situations (Yin, 2009). In our study, we narrowed down the scope of research
question at the beginning of research design, and focused on Chinese automobile companies’ brand acquisition. We gave a detailed description on the situation is this study, such as the research problems, research background, purpose of research. Hence the readers could compare our research situation to theirs. We also described the typical feature of this case study, which imply the case of Geely/Volvo’s acquisition in Chinese automotive market. Hence the findings of this thesis could offer certain suggestions to the coming investigators who will research on the brand adapting management on M&A activities in Chinese market.

2.5.4 Reliability

It is emphasized by Yin (2009) that reliability refers to the extent of which research findings can be replicated and whether the results are consistent with data collection. In order to enhance the quality of reliability, the primary data collection process (interviews) were introduced in details and the secondary data collection was labelled with clear sources. Meanwhile we attached the questionnaires for all the three interviews in the end of this thesis, making sure the readers could follow the process that how we collected the data. We consider that the reliability of this study’s findings could be plausible if research conditions are similar with this explored field. Specifically, if there will be some investigators are interested on how a Chinese auto corporation can adapt acquired foreign brand to Chinese market, the findings and our summarized theory model could be helpful or illuminating.
3 THEORETICAL FRAMEWORK

This chapter presents the fundamental theories and models aiming at giving the theoretical answers to the research questions. It introduces the concepts of brand, brand management in M&A, brand identity, brand image and brand positioning. In the end, the sub-questions and main research question will be answered theoretically. Additionally a summarized theoretical model drawn based on previous researches will be introduced.

3.1 Understanding of Brand and Brand Management

Brand can be defined as “a name, term, sign, symbol, or design, or a combination of them, intended to identify the goods or services of one seller or group of sellers and to differentiate them from those of competitors” (Kotler, 1991:442). Thus, a brand is a product or service designed for appearing differentiation in some way from the others on the market. These differences can be functional, rational, or tangible which are related to the product performance of the brand, or more symbolic, emotional or intangible which are connected to what brand stand for (Kotler & Keller, 2006). De Chernatony et al (2011) also state that a brand is about establishing a value and promising a particular experience to customers. Meanwhile, it delivers various benefits to satisfy buyers’ rational and emotional needs. Besides the general understanding of what ‘brand’ really means, brand management refers to how a firm can create values and benefits for both customers and themselves through managing the brand (Kotler et al, 2009).
3.1.1 Product and Brand

It is necessary to present the difference and correlation between the concepts of brand and product since they have close connection. Product has its physical characteristics. Kotler and Keller (2006) claims that product is not only a tangible offering, but can be anything offered to a market to satisfy a want or need. Yet, De Chernatony et al (2011) also point out that a product or a service is a problem solver in term of resolving customers’ problems and therefore organization can achieve their objectives.

Nowadays the physical characteristics of products are turning increasingly hard to differentiate and easy to imitate. Hence, a superior product/service evolved into a brand that determines customers’ reasons to purchase it (Kapferer, 2004). The difference between a brand and a product therefore can be generalized in the term of ‘added values’. Customers trust and rely on the products with ‘added values’; it is the best; it is something that will well suit them or properly designed for their needs (De Chernatony et.al 2011).

Furthermore, psychologists have notified ‘the halo effect’ as a significant source of value formed by the brand. It means the fact of knowing brand name related to consumer’s perception of advantages beyond the visible characteristics of product. The effect is stem from emotional ties beyond product satisfaction. As emphasized by De Chernatony et al (2011), brand reach customers’ feeling and recognition more than the simple product can do. They also mention that the “halo effect” exists in the auto industry. Consumers are strongly desire to possess a brand. The consumers’ perceptions on product satisfaction and brand aspiration are interplayed and correlated.
3.2 Brand Management in M&A Context

This section focuses on the theory of Merger and Acquisition, and its relation with Brand Management is highlighted in line with the major point of this research.

3.2.1 Company Acquisitions

In general, an acquisition happens when it comes to the ownership interest of a company being controlled by another firm, a legal subsidiary of the company, or selected assets of the company such as a manufacturing facility. An acquisition involves the purchase of the company’s assets or stock, when the acquired company keeps on running as a legally owned subsidiary of the acquirer.

The role of a holding company is a legal entity that has a controlling interest in one or more companies. The elementary function of a holding company is to own stock in other corporations. Normally, it does not possess entirely owned operating units on its own, but some segments from acquired company as the separate legal entities mostly controlled by the holding company (DePamphilis, D 2005).
3.2.2 Motives for Brand Acquisitions

There are several types of motives that drive the firms’ implementation of brand acquisition. Firstly, DePamphilis (2005) indicates that synergy is the common phenomenon has been analysed. Generally, it represents the combination of the two businesses can create a higher shareholder value than the single one. It consists of economical value that refers to revenue growth or cost reduction of the business. Furthermore, the personal motives are accounted which relates to enhance various forms of personal win for leadership. An organizational rationality also being pointed out which refers to motives for controlling resource dependence and thereby reducing uncertainty (Larsson, 1990).

When one company acquire another, it is apparently clear that the purpose is not only to buy the tangible assets on the balance sheet, but also to own the brand names of the acquired company. When Proctor and Gamble purchase Gillette for £ 31 billion, the tangible assets barely reached £ 4 billion. There are thousands of cases like this prove the point of De Chernatony et al (2011) “it is not the factories that make profit but the relationships with the customers; and it is company and brand names which secure these relationships.”

In addition, Kapferer (2004) also emphasizes that M&A might allow the acquiring firm to enjoy a potentially desirable portfolio effect in order to achieve risk reduction. A single brand can face certain restrictions within its brand extension when the growth expectation cannot be achieved, whereas, creating a new brand seems courageous and risky in a saturated market. It is then considered less risky to acquire an existing brand within the targeted market. (Kapferer, 2004)
3.2.3 Risks of Brand Acquisition

Managers tend to underestimate the effect and risk that emerge from brand acquisition, and believe that it possesses a lower rate of failure than establishing a new brand. Although acquisition of brand enables firms to respond fast to changing markets, acquisition presents its own challenges. For instance, the strategic objectives and an integration of existing brand portfolio need to be fulfilled, a proper brand management structure of acquiring company have to be facilitated. A failure of brand acquisition often results from a series of inadvisable strategic match, unfitted portfolio and improper deployment (Swaminathan et.al, 2007)

The risk is also conducted by the economic press that only focuses on groups and emphasizes on publicizing brands -which were different before but are now produced from the same group- so that certain questions about the bodywork and brand identity arose from people (the readers). For instance, does Jaguar still installed with Jaguar engine or a Ford engine instead? Will the unique feature of Saab vanish once it integrates with the GM group? (Kapferer 2004)

As emphasised by De Chernatony et al (2011) that customers’ own perceptions give different interpretations to the messages and images of the products. In other words, it is the buyer or the user who eventually draw a mental picture of the brand, but likely different from the intention of the marketers. Hence, brand acquisition needs to be considered in terms of both the intention of markets and customers’ perceptions (De Chernatony et.al 2011).
3.3 Brand Identity

Similarly with person’s identity, brand identity represents a brand’s direction, purpose and meaning. It builds up a bridge between brand and customer by generating certain value proposition incorporating functional, emotional and self-expressive benefits (Aaker 2010).

3.3.1 Brand Identity Definition

According to Aaker (2010), Brand identity means a specific group of brand associations which are created or maintained by a firm. According to Aaker (2010:68) brand identity constitutes of four dimensions: “brand-as-product (product scope, product attributes, quality/value, uses, users, country of origin), brand-as-organization (organization attributes, local versus global), brand-as-person (brand personality, brand customer relationship), and brand-as-symbol (visual imagery/metaphors and brand heritage).”

3.3.2 Brand Identity Structure

Aaker (2010) emphasizes that brand identity constitutes core identity and extended identity as suggested in the following figure. The core identity stands for brand’s timeless essence, soul and fundamental beliefs which remain the consistency (Aaker, 2010). It also incorporates the elements that make the brand unique and valuable (Aaker, 2010). Such these elements could be the terms of design, quality, service, customer relationship, user profile and so forth. However the core identity does not contain all the functions of a brand’s identity, it needs the extended identity to offer certain details (Aaker, 2010). Generally, extended identity includes the elements which make clear what the brand stands for.
A successful brand identity is to provide sustainable value proposition to customers. As described by Aaker (2010: 95-99): “A brand’s value proposition is a statement of the functional, emotional, and self-expressive benefits delivered by the brand that provide value to the customer. An effective value proposition should lead to a brand-customer relationship and drive purchase decisions.”

Functional benefits are the common and visible basis for the value proposition which offer the customer with functional utility and connects to the products’ function performances (Aaker, 2010). After the customers’ purchasing behaviour, they receive certain positive and comfortable feelings of using the brand, which called emotional benefits (Aaker, 2010). The self-expressive benefits mean that consumption of certain products become the symbols of customers’ self-concepts and helps them to position their own self images (Aaker, 2010)

3.3.3 Brand Identity Prism

As mentioned above, brand identity needs to provide customers with value proposition. The value proposition should be attractive to customers and unique compared with competitors. This requires the brand has its specific and even unique
characters which can be described as “brand identity prism” that presented in the following figure (Kapferer, 2008).

