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Consumer reaction to service rebranding

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ABSTRACT

The aim of this research is to understand consumers' reactions to brand name changes in the service sector. To this end, a quantitative study was conducted of 320 customers and eight cases of service rebranding. The results show that three variables explain the change in attitudes toward the service after its rebranding: (1) proximity between the new brand name and the service, (2) difference in image between the old and the new brand names, and (3) attachment to the service place. These results help us to identify the key factors for successful brand name substitution in services.

1. Introduction

Product rebranding, i.e. changing product brand names, has become increasingly common over the last twenty years (Kaikati and Kaikati, 2003; Kumar, 2003). This marketing practice consists in removing one brand name for a product and replacing it by another (Collange, 2008). But while once this phenomenon primarily concerned consumer goods, there has been an explosion in service brand name changes throughout Europe over the last decade: in the United Kingdom the “Midland Bank” has become “HSBC”, in Germany the mobile provider “Mannesmann” has been renamed “Vodafone”, and in France the insurance company “AGF” is now “Allianz”.

These service brand name changes are often driven by four main motives (Keller, 2003; Muzellec and Lambkin, 2006). The first is a change in ownership structure (mergers and acquisitions, spin offs, etc.). For example, after their acquisition by “HSBC”, “Midland bank” in the UK and “CCF” in France took on the brand name of their new owner. Or, after their cession by “Fnac”, the toy stores “Fnac Eveil et jeux” became “Oxybul Eveil et jeux” in France. The second reason is a change in corporate strategy (refocus, internationalization, etc.). For instance, after the launch of many new services, each one with its own brand name, France Telecom decided to reduce its portfolio to focus on a single, global brand. The company grouped all of its various services – “Wanadoo” (internet), “maligne TV” (VOD), and “Equant” (BtoB) – under the brand name “Orange”. In the same way, the Carrefour group unified its hypermarkets, supermarkets, and neighborhood stores under the same “Carrefour” brand name but added the term “Planet”, “Market”, “City”, or “Contact” to distinguish them. The third reason is a change in competitive position (outdated image, reputational problems, etc.). For example, in France, following either a scandal or repeated failures in service delivery, the “Credit Lyonnais” became “LCL”, “Vivendi” was renamed “Veolia”, and the “EuroDisney” theme park is now “Disneyland Paris”. Finally, the driver may be a change in the external environment (legal obligation, major crisis, or catastrophe). In the US, “ValuJet” renamed itself “Tran Airlines” after a fatal accident (Berry, 2000).

However, despite the opportunities that rebranding may offer, the risk involved is high, as illustrated by the failures of the rebranding of the UK's “Royal Mail” into “Consignia” (Muzellec and Lambkin, 2006), of “Payless Drug Store” into “Rite Aid Corporation” in the US (Haig, 2011), or of “British Airways” into “BA” (Cornelissen, 2011). Indeed, the brand name is the “cornerstone” of brand identity (Aaker and Joachimsthaler, 2000). Therefore, existing consumers may fear that the service characteristics (place atmosphere, contact employees, etc.) they formerly enjoyed will no longer be the same (Kapferer, 2008). This may lead to a sharp downturn in business, which may not necessarily be offset by the recruitment of new consumers. In addition, such a brand name change may also damage the reputation of the company, not only among consumers but also among employees and financial analysts (Fombrun and Van Riel, 2004; Cornelissen, 2011).

Although rebranding has thrived in recent years, there has been very little academic research on the topic (but see Aimé-Garnier and Roux, 2006; Jaju et al., 2006; Muzellec and Lambkin, 2006;

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Collange, 2008; Kapferer, 2008; Collin-Lachaud et al., 2012). The few studies that have been made focus on the implementation strategy (i.e. process) rather than on the branding strategy (i.e. choice of the new brand name). However, both strategies need to be right if the rebranding is to be successful (Keller, 2003). Only two studies (Jaju et al., 2006; Collange, 2008) have investigated how the characteristics of the two brand names involved impact the evaluation of the product/company. So, no model has been developed in the context of services and the topic is in need of investigation (Ailawadi and Keller, 2004). Aside from their intuition, marketing managers in the service sector do not really understand why consumers readily accept some brand name changes but not others, independently of the way they are implemented (communication, speed of change, etc.).

The objective of this research is to address two important questions: how do consumer attitudes toward a service change after its rebranding? And what are the variables that can explain the change? To achieve this objective, we first present different types of brand name changes in the service sector. Second, we review literature on product rebranding and on service place characteristics to identify variables that might explain the change in evaluation of a service that has undergone rebranding. Then, we present the before-and-after study we conducted among 320 consumers with eight hypothetical cases of service rebranding to test the research hypotheses. The findings have several notable implications; thus, we close with a discussion, some limitations, and areas for further research.