Figure 7: Brand identity prism
(Source: Kapferer 2008:183)

Based on Kapferer’s (2008) argument, a brand needs to have “physique” that means physical features and qualities as well as its own personality form the sender’s perspective. The first step of identifying a brand is to define its physical features in terms of shape, function and the like (Kapferer, 2008). Brand personality is the effective way to build up a brand’s character by reviewing the brand as a human being (Kapferer, 2008). And then from the recipient’s (customer) perspective, a brand is customer reflection and it speaks out customers’ own self image (Kapferer, 2008). Kapferer (2008) also describes that a brand is a culture internally connects to the company and a relationship relates to external elements.

3.4 Brand Image

According to Janonis et.al (2007), the brand image can be viewed from both sides of company and consumer. From the company’s perspective, they try to build up a positive brand image through certain marketing strategies, such as brand identity and
**positioning.** In the eyes of consumers, the *brand image* translated based on company’s marketing strategies.

### 3.4.1 Brand Image and Benefits Claims

There is no doubt that having a good image in customers’ minds is important for a brand. The positive brand image helps customers recognize the branded products. Elliott and Percy (2007) states that brand are created by benefits claims which mean how to present the *attributes* (e.g. low in fat), *subjective considerations* (e.g. healthy), or *emotions* (e.g. look great) to customers. Elliott and Percy (2007) give an example on the potential benefits that customers will be considered when purchasing a car, which are *safe, value, mileage, stylish, powerful, exciting envy.*

### 3.4.2 Brand Image Relates with Identity

Brand image has a close connection with brand identity. Aaker (2010) describes that brand image reflects on how customers and others perceive the brand. Kapferer (2008) illustrates that the notion of brand identity is to offer customers with the image of a brand or a company. Brand identity is from the sender’s side while the brand image is perceived from the receiver’s side.

Kapferer (2008) illustrates that brand image is an entity consisting of various brand messages, such as brand name, visual symbols, products and so on. Based on Kapferer’s (2008) argument, brand image is defined from the customer’s side and it refers to the signals perceived on a product, brand, company or country from certain groups of customers.
3.5 Brand Positioning

The value proposition of a brand is usually a general mental model in all people’s minds. If a company needs to focus on certain people, they need another brand strategy technique, the brand positioning. Kapferer (2004) describes that positioning a brand means to make the brand distinctive from the competitors and attractive to the public.

3.5.1 Brand Positioning Definition

Janonis et.al (2007) argues that brand positioning is used as a particular term of identity in a specific market to face of defined competitors. Kotler and Keller (2006) discuss that brand positioning is about designing a firm’s offerings and image to take a distinctive place in mind of particular target market. They also outline that positioning aims at maximizing the potential benefit to the company through locating the brand in consumers’ minds (Kotler P and Keller KL, 2006).

3.5.2 Brand Positioning Structure

As described by Aaker (2010:176) “brand position is the part of the brand identity and value proposition that is to be actively communicated to the target audience and that demonstrates an advantage over competing brands.” Based on this definition, Aaker (2010) points out four apparent features of brand positioning: “part”, “target audience”, “actively communication”, and “demonstrate advantage”.
“Part”: Brand positioning is regarded as one part of brand identity and value proposition. Aaker (2010) emphasizes that three elements of brand identity should be taken into consideration for brand positioning, separately are core identity, identity points of leverage and the key benefits of value proposition. The core identity is the soul and essence of the identity while the point of leverage means other feature or service which could enhance and improve the identity. The key benefits represent the values transmitted to customer with the purpose of strengthen customer relationship.

“Target Audience”: Brand position aims to light the passion of a particular audience, which is narrower than a brand’s target segment. Aaker (2010) suggests that there could be primary and secondary target audience. The primary audience implies the most directly customers of a brand while the secondary audience is not as important as primary audience but should be considered into the brand positioning strategy.

“Actively Communication”: Aaker (2010) expresses that the brand image reflects present perceptions while the brand identity reflects the perceptions that will be
associated together with the brand through brand positioning. Based on the position statement, a brand can be augmented, reinforced or even diffused.

“Demonstrate Advantage”: The final purpose of brand position is to create a differentiation advantage across over the competitors. In order for this, the position should create an equal even superiority advantage over the tough competitors and make effort to reach a consensus with customers.

3.6 Brand Image Building Process

Based on the description above, the brand position is part of identity which aims at transmitting certain value proposition to improve brand image in customers’ minds. The correlation of brand identity, positioning and image can be represented in the process of building a strong brand image which is shown in the following figure.

![Figure 9: Theoretical model of brand identity and image relationship](Source: Janonis 2007:75)

Aaker (2010:71) describes brand image as how the brand is now perceived. Hence before building a strong brand, the firm needs to know what is the current image is and some potential changes or negative impact on it. In order to sustain the original brand image or even strengthen, it requires the firm to create certain value proposition included in its brand identity and deliver it to customers through positioning. This is the general process on building a strong brand and this process connects the three branding strategies together.
3.7 Theoretical Summary

*Sub-question one* deal with how a Chinese auto corporation can sustain the brand identity of acquired brand. According to the theory, the following theory input will be helpful to give the solution.

✧ A brand identity includes core identity and extended identity;
✧ A brand’s core identity is the timeless essence, soul and spirit of a brand and it contains the core values of a brand and created benefits to customers;
✧ The core values of a brand are incorporated in the value proposition generated from a company’s brand identity;
✧ The core values tie the brand with customers by providing them with functional, emotional and self-expressive benefits;
✧ Brand identity has several unique characteristics in terms of physique, personality, culture, relationship, reflection and self-image.

*Sub-question two* deals with what the potential changes of acquired brand’s image in Chinese customers’ minds are. According to the theory framework, the following theory input would be useful to solve this question.

✧ Brand image represents how customers perceive and recognize a brand;
✧ Brand image relates to the benefits claims which mean how to present the attributes, subjective considerations and emotions. For instance, customers will consider the potential benefits of safe, value, mileage, stylish, powerful, exciting envy when they purchase a car;
✧ Brand image is related with and influenced by brand identity and brand position;
✧ The potential changes on an acquired brand will due to some external factors, such as the process, motives and risks of brand acquisition.

*Sub-question three* deals with how a Chinese auto corporation can position the
acquired brand in Chinese automotive market. Based on the theory framework, the following theory input would be supportive.

✧ The prerequisite for sustaining core values of a brand value is to launch a proper brand positioning;
✧ The purpose of brand positioning enable the brand to create distinction advantage by competing with competitors;
✧ Brand positioning is formed of “part”, “target audience”, “actively communication”, and “demonstrate advantage”; 

*Main research question* deals with how a Chinese Auto Corporation can adapt an acquired foreign brand to Chinese Market. Theoretically, the Chinese company needs to know:

✧ Understanding the process of building strong brand image: brand identity-brand positioning-brand image;
✧ Sustaining the brand’s timeless core values to make sure the customers will receive the same benefits as before;
✧ Diminishing negative impact on brand and potential changes of customers’ perceptions; Strengthening the brand’s image in their minds;
✧ Positioning the acquired brand, and thereby creating distinctive advantage in particular target segmentation competed with specific competitors;

In order to answer this *main research question* theoretically, a synthesized model was created based on the theory framework, which will be shown below:
Figure 10: Brand management in acquisition

Authors 2011

This synthesized theory model shows how a Chinese acquirer can adapt the acquired foreign brand on Chinese market. The “customer” stands for acquired brand’s Chinese consumers. The “company” represents the Chinese acquirer. The “brand image” represents the image of acquired brand in customers’ perceptions. The “value proposition” stands for the core values that the acquired brand originally created and promised to customers, in terms of functional, emotional and self-expressive benefits.

The model was divided into three parts by the “acquisition”. Before the acquisition, there is a certain “brand image” in customers’ minds. During the acquisition, there brings some potential changes on the “brand image” in Chinese consumers’ perceptions. After the acquisition, the acquirer manages and adapts the brand in order to keep the good and positive “brand image” in Chinese consumers’ mental world. The Chinese acquirer adapts the acquired foreign brand to Chinese market through sustaining or strengthening the “value proposition”. The adaptation process is conducted by two branding strategies, “brand identity” and “brand positioning”. The value proposition transmits to customers and helps them to sustain the original “brand image” in their minds.
4 EMPIRICAL DATA COLLECTION

In this chapter, the primary data was collected from interviews with VCC Brand Experience Center (Göteborg), Volvo Dealer (Kalmar) and brand acquisition expert (Zhejiang, China); the secondary data was gathered from internet, company book, company annual report and company website video. It is presented with the similar structure as the theoretical framework.


Geely Automobile Holdings Limited is owned by its parent company called Zhejiang Geely Hold Group (GHG) and the main business of GHG is in automobile. Thus in this thesis, there is no need to distinguish them separately and only ‘Geely’ will be mentioned in the following context.

Geely started in 1997 and headquartered in Hangzhou, China. The vehicle and power train manufacturing bases were built in Shanghai, Lanzhou, Xiangtan, Jinan and so forth. Nowadays, Geely possesses overall capital of 34 billion RMB and the production capacity is reaching to 600,000 vehicles, 600,000 engines and 600,000 automatic transmissions. Geely has two old brands, Geely and Maple, and the other 3 major new brands, respectively are Emgrand, Englon and Gleagle. (Geely Website)

4.2 Volvo-A Swedish Premium Auto Brand

Volvo Car Corporation (VCC) is one of the global auto industry’s strongest brands. Although Volvo brand as a whole represent Volvo Group and Volvo cars, in the following context Volvo mainly indicate Volvo cars. It has more than 80 years’ history since its first Volvo ÖV4 left the Gothenburg plant in 1927. VCC’s
headquarters and R&D center locate in Gothenburg of Sweden. It has two mainly production plants in Torslands of Gothenburg (founded in 1964) and Belgium (founded in 1965). (Volvo Company Book)

![Figure 11: Volvo products' models](source: VCC 2011 pocket guide)

In 2010 Volvo globally sold 373,525 cars, and the sales number of each European country was slightly increasing compared with 2009. It is notable that the sales increased dramatically in China. Although the US market is the biggest one for Volvo cars, its sales number still declining as the year before. Sweden is the home market of Volvo cars, but only owns the market share around 20 percent in the domestic market. In terms of growth volume, Sweden is considered rather small market and not so much space to develop. (VCC 2011 pocket guide)
VCC set up an agency in Beijing in 1994, and established sales company in Shanghai in 2008. There are 98 commercial networks covering 81 cities of China. In 2009, VCC’s sales volume was 22,405 and increased to 80% in Chinese market. Furthermore, the year-on-year growth was 65% from January to August in 2010, which was higher than the average increasing ratio in the whole market for luxury cars and ranked at top three of Volvo cars global markets. (VCC website, China)

### 4.2 Geely/Volvo Acquisition

In August 2, 2010, GHG announced it has accomplished the acquisition of 100 percent of VCC from the previous acquirer FMC. GHG also declared Stefan Jacoby who is the Chief Executive of Volkswagen Group of America would be the new President and Chief Executive Officer of VCC. The total purchase price for Volvo and related assets was $1.5 billion. The financing support came from Chinese institutions and GHG own balance sheet as well as its international capital market resources. Under the new ownership, VCC will maintain its headquarters and plants in Sweden and Belgium; the management team can execute on its business plan.
automatically but follow the strategic direction of the board. As part of agreement, GHG will retain the strong relationship that Volvo has build with its employees, unions, suppliers, dealers and in especial, customers. (VCC website, global)

In addition, VCC declared its decision of new plant investment in Chengdu at 25 of February, 2011, since the Chinese market would be the second home market for VCC. As the new president and CEO Stefan Jacoby confirmed, “We are increasing our business presence in China from a national sales company to an organisation with all functions necessary to manage our operation in China, Our aim is to reach a sales volume of about 200,000 cars in the Chinese market by 2015”. In order to achieve the goal, the broad and management team have completed a series of decisions, such as the investigation for new plan in Daqing and Shanghai as R&D headquarters in China, dealer shop expansion, etc. (VCC website, global)

### 4.2.1 Motives of acquisition

A few Chinese experts of auto industry believes that this acquisition for Geely is not only to make more profit through two companies being together, but also to grow and internationalize Geely itself by taking advantage of R&D, brand, human resource.

*The Ambition from the Company Leader*: “To acquire Volvo is always my dream, when I was running the refrigerator factory, I took apart of my cars and let factory to be modelled on it. My dream is to create the top-level automobile of China like the famous and respected Volvo enterprise”, narrated by Li Shufu. It is not only about the personal aspiration, but also resulted from the horrifying automobile competition in Chinese market. The oversee acquisition can enhance company’s competitiveness therefore giving a glean hope of survival. (China Economy News)
‘Brand and Technology’: The values of Volvo embodied in its strength of technology, brand, human resource, and engineering can appropriately make up Geely’s shortages. The vice president of Geely, Zhao Fuquan expressed that “the core value of this acquisition is own the key technology and intellectual property, including the right to use all the relative IP knowledge from previous owner Ford. Especially, the technologies of safety design and environmental protection are the most advanced in Volvo cars, which will benefit for Geely having a sustainable business in the future.” (Hexun News)

The synergy from the brand effect seems that Geely can get more benefits from owning Volvo brand, as the finance professor Shi Jianxun from Tongji University mentioned “Geely through enjoy the Volvo brand effect worldwide thereby to consolidate Geely’s position in Chinese auto market as well as attracting international attention all over the world. In other word, by owning Volvo cars brand, Geely save many years to internationalize itself.” (Ifeng website)

‘Why Volvo Choose Geely’: On the other hand, it is reported that Geely was not the only one want to acquire VCC from Ford; there were many acquiring competitors from America, Asia and Europe. However, according to chairman of Geely, Li Shufu referred to “the purpose of those bidding candidates was suspect to wipe out VCC and transfer it to their financial resource. Whereas, there is a policy of NDRC in China to forbid cannibalism, which is good for VCC keeping from being extinct and therefore the best way for them is to cooperate with Chinese Auto Company.” As Geely promised that the relationship between Geely and VCC is like brotherhood, VCC can still maintain their own production line, labour union, distributor networks, etc. Li Shufu summarized that the driven force for VCC accepting the acquisition is that the big potential market in China, the business ethic of Geely and the biggest of private
enterprise for automobile manufacturing in China. (China Economy News)

4.2.2 Risks of acquisition

Due to Geely is not a famous car producer, the main concern of this acquisition is the fact of Volvo’s brand image will be diluted as well as the changes in the minds of customers. Meanwhile, R&D future development is in uncertainty, since the ‘freedom’ of VCC has become a limit for technology break through, in terms of financial shortage. And Geely cannot apply the intellectual property of Volvo properly.

‘Changes of customers’ Perception’: Although Geely already have spared no effort to sustain Volvo’s brand image by means of reserving previous manufacturing plants, labour union, headquarters, sales networks and so forth. Chinese customers are still questioning the bodywork and after-service of Volvo. For instance, customers interview from PhoenixTV mentions that “so afraid to buy the car just have the logo of Volvo but installed Geely’s parts inside; the car sold out from Chinese plant, and after services will be unable to keep pace with Volvo international standard”. And one customer also reflected that “Compared the history of the two companies, it is hard to put Geely in the same level with Volvo, and it takes time and requires the accumulation of experiences to catch up international standard” (PhoenixTV website)

‘The Risk of R&D development’: Furthermore, the environmental specialist of VCC, Jonas Wepsalainen (13-5-2011) said “Since Geely is very small player in auto market, in terms of comparing with the financial support from Ford, it cannot assist Volvo cars to develop R&D largely, therefore VCC has to bear the risk of lacking financial aid. Conversely, Ford used to support VCC R&D development with their abundant capital power”. The other anxiety about R&D comes from professor Wang
(06-04-2011) who concerns that “Geely could not use the acquired Intellectual Property wisely. His uncertainty is divided from the complicated IP systems. He stressed the fact that Geely did not know how they could appropriately apply those IP in the valid period. Moreover, how to digest the technology will be a problem, since human resource is limited in China. Wang did not believe the sense of national pride that can be strong enough to drive customers’ purchasing behaviour”.

4.3 Chinese Automotive Market

Emerging market companies’ strong muscles are supported by their strong backbones, - the fast growing Chinese automotive market.