2. Typology of brand name changes in services

As with consumer goods, there are many different forms of service rebranding. However, it is possible to construct a typology of the most frequent cases. To this end, we will look at the criteria proposed by Collange (2008) for consumer goods and see whether they are applicable to services. The first criterion is awareness of the new brand. The new brand may be familiar or unfamiliar to consumers at the time of rebranding. This criterion also seems to be appropriate in the case of services. For example, when the internet provider “Wanadoo” became “Orange” in France, the Orange brand name was already familiar to French consumers because it was already the brand name of a mobile provider. Conversely, when “Mannesmann” was re-baptized “Vodafone” in Germany, this name was unfamiliar to German consumers because at that time it was present on foreign markets only.

The second criterion proposed for consumer goods is the extent of the change. The change may involve just the brand name of the product or it may also affect the recipe/formula, packaging, price, communication, etc. Here again, the distinction seems relevant to services too. The company may modify the brand name of the service alone or it may also change its offer, contact employees, design, etc. For instance, when “Champion” supermarkets became “Carrefour Market” in France, the changes in stores were kept to a minimum: same offer (except for more own-brand labels), same blue and red decor, same employees, etc. On the contrary, when “Atac” supermarkets were renamed “Simply Market”, the range of the offer on the shelves was much reduced, the decor was changed (yellow and red instead of red and white) and in-store promotions were replaced by an everyday low-price strategy.

The third criterion proposed by Collange (2008) is the number of brands for the product. Consumer goods may be signed by a single brand (a product brand name) or by two brands (a product and a parent brand name). This practice is less common with services (Turley and Moore, 1995) although some retail services, especially in the hotel industry, do use double branding (Courtyard of Marriott, Wingate by Wyndham, etc.). However, in terms of brand hierarchy, a distinction can be made between business unit rebranding and corporate rebranding (Muzellec and Lambkin, 2006). Indeed, in the case of diversified service companies, which rely on a portfolio of “multi-corporate brands” (Devlin, 2003), rebranding may impact the name of a sub-division of the company (business unit) rather than the name of the company itself. For example, in Europe, the Accor Group is currently changing the name of all its “Etap hotels” to “Ibis”. All of these elements have been used to build the typology of brand name changes in the service sector presented in Table 1.

3. Conceptual framework and hypotheses development

Most research in the field has established that the role of the brand is fundamentally the same for services as it is for goods. As with consumer goods, a strong brand in the service industry increases customers' trust in the purchase, enables them to visualize and understand the offer, and reduces the perceived monetary, social, or safety risk in buying (Berry, 2000). This finding can be explained by the existence of a continuum between goods and services (De Chernatony and Dall'Olmo Riley, 1999). The characteristics of goods and services vary as a matter of degree, not in their kind. Therefore, it can be expected that the variables identified by Jaju et al. (2006) and Collange (2008) will prove suitable for services, and they shall be used in the present study. However, as the same research on service brand names has also highlighted that the application of the branding principles may differ in certain operational aspects, with the crucial role of customer experience (Berry, 2000), this study also includes variables relating to the characteristics of the service place. The research model is presented in Fig. 1.

3.1. Change in service evaluation

There is strong support for the idea that the replacement of one brand name by another for a product or a firm has a negative impact on consumer evaluation (Aimé-Garnier and Roux, 2006; Muzellec and Lambkin, 2006; Collange, 2008). For example, Jaju et al. (2006) found that the equity of the firm, measured by attitudes, leadership beliefs, and intention to buy, declined in most situations they studied. This loss can be explained by the fact that

Table 1
Typology of brand name changes in services.

	Typology	Examples
Awareness of the new brand	Familiar	Wanadoo-Orange (F), Midland-HSBC (GB)
	Unfamiliar	Mannesmann-Vodafone (D), Norwich Union-Aviva (GB), AGF-Allianz (F), Dexia-Belfius (B)
Extent of change	Name only	Champion-Carrefour Market (F), Fnac Eveil et Jeux-Oxybul Eveil et Jeux (F), CCF-HSBC (F)
	Name and other elements	Atac-Simply Market (F), Planet Saturn-Boulanger (F)
Brand hierarchy	Name of a business unit	Etap Hotel-Ibis by Accor (F), Lunéa-Intercités and Téoz-Intercités by SNCF (F)
	Corporate name	Royal Mail-Consignia (GB)