4.3.1 Growth of Chinese Automotive Market

As the booming of private automobile consumption, Chinese automotive market had an incredibly growth of 35% between 2001 and 2007. As predicted by Roland Berger Consultant (2009), the growth rate will slow down from 2009 to 2010 with 35%. And then it will decline to 15% till 2011 and the growth rate will be sustained at around 10% till 2015. (Roland Berger 2010)

Figure 13: China PV sales 2010E-2015E ('000 units) and annual growth rate (%)  
(Source: CAAM, China State Information Center (SIC); Roland Berger analysis)
4.3.2 Brands Competition on Chinese Automotive Market

Nowadays the brand has been the only manners to escape from competition. Having a strong brand image is the best sales pitch in China due to the changes and improvements of Chinese consumers’ perceptions on brand. More than fifty brands are vying for consumers’ attractiveness on Chinese automotive market. The Chinese automotive market can be divided into three segments by the price levels: low-price segment, mainstream segment and premium segment. The low-price segment mainly occupied by cheap domestic brands, such as Chery, Geely, Changan, Changcheng, BYD, Hafei, DFM and so forth. These brands are either struggle for low profitability or forced to join in the joint ventures. The mainstream segment is the fastest growing part in Chinese automotive market, with estimated annual growth of 21 percent. Behind the fast growth rate it is the fierce competition among foreign and domestic producers: Buick, Citroën, Honda, Hyundai, Mazda, Nissan, Toyota, and Volkswagen, as well as Chery, Geely, BYD and Dongfeng. The premium segment is taken control by Germany brands, Audi, BMW and Mercedes-Benz are the top three. Lexus and Volvo lag well behind the “big three”. (Oliver Wyman 2005)

4.4 Volvo’s Brand Identity

“Volvo Cars’ company philosophy describes the values that guide the company and relates them to profitability and customers’ demands. Volvo cars has summarised its values in one brand promise: We create cars for a better life.” Volvo’s values can be presented in a brand pyramid which will be shown in the following figure. (VCC Corporate Report 2009/10)
Figure 14: Volvo’s brand pyramid

(Source: VCC Corporate Report 2009/10)

4.4.1 Core Identity

Product Thrust: Safety and caring for people: Volvo aims to build the world’s safest and most trusted cars on the road. Look back to the history, Volvo has donated several safety innovative technologies for the world auto industry: 1982-Anti-submarining seat protection, 1984-Anti-lock brakes (ABS), 1987-Driver airbag, 1997-Rollover protection system and 2004-Blind spot information system (BLIS) and so forth. Volvo possesses the world-leading position in car safety for over seventy years and decides to remain this position for the next seventy years. (VCC’s global website)

As introduced by Volvo’s safety specialist Anderson (13-05-2011), Volvo built up the motor industry’s first car accident investigation group in 1970, Volvo Accident Research Team. Anderson (13-05-2011) told us that the team has established a database, including 36,000 accidents and 60,000 occupants; the database is based on the information about accidents, technical data and medical data about occupants. Anderson (13-05-2011) also introduced us a real story about Volvo’s safety miracle: Samir Ladraa is a passenger in the front seat of Volvo S60 on cold and slippery winter’s night of 2003. Suddenly another car side-hit Volvo S60 at a high speed, the
driver lost control and skidded across into travelling in the opposite direction. Although the impact happened terrifically, Samir escaped lightly, with light concussion, a few bruises and some scratches.

“Cares are driven by people, the guiding principle that behind everything that we make at Volvo, therefore, is, -and we must remain-Safety.”

-Gustaf Larson and Assor Gabrielsson, Founders of VCC (VCC website)

**Corporate Social Responsibility: Environmental care and concept of “DRIVe”:** “We were very proactive 30 years ago when our CEO stood up at a UN Conference in Stockholm and said, our cars produce pollution, noise and waste. But actually it’s true, our cars have a negative side effect, the same way our lifestyle has an effect on the environment.”

- Catarina Munck, the Manager of Sustainability Communication

This statement marked the beginning of Volvo’s technology innovation in the area of environmental care (Video of VCC website). Volvo’s environment specialist Wepsalainen (13-5-2011) describes that more than 30 years’ work has yielded results, Volvo’s Torslanda plant in Göteborg is still one of the cleanest car production facilities in the world and Volvo is well known by its environmental technology innovation beyond the value of safety. Wepsalainen (13-5-2011) describes that being the cleanest plant is not the focus, today people care much about the pollution and wastes (e.g. carbon dioxides) to global warming caused by driving cars. As introduced by Wepsalainen (13-5-2011), transport using cars, trucks, ships, aircrafts and trains account for 14% of the man-made emissions of carbon dioxides attributes to global warming; cars account for 45% of it. Wepsalainen (13-5-2011) presented that Volvo’s environmental strategy reflected on this issue is ‘DRIVe towards Zero’, which is
technical innovation with a vision of zero emissions and zero environmental impact; it follow three main paths: efficiency, electrification and alternative fuels.

“The environmental strategy for Volvo is all under the umbrella name of DRIVE. DRIVE is simply the word drive which means leading the way, taking a leadership. That’s exactly what we want to do at Volvo.” (Video in VCC Website)

-Christophe Novotny, Marketing Manager of Environmental Cars

**Product Durability: The mark of quality:** The mark of Volvo explains its product durability. The mark of quality was represented in the precision of engineering, craftsmanship of design and meticulous attention to detail. Every construction of Volvo car is designed to keep the durability. VCC also adapts the earthquake testing system to cars’ resistance towards accidents. (VCC’s global website)

**Product Design: Scandinavian design, beautifully safe:** As described by Håkan Borg (03-05-2011), Volvo’s beautiful outlook is getting closer and closer to other premium auto brands. The soul of Volvo’s product design is the model of Scandinavian design. Scandinavian design incorporates both the high levels of craftsmanship and elegant simplicity and functionalism. Volvo pursues beautifully safe which means placing both beauty and safety in the heart of product design. Volvo also evaluates the combination of anthropometry ergonomics and product design which making sure the Volvo cars are suitable, comfortable and safer. “When Functional is Beautiful. Good design is not only a matter of styling the surface. It is just as important to make the product easy to understand and use, if the product is not functional, it can’t be beautiful.” (VCC’s global website)
4.4.2 Extended Identity

**Brand Personality:** safety first and always; consistent innovation

Each Volvo car is built based on more than 70 years’ focus on safety; Volvo makes a promise to customers that driving a Volvo means driving a promise. Safety is always the first thing that Volvo takes into consideration and consists on it. Furthermore, consistent innovative technology and concepts support not only the safety, but environmental care, design and quality. (VCC’s global website)

**Logo:** Volvo’s mark was called “Iron Mark” which constitutes of Latin letter of “Volvo”, an iron circle and an arrowhead. The “Volvo” means “I roll”; the iron circle stands for solidity and durability and the arrowhead is the symbol of Mars in Roman myth. (Volvo company book)

**Heritage:** Underneath the logo of “Volvo”, it was supported by Volvo Car Corporation’s (VCC) more than 80 years’ rich history and remarkable heritage. Since the first Volvo “OV4” left the plant in Goteborg in 1927, the three-point belt was invented in 1959, the driver airbag was introduced in 1987, the Rollover protection system was built in 1997 and the Volvo cars safety centre was established in 2000, Volvo car brand has been experienced long-standing existence and development. (Volvo company book)

**Culture:** Volvo was deeply rooted in Scandinavian culture. Scandinavian people like to build things to be long lasting; this culture makes Volvo a durable car. Scandinavian pursues elegant simplicity and functionalism, this culture makes Volvo’s design to be functionally beautiful. Scandinavian people care about their family and love the nature; this makes Volvo much more care about life, and natural environment. (VCC’s global website)
4.4.3 Value Proposition

Functional Benefits: safety and durability

Safety and durability is the most important functional benefits that customers received from Volvo cars. Anderson (13-05-2011) also introduced us a real story about Volvo’s safety miracle: Samir Ladraa is a passenger in the front seat of Volvo S60 on cold and slippery winter’s night of 2003. Suddenly another car side-hit Volvo S60 at a high speed, the driver lost control and skidded across into travelling in the opposite direction. Although the impact happened terrifically, Samir escaped lightly, with light concussion, a few bruises and some scratches. According to Borg (03-05-2011), when the customers come up in his shop they usually start to ask about new safety technologies for Volvo cars. He stated that “customers care about safety and durability because those are the important benefits they can get by purchasing a Volvo car.”

Emotional Benefits: comfortable driving experience and feeling safe

Volvo combines the concepts of anthropometry ergonomics with its product design. That makes the Volvo car fits the person behind the wheel and provide the drivers with wonderfully comfortable driving experience. (VCC website)

“In Swedish market, Volvo takes up around 20% market share and most customers would like to purchase a Volvo car as they enjoy the safe and comfortable feelings of driving. Driving Volvo car could not give the drivers the superiority feelings, but they are much more relived about their family’s safety.” - Borg (03-05-2011)

Wepsalainen (13-5-2011) states that Volvo’s core value of environmental care makes environmentalists-customers much more reliable on Volvo brand; the customers could receive the emotional benefits of protecting environment when they choose to purchase Volvo cars.
**Self-expressive Benefits:** Pursuing high life; environmentalists

According to Borg (03-05-2011), driving Volvo car is just ‘okay’ in Sweden; furthermore it does not show the drivers’ richness or status.

“In Sweden, we define the luxury car as an expensive car with big engine, envy outstanding looks like Jaguar or Bentley. Volvo car is not a luxury brand in Sweden. Maybe it is in other countries, like Italy, US, Germany and China. In Sweden, driving a Volvo car is just okay because everyone can buy one. Driving Volvo does not show the driver’s richness or social status, it is just driving a car, that’s it.”

- Borg (03-05-2011)

However Wepsalainen (13-5-2011) stresses that Volvo could provide customers with certain self-expressive benefits, such as pursuing high life due to Volvo’s safety, quality and Scandinavian design, and protecting the environment due to Volvo’s sustainable environmental technology innovations.

**4.5 Chinese Consumers’ Perceptions on Brand Image**

Customers have their own perceptions on choosing the auto brands. And the perceptions would be changed due to some external factors, such as brand acquisition. This sector presents Chinese customers’ general preferences on auto brands as well as the perceptions on Geely/Volvo acquisition.

**4.5.1 Chinese Consumers’ Preferences on Auto Brands**

Olive Wyman’s research states that 46 percent of mainstream segment customers, and 34 percent premium segment buyers, would buy the same car brand for the next time. This is due to the strong brand images of mainstream and premium auto brands in
Chinese consumers’ minds. However, only 7 percent owners of low-price cars would buy the same brand. (Oliver Wyman 2005)

Olive Wyman’s study points out that currently 80 percent of all car users indicate that business reasons motivated them to buy the first car. However 70 percent of them would buy their next car for convenience and status. Three characteristics of safety, reliability and low maintenance costs have become the main concerns for Chinese consumers to choose a car. The study reveals that 29 percent are willing to buy a premium car in the future and 55 percent tends to buy the mainstream car. Compared to the past, status, comfort and safety have taken the place of price or rebate to be customers’ preferences. The study also illustrates that the key factor for implementation of brand strategy is to emphasize the core values of the brand. The clearly positioned brands offer consumers with greater confidence and security. (Oliver Wyman 2005)

4.5.2 Chinese Consumers’ Perceptions on Geely/Volvo Acquisition

According to Wang (06-04-2011) that the Chinese purchasers want to show their social status and ‘face’ by driving an expensive car with envy outlook and big shape. Most of them don't care about environment or some other added values.

“The Geely’s chairman revealed to create ‘Volvo’ as luxury brand in Chinese market to compete with the ‘big three’ German brands. It will meet with consumers’ tastes, but not Volvo’s style. It will be a big adventure.” -Wang (06-04-2011)

However Geely and Volvo have distinct brand images in customers’ minds. As described by Wang (06-04-2011), Geely’s initial slogan was ‘creating the cars that people can afford’, so the direct image to customers is ‘cheap cars’; Volvo was
accepted as ‘premium brand’, but not ‘luxury brand’ by Chinese consumers. In China, Mercedes Benz, Audi and BMW are regarded as luxury brands.” As for the acquisition between them, Wang (06-04-2011) states that a few Chinese customers don’t think that Geely could well manage the Volvo brand due to the lack of brand management experience; the others have positive attitudes towards the acquisition as it could help Geely to improve the production and technology levels as well as help Volvo to get a big market share in Chinese market.

Geely are planning to build up plants in Chengdu and Daqing to meet with the sales target of 200,000 vehicles and 20% Chinese premium segment’s market share till 2015 (Geely website). Wang (06-04-2011) emphasizes that Chinese customers maybe will redefine Volvo’s image.

“Perhaps Chinese consumers will redefine Volvo’s core values and reliability when the Volvo cars are labelled ‘made in China’”

-Wang (06-04-2011)

As referred to whether Chinese customers will accept the new brand image of Volvo and buy Volvo cars, Wang (06-04-2011) describes that Chinese consumers are excited about Geely’s acquisition on Volvo and hope that they could have a good cooperation; some of the Chinese consumers perhaps would like to buy a Volvo car due to emotionally national pride. He also stresses that the sustainability of Volvo’s brand image and customers’ purchasing behaviour depends on Geely’s performances.

“If Geely wants the Chinese consumers accept the brand image of Volvo after acquisition, they need to prove that consumers could believe Volvo is as good as before. However, it is very hard and Geely’s low brand image is difficult to get rid of their minds.”

-Wang (06-04-2011)
The challenge for Geely to sustain Volvo’s image is to diminish customers’ negative perceptions. ‘The chairman of Geely, Li Shufu always stresses that ‘Volvo is Volvo, Geely is Geely, and Geely won’t bring some negative impact on Volvo’. However it is not so easy to diminish the negative influences on Volvo brand image and make the Chinese consumers have the same feeling as Li has. Geely has to give Volvo a clear brand position in Chinese market and make sure the target audience in the market segmentation. Meanwhile, Geely also needs to improve its own brands’ quality and reputation. -Wang (06-04-2011)

4.6 Volvo’s Brand Positioning in China

Stefan Jacoby, the new CEO of the Swedish auto maker, said that Volvo cars will have to upgrade its image to more clearly define its brand. The chairman of Geely, Li Shufu suggested as a way to revitalize Volvo of ‘Creating bigger and more luxurious cars’. (The Wall Street Journal)

According to Wang (06-04-2011), Geely needs to revitalize Volvo’s sales volume and profitability which requires Volvo to achieve a big market share and enlarge the target audiences, the customer groups. He also stresses that when the Volvo cooperated with Changan Ford (China) and produced in China, there was a deceasing tendency on it brand image; Volvo is hard to compete with BMW, Benz in premium segment as Volvo was positioned based on its functions and benefits; If Geely position Volvo as a mainstream segment brand, this would influence the brand’s core values.

Borg (03-05-2011) suggested that Geely could position Volvo as ‘Luxury brand with safety’ in Chinese market. Wang (06-04-2011) states that Geely needs to adjust Volvo’s previous positing and make it adapted in Chinese market. He describes that Volvo’s previous brand positioning is based on its ‘safety, quality and environment’
and its target audience are safety-conscious ‘upscale’ families, hence Volvo are very attractive to women who have family to care. Wang (06-04-2011) suggests that Geely needs to strengthen Volvo’s image of ‘safety’ and make the consumers believe that Volvo brand won’t be changed; If Geely over emphasize the novelty and luxurious of Volvo, consumers would suspect that Volvo is not the Volvo any longer.

Wang (06-04-2011) illustrates that Geely could position Volvo from two aspects: One is the holistic positioning for the whole brand, which means the brand position for all the products; the other aspect is to position each model. Wang (06-04-2011) states that Geely needs to sustain Volvo’s target audience of safety-conscious ‘upscale’ families. Furthermore, Geely could create a new target group in Chinese market, such as the successful social elites, which implies the successful people who pursue the high quality of life. In another way, Wang (06-04-2011) suggests Geely could give different positions due to different products series. For instance, S models could aim at the business people and families who have strong responsibilities and high moral integrity; V models could still concentrate on family care; XC models could be added some fashionable elements, but based on ‘safety’; C models could aim at young energetic consumers. Except these, Geely also needs to help Volvo create a series of brand new products which could create a new target markets, for instance, creating new cars for government utilization or for young businessmen.”

As predicted by Wang (06-04-2011), there are two possibilities for Geely and Volvo’s brand image: Volvo improves Geely or Geely lags off Volvo. He suggests that Geely needs to drop its old brands, Geely and Maple due to their low-price brand image; and Geely also needs to improve the quality, technology of its three new brands by learning Volvo’s experiences.
4.7 Empirical Summary

Sub-question one deal with how a Chinese auto corporation can sustain the brand identity of the acquired brand. According to the empirical data collection, Geely can sustain Volvo’s brand identity through remaining Volvo’s core values and created benefits to customers. Volvo’s core values are incorporated in its core identity in four dimensions. They are product thrust- safety and caring for people; corporate social responsibility- environmental care and concept of “DRIVe; product durability and Scandinavian design. Volvo’s extended identity supports its core values and it contains Volvo’s brand personality, ‘iron mark’ logo, company culture and heritage. Volvo’s created benefits to customers can be identified from function, emotion and self reflection. The functional benefits to customers are durable products with safety innovation, environmental technology and Scandinavian design. The emotional benefits to customers are safety and comfortable driving experience, and the feelings of reliability and environment cares. The self-expressive benefits to customers are pursuing high life and caring for family. Sustaining Volvo’s core values and benefits imply that Geely could remain Volvo’s soul and brand consistency. Furthermore it helps Geely to strengthen the ‘bridge’ between Volvo and Chinese customers.

Sub-question two deals with the potential changes of acquired brand’s image in Chinese customers’ minds. According to the empirical data collection, Chinese customers’ perceptions on Volvo image could be either positive or negative. As for the brand image of Geely and Volvo, Chinese customers perceive Geely as a low-price brand and Volvo as premium brand with leading safety innovation. However Geely/ Volvo’s acquisition brings opportunities as well as risks for Volvo brand image in Chinese customers’ perceptions. In one hand, the image will be strengthened due to customers’ national pride emotions and respect for Geely’s
motivations and pursuing for brand and technology. In the other hand, Chinese consumers might redefine the image of Volvo and associate Volvo image with the Geely’s low-quality image into thinking. They would probably hesitate to purchase a Volvo car if it is labelled with ‘made in China’.

Sub-question three deals with how a Chinese auto corporation can position the acquired brand in Chinese automotive market. According to the data collection, Chinese automotive market has an incredibly growth in recent years and the brands competition is fierce and cruel. Hence, Geely needs to launch a proper brand positioning in Chinese market. The senior managers of Geely/Volvo are planning to upgrade Volvo’s image and create bigger and more luxurious cars in China. The interviewees of this study suggest that Geely could strengthen Volvo’s image of ‘safety and environment care’, and make customers believe Volvo’s advantage won’t be changed. They also suggest Geely to give Volvo a proper positioning in Chinese market: keeping the primary audience of ‘safety-conscious upscale families’, creating a new second target audience of ‘successful social elites’ in Chinese market. From the interview with Volvo dealer, it shows that Geely could possibly position Volvo as a luxury brand, but should be ‘luxury with safety and environment care’. This is could help Volvo to create a distinction advantage among the premium segmentation in Chinese automotive market.

Main research question deals with how a Chinese Auto Corporation can adapt an acquired foreign brand to Chinese Market. According to the data collection, Geely could effectively adapt Volvo in Chinese market through sustaining Volvo’s core values and benefits; analyzing and diminishing Chinese customers’ negative potential changes on Volvo image; and launching proper brand positioning for Volvo in Chinese market. Geely could strengthen the ‘bridge’ between Volvo and Chinese
customers by sustaining Volvo’s core values of ‘safety, environment, quality and design’. After ‘bridge’ strengthening, Geely could shorten the distance between Volvo brand and Chinese customers’ perceptions by consistently supplying customers with Volvo created benefits of safety reliability, durability, environment care technology and comfortable experiences. This would help customers believe ‘Volvo is still Volvo’, and diminish their negative worries and hesitations on Volvo’s values and benefits. And then brand positioning strategy can be used for Geely to strengthen the ‘bridge’ and shorten the distance with customer perception. Based on the data collection from interviews, Geely can firstly give Volvo an overall brand positioning in Chinese market, with keeping the Volvo’s primary target audiences and creating secondary target audiences. Furthermore, Geely could give each of Volvo’s model (e.g. XC model) a detailed positioning, and make each model is attractive to certain group of customers. The empirical data also shows that Geely could position Volvo as a luxury car in Chinese market, but should be ‘luxury car with safety and environment care’ which enable to create distinction advantage over other luxury brands competitors.
5 ANALYSIS

In this chapter, it analyzes the empirical data collection relating to theoretical framework. It mainly presents Volvo’s brand identity and value proposition, the acquisition’s impact on the brand image and Geely’s brand positioning of Volvo in Chinese automotive market.

Based on the connection of theoretical framework and empirical data collection, the synthesis model was drawn as shown below:

![Brand management in Geely/Volvo acquisition](image)

**Figure 15:** Brand management in Geely/Volvo acquisition

*(Authors 2011)*

According to this model, the analysis on Geely’s brand adapting management on Volvo to Chinese market will be conducted in three dimensions. Firstly Geely can sustain Volvo’s previous brand identity and its value proposition (core values, benefits) and transmit it to Chinese customers. Then Geely can analyze Chinese customers’ potential changes on perceiving Volvo image caused by Geely/Volvo acquisition. The last important step is for Geely to plan Volvo’s brand positioning in Chinese market with the hope of remaining Volvo image and diminishing negative impact on customer perception.
5.1 Volvo’s Brand Identity and Value Proposition

As described by Aaker (2010), the *core identity* stands for a brand’s timeless values, soul and fundamental beliefs, which remain the consistency. Based on the data collection from VCC’s global website, Volvo cars’ *core values* include *product thrust*-safety and caring for people; *corporate social responsibility*-environmental care and concept of ‘DRIVe’; *product durability*-the mark of quality and *product design* -Scandinavian design. Among these four terms of core values, the safety and environmental care are especially essential for Volvo. Thus, it shows that Volvo pay attention to the notions of ‘safety comes first and always’, ‘caring for environment where we live in’, ‘elegant simplicity and functionalism design’ and ‘the mark of quality’, which enable Volvo to maintain the core values of its soul.

VCC’s global website presents that they aims to build the worldwide safest and most trusted cars on the road. Anderson (13-05-2011) presents that the Volvo Accident Research Team has establish an accidents-database with the data input of 36,000 accidents and 60, 000 occupants. Wepsalainen (13-5-2011) describes that Volvo’s environmental strategy reflected on global warming is called ‘DRIVe towards Zero’, which is technical innovation with a vision of zero emissions and zero environmental impact. According to Wepsalainen’s (13-5-2011) introduction, the value of environmental care together with the modern Scandinavian design differentiate Volvo from other brands; premium quality, customer experiences and driving dynamics support Volvo cars’ three important values.

Aaker (2010) argues that the *core identity* does not contain all the functions of a brand’s identity; the *extended identity* makes clear what the brand stands for. Volvo cars’ extended identity include four aspects, which are brand personality oriented by
safety priority and consistent innovation; the ‘iron mark’ logo of safety symbol; the heritage of long standing and unique corporate culture. Hence, the core identity and extended identity combines together to provide customers the certain value proposition.

**Figure 16:** The brand identity structure

*(Developed from DA Aaker, 2010:86)*

Aaker (2010) stresses that a brand’s *value proposition* is a statement of the functional, emotional and self-expressive benefits that created by a brand to customer. Based on the argument of Borg (03-05-2011), Volvo creates the functional benefits of safety and durability to customers.

“*Customers care about safety and durability because those are the important benefits they can get by purchasing a Volvo car.*”

- Borg (03-05-2011)

Borg (03-05-2011) presents that Volvo provides customers with safe and comfortable feelings. Wepsalainen (13-5-2011) argues that customers receive the emotional benefits of reliability and environmental protection. Borg (03-05-2011) also emphasizes that ‘*driving Volvo car could not give the drivers the superiority feelings, but they are much more relived about their family’s safety.*’
Borg (03-05-2011) states that Volvo cars do not supply customers with showy self-expressive benefits, but with caring for family. According to Borg (03-05-2011) ‘Volvo car is not a luxury brand in Sweden. Maybe it is in the other countries, like Italy, US, Germany and China.’ Wepsalainen (13-5-2011) stresses that Volvo cars could provide customers with certain self-expressive benefits, such as pursuing high life based on Volvo’s safety, quality and Scandinavian design, and protecting the environment based on Volvo’s sustainable environmental technology innovations.

5.2 Geely/Volvo Acquisition’s Impact on Brand Image

DePamphilis (2005) indicates that acquisition can generate the bigger synergy by alliance of the two firms. The motives behind the acquisition can relate to personal win for leadership. From the empirical findings, the motive is not only the aspiration of creating the top-level automobile from Geely’s chairman (Li Shufu), but also the effect of the fierce competition in Chinese auto market. Kapferer (2004) emphasizes that M&A allows the acquiring firm to enjoy a potentially desirable portfolio effect in order to achieve risk reduction, since creating a new brand is risky in a market where already dominated by many other brands. It can be seen that Geely’s current product models only present in the low-end market. However acquiring Volvo could help Geely to compete in the high-end market.

Aaker (2010:180) describes that brand image reflects on how customers perceive the brand. As described by Wang (06-04-2011), Chinese customers perceive Geely as a low-price, low-quality, and low-technology independent brand; Geely’s initial slogan was ‘creating the cars that people can afford’, so the direct image to customers is ‘cheap cars’. However, Volvo was accepted as ‘premium brand’, but not ‘luxury
brand’ by Chinese consumers. In China, Mercedes Benz, Audi and BMW are regarded as luxury brands.

Although acquisition of brand enables firms to respond fast to changing markets, acquisition presents its own challenges. There are several risks arose by the brand acquisition. Kapferer (2004) stresses that questions about bodywork and brand identity will be questioned by customers, for instance, does Jaguar still installed with Jaguar engine or a Ford engine instead? Will the unique feature of Saab vanish once it integrates with the GM group? According to Wang (06-04-2011), Chinese customers may redefine Volvo cars’ brand image in the future. Geely are planning to build up plants in Chengdu and Daqing to meet the sales target of 200,000 vehicles and 20% Chinese premium segment’s market share till 2015. At that time, Chinese consumers will redefine Volvo cars core values and reliability when the Volvo cars are from Chinese plants and labelled ‘made in China’. On the other hand, the vice president of Geely affirms that the core value of this acquisition is own the key technology and intellectual property, especially the safety and environment care technology. Whereas, Wang (06-04-2011) indicates his uncertainty that Geely could not use the IP right properly, due to the complicated IP system. And Jonas Wepsalainen (13-5-2011) also states the limit of R&D development in future, since Geely could not provide sufficient financial aid to VCC compared with the rich Ford. Thus, if the technology of Volvo cannot keep pace with the time under the lead of Geely, it will lose its brand core value gradually.

As emphasised by De Chernatony et al (2011) that customers’ own perceptions give different interpretations to the messages and images of the products. According to empirical findings, Chinese consumers are excited about Geely’s acquisition on Volvo and hope that they could have a good cooperation; some of the Chinese
consumers perhaps would like to buy a Volvo car due to national pride emotions; some of them have positive attitudes towards the acquisition as it could help Geely to improve the production and technology levels as well as help Volvo to get a big market share in Chinese market. In order to release the impact in the brand image, Geely has constantly declared that VCC is an independent firm. But Wang (06-04-2011) also states that it is very hard to diminish the negative impact of Geely’s low brand image on Volvo’s image.

De Chernatony et al (2011) states that brand reach customers’ feeling and recognition more than the simple product can do, called ‘halo effect’. They also describes that the “halo effect” exists in the auto industry. Consumers strongly desire to possess a brand; consumers’ perceptions on product satisfaction and brand aspiration are interplayed and correlated. According to Wang (06-04-2011), if Geely wants the Chinese consumers to accept the brand image of Volvo cars after the acquisition, they need to prove the belief that Volvo cars are as good as before. Geely needs to sustain Volvo cars’ technology standard for safety and quality as well as strengthen Volvo cars’ image about ‘safety’ so that consumers believe Volvo cars are the same as it before.

![Figure 17: Halo effect of Volvo's brand and product](Developed from Kapferer 2004:43)
5.3 Volvo’s Brand Positioning in Chinese Automotive market

Kapferer (2004) describes that positioning a brand means to make the brand distinctive from the competitors and attractive to the public. Hence it is important to get familiar with the situation of target market and the competitors.

As described by Roland Berger (2010), Chinese automotive market had an incredibly growth of 35% between 2001 and 2007; there was a sharp growth between 2008 and 2009 with 51%. As predicted by Roland Berger (2010), the growth rate will sustain at the level of 8%-10% from 2011 to 2015. According to Oliver Wyman (2005), Chinese automotive market is currently the most profitable market in the world for auto producers due to the huge potential customers and high price levels. The Chinese independent brands (e.g. Geely) face up fierce competition from foreign mainstream segment brands, Buick, Citroën, Honda, Hyundai, Mazda, Nissan, Toyota, and Volkswagen, as well as premium segment brands like Audi, BMW and Mercedes-Benz. Furthermore Oliver Wyman (2005) points out that those cheap domestic brands lie in the low-price segment; the premium segment is taken control by Germany brands, Audi, BMW and Mercedes-Benz are the top three, Lexus and Volvo lag well behind the “big three”.

Kotler and Keller (2006) discuss that brand positioning is about designing a firm’s offerings and image to take a distinctive place in mind of particular target market. The particular target market means the specific target groups of customers. It seems meaningful to analyze Chinese customers’ perceptions on auto brands before adapting a brand in Chinese automotive market. Due to Wang (06-04-2011), most of the luxury or premium brands purchasers are very rich businessmen; they want to show their
social status and ‘face’ by driving an expensive car with envy outlook and big shape; they seldom care about other added values, such as environmental care.

According to Oliver Wyman (2005), 80 percent of all car users indicate that business reasons motivated them to buy the first car. However 70 percent of them would buy their next car for convenience and status; three characteristics of safety, reliability and low maintenance costs have become the main concerns for Chinese consumers to choose a car; compared to the past, status, comfort and safety have taken the place of price or rebate to be customers’ preferences. As stressed by Oliver Wyman (2005), the key factor for implementing a brand strategy is to emphasize the core values of the brand and a clearly positioned brand offers consumers with greater confidence and security.

Aaker (2010) points out four apparent features of brand positioning: “part”, “target audience”, “actively communication”, and “demonstrate advantage”. Hence it is important for Geely to take into these four elements into consideration when positioning Volvo in Chinese market.

*Figure 18: Volvo’s brand positioning in China*

*Developed from Aaker 2010:184*
Part and Actively Communication: Aaker (2010) emphasizes that core identity and benefits of value proposition should be considered for brand positioning; that means brand positioning is ‘part’ of brand identity with purpose of improving the identity and strengthening customer relationship. Based on the analysis of Wall Street Journal (2010), Geely Chairman Li Shufu suggested a way to revitalize Volvo by creating bigger and more luxurious cars; the New CEO of Volvo agreed with Li and stresses that Volvo cars will have to upgrade its image to define its brand more clearly. Aaker (2010) expresses that the brand image reflects present perceptions while the brand identity reflects the perceptions that will be associated together with the brand through brand positioning. According to Wang (06-04-2011), it is indeed that Geely should adjust Volvo’s previous positioning in Chinese market; however firstly Geely needs to strengthen Volvo’s image of ‘safety and environment care’ in order to make the customers believe that Volvo core values would not be changed by Geely. Wang (06-04-2011) also presents customers would suspect that Volvo is not original Volvo any more if Geely emphasize a lot on the novelty and luxurious of Volvo.

Target Audience: Aaker (2010) suggests that there are primary and secondary target audience for a brand’s positioning. As emphasized by Wang (06-04-2011), Geely should sustain Volvo’s primary target audience - safety-conscious ‘upscale’ families; meanwhile they could create a new secondary audience in Chinese market, such as successful social elite. This secondary audience could be the group people of middle-aged businessman, young successful entrepreneurs, institute professors, bankers and so forth, who is holding the same faith ‘pursuing good quality of life and excellent tastes’. Wang (06-04-2011) also suggests that Geely could give detailed position for each series of models under the holistic brand positioning.
Create Advantage: Aaker (2010) describes that the purpose of brand position is to create equal even superiority advantage over the competitors and make effort to reach a consensus with customers. Borg (03-05-2011) suggested that Geely could position Volvo as ‘Luxury car with safety and environment care’ in Chinese market. Volvo is the unique auto brand which pioneer on the safety technology and innovation in global automobile industry. Hence, Volvo could take this chance to create superiority advantage over other premium brands in Chinese market. Wepsalainen (13-5-2011) describes that more than 30 years’ work makes Volvo be well known by its environmental technology innovation beyond the value of safety. In this way, creating Volvo’s luxury image with safety and environment care could differentiate Volvo cars from other vying cars. According to Borg (03-05-2011), Volvo’s design is getting closer to other auto brands. Furthermore, Volvo’s Scandinavian design incorporates both the high levels of craftsmanship and elegant simplicity and functionalism. Volvo pursues beautifully safe which means placing both beauty and safety in the heart of product design. Hence the luxury design could be Volvo’s another parity advantage.
6 CONCLUSION

This chapter initially conclude the thesis, and then it discusses the sub-questions and presents an overall conclusion on the main research question.

Nowadays more and more merger and acquisition activities happen between Chinese auto corporations and foreign firms. Chinese independent auto brands have a ‘low-price, low quality’ image in customers’ perceptions. The brand acquisition will bring negative impact on the foreign brand. Hence the premise of this thesis is the necessary for researching a Chinese auto corporation’s brand adapting management on acquired foreign brand. The overall purpose of this thesis is to identify, describe and analyze how a Chinese auto corporation can adapt the acquired foreign brand. As follows the main research question of how a Chinese auto corporation can adapt an acquired foreign brand to Chinese market will be answered through the discussion of the sub question concerning on sustaining brand identity, potential changes on brand image and positioning the acquired brand.

Sub-question one deal with how a Chinese auto corporation can sustain the brand identity of acquired brand. From our analysis we can identify that Chinese firm need to maintain the acquired brand’s core identity through protracting the brand’s core values and created benefits to customers. The core values are the timeless soul, spirit and essence of a brand which is incorporated in its core identity. The core identity transmits certain value proposition to customers in terms of functional, emotional and self-expressive benefits. This study illustrates that Chinese firm need to sustain even strengthen the acquired brand’s promises to customers, which means the brand’s core values and established benefits to customers. A brand’s core values and created benefits stand for the brand’s distinction and personality. Thus, sustaining the core
values and benefits is the prerequisite for effectively adapting the brand to Chinese automotive market.

Sub-question two deals with what are the potential changes of acquired brand’s image in Chinese customers’ minds are. Our analysis illustrates that there possibly are two terms of potential changes on the acquired brand image, either positive or negative. In terms of negative potential changes, the image of acquired foreign brand would be badly influenced by Chinese auto acquirer. Chinese customers have recognized some independent auto brands as a symbol of ‘low price and low quality’. They will suspect whether the Chinese acquirer have the capacity to manage a premium brand. These negative impacts will directly decide the customers purchasing motivation on the acquired brand. Our analysis shows that some Chinese customers will hesitate to buy a car of acquired foreign brand due to the suspicion on its core values and benefits. However our analysis also states that some Chinese customers have positive attitudes towards acquired brand’s ‘new image’. They are proud of the acquisition between Chinese and foreign auto firms and would support it due to national pride emotions.

Sub-question three deals with how a Chinese auto corporation can position the acquired brand in Chinese automotive market. According to our analysis we identify that Chinese auto corporation can position the acquired brand in two steps. The first step is to give the brand a holistic positioning, with sustaining the brand’s previous core identity and value proposition. The next step is to give a specified and modified positioning for each model or segment of branded products. Our analysis illustrates that Chinese acquirer might give each model a clear positioning and make it attractive to certain group of customers. Brand positioning is used as a subset of brand identity and value proposition, so it is necessary to keep up the brand’s core values and benefits when they reposition the acquired brand. Furthermore, positioning a brand
means to create a distinction advantage in particular target audiences reflected to specific competitors. Our analysis illustrates that Chinese firm might upgrade the image of acquired brand, or appropriately lead to the direction of luxury brand and aims at upscale target audiences. But it is necessary to differentiate from its competitors, not just simply building up bigger, and more beautiful or luxurious products.

Finally the main research question concerns on how a Chinese Auto Corporation can adapt an acquired foreign brand to Chinese market. The answer to this question can be summarized in the following figure.

![Figure 19: Brand management for the M&A in Chinese market](image)

(Authors 2011)

Throughout our analysis, we identify that Chinese auto corporation needs to concern on three factors for adapting an acquired brand: value proposition of acquired brand, Chinese customers’ perceptions and brand positioning strategy. Before adapting the brand, Chinese firm needs to understand the brand’s core values and created benefits to customers which incorporated in brand’s core identity. They also need to investigate on the potential changes of Chinese customers’ perceptions on the brand image. It is important for them to adopt appropriate branding strategy to diminish the
negative impact and strengthen the positive ones, ensuring that customers will receive the core values and benefits. Positioning is an effective branding strategy for Chinese firm to adapt the brand. Our analysis illustrates that Chinese firm might carry on an holistic positioning for the brand as well as give sub-positioning according to the brand’s distinct model-products. The holistic positioning could protect the brand’s previous brand identity and value proposition, and the sub-positioning could make the branded products attractive to specific segmented audiences.
7 RECOMMENDATION

In this section, we will state the limitation for this study, and propose some ideas for further similar research within this field. At last, the specific managerial suggestion to the case company Geely.

7.1 Limitations of the Study

We use case study as the research method of this thesis and we draw our conclusion based on the theory conducted into the real-life case company analysis. Although there are much data collected in the empirical part, the preliminary information is still not sufficient due to the tight schedule for writing and the difficulty to contact with case companies. We were able to access to Volvo Cars brand experience center. The comprehensive presentation and the short interview with Volvo environmental and safety specialists assist us to level-up the understanding on Volvo’s core values. Moreover, we did interview with Volvo dealer that help us to gather the information about customers’ benefits created by Volvo. However, we did not get the interviews with the certain marketing managers of VCC, which would be supportive to deliver data that are more primary on Volvo’s branding strategies. As for the situation of Chinese market and Chinese customers’ reflection on Geely/Volvo’s acquisition, we did an interview with a Chinese professor who is conducting a research in this field. However, the best way to know customers’ perceptions or thoughts is to talk with them, and therefore in this study, the comprehensive data collection on Chinese customers was limited due to the lack of questionnaires or interviews in Chinese market.
7.2 Suggestions for Further Study

This study mainly research and analyze the brand adapting management in the conjunction of a Chinese Auto Company acquiring a foreign brands. Based on the limitations of this study that we summarized above and our own experiences of conducting this study, we would like to give several suggestions for the coming investigators in this research field. As for the data collection, we would suggest you to do interviews with marketing managers of the case companies and possibly conduct questionnaires to collect data on Chinese customers in terms of their perceptions on the brand acquisition. If it is possible, we also suggest you to implement interviews with the senior executives of Chinese acquirers since they probably can tell their plan about the brand management and adaptation. Except for the data collection, we advise you to make a comparison with similar issue of brand acquisition. We mean this case study, Geely/Volvo is the first time that Chinese automobile company entirely acquired an international auto company, and perhaps you could compare this to the acquisition of Jaguar, Land Rover and Indian Tata. Then a deeper analysis can be applied through comparison with those similar acquisition cases, and thereby to know how an auto corporation from emerging country market can manage and adapt an acquired foreign premium brand in the local market, which will lead to a more profound conclusion.
7.3 Recommendations to Geely

The empirical study reveals that one of the biggest challenges for Geely is diminishing Chinese customers’ negative perceptions on Volvo image and adapting Volvo brand to Chinese market. Base on the findings of this study we recommend Geely to strengthen Volvo image through sustaining Volvo’s core identity and repositioning Volvo, which can be shown in Figure 22.

Figure 20: Two managerial implications for Geely

Sustain the Brand’s Core Identity

We recommend Geely to sustain Volvo’s core identity which incorporates its core values and benefits created to customers in order to strengthen Volvo image in Chinese customers’ perception. This study reveals that core identity stands for a brand’s soul and transmits value proposition to customers in terms of functional, emotional and self-expressive benefits. The empirical study illustrates that Geely could sustain Volvo’s certain core values of ‘safety, environment care, Scandinavian design and quality ’ and continually provide Chinese customers with functional benefits of ‘durability’ and emotional benefits of ‘safety, comfortable driving experience’ and self expressive benefits of ‘pursing high life and caring for family’.
Reposition the Brand

We recommend Geely to reposition Volvo in Chinese market in order to create distinction advantage in particular target audience segmentation. The empirical study presents that Volvo image was going down after its acquisition with Ford in Chinese market and its positioning in Chinese market is unclear. According to empirical data collection, Volvo’s senior executives aim to upgrade its image and ‘Creating bigger and more luxurious cars’. We totally agree that Geely needs to reposition Volvo in Chinese market. However, the empirical study reveals Volvo cars’ outstanding originates from its core identity of ‘building up the world-class safety cars with environment innovation’. We recommend Geely to pursue this business vision without emphasizing Volvo’s outlook and luxury as Mercedes or BMW do. Volvo should be unique Volvo and there is no need to compare with any other brands. The study illustrates that Geely could ‘multi-stage’ repositioning Volvo. It means Volvo needs a holistic and clear brand positioning in Chinese automotive market, such as ‘luxury car with safety and environmental care’. Then it embodied with detailed brand positioning due to its different models. For instance, S models could aim at the business people and families who have strong responsibilities and high moral integrity; V models could still concentrate on family care; XC models could be added some fashionable elements, but based on ‘safety’; C models could aim at young energetic consumers. Except these, Geely also could help Volvo create a series of brand new products which could create a new target market, such as creating new cars for government utilization.”
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APPENDIX

The following questions build up the framework of carrying on the interviews. The questions just lead to the topics during the interview and they were discussed deeper.

- **Interview with Chinese market expert (06-04-2011)**
  1. What are Chinese consumers’ thoughts when they purchase a premium or luxury auto brand?
  2. What are images of Geely and Volvo in Chinese consumers’ minds separately?
  3. How do Chinese consumers think about the brand acquisition between them?
  4. Will they redefine the image of Volvo?
  5. Will they accept the brand image of Volvo and buy Volvo cars in the future?
  6. What are the Challenges for Geely to diminish consumers’ negative perceptions on Volvo brand image?
  7. What are the challenges for Geely to position Volvo brand?
  8. What can Volvo’s brand positioning probably be in Chinese automotive market?
  9. What’s the relation between Volvo’s brand positioning and Geely’s own brands?

- **Interview with Volvo dealer (03-05-2011)**
  1. Why do you choose to sell Volvo cars?
  2. What kind of benefits you can obtain through selling this brand?
  3. What is the most attractive selling point of Volvo car to customer?
  4. What are the customers’ backgrounds? (Age, gender, profession)
  5. What are the concerns of customers for them purchasing Volvo cars? (brand, quality, function, service, design, the specific type, etc)
6. What are the motives for customers to choose Volvo cars? / Why choosing Volvo?

7. What is the Volvo Car’s image in their minds?

8. As for customers, what are the values for possessing a Volvo Car? (functional, emotional, self-expressive benefits)

9. What are the influences on the brand image from previous acquisition of Ford? (based on the sales experiences)

10. Based on the acquisition of Geely, is there any concern or hesitation from customer side when they purchase Volvo cars?

11. What is your opinion about this acquisition’s impact on Volvo brand image?

● Interview with Volvo brand specialist (13-05-2011)

1. What are the core values of Volvo?

2. Could you introduce how Volvo establish and sustain its advantage on safety technology and innovation?

3. Could you introduce any other Volvo’s unique values except the safety?

4. What’s the ‘DRIVe’ concept?

5. How about Volvo’s design?

6. What are the visible benefits that customers receive from purchasing Volvo cars?

7. What are the specific feelings customers receive when driving Volvo cars?

8. What are the self-reflection emotions that customers have by owning Volvo cars?
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On 1 January 2010 Växjö University and the University of Kalmar merged to form Linnaeus University. This new university is the product of a will to improve the quality, enhance the appeal and boost the development potential of teaching and research, at the same time as it plays a prominent role in working closely together with local society. Linnaeus University offers an attractive knowledge environment characterised by high quality and a competitive portfolio of skills.

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