Rebranding in the Banking Industry Following Mergers and Acquisitions on the Polish Market

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Abstract
The aim of the paper is to examine how banking groups on Polish market for corporate control manage their corporate branding in the context of mergers and acquisitions. It also identifies the factors that differentiate the used strategies. The article analyses 50 transactions carried out on the Polish market for corporate control throughout the years 2000–2016 and identifies used rebranding strategies, as well as components that influence the choice of options for rebranding. The main rebranding strategy of banking groups on the Polish market is to retain the acquiring bank name. The main factors that differentiate the used strategies are: the brand value of participants acquisitions and the nature of the investor (strategic or financial investor).

Key words: banking industry, mergers and acquisitions, rebranding strategy.

JEL classification: M10, M31, G21.

1. Introduction
Ever since the system changes that took place in 1989, the Polish banking sector has been constantly evolving. Mergers and acquisitions have played a key role in the process of its reconstruction. Initially they had reparative character and served the sole purpose of strengthening and arranging the system. In the following years they were to reinforce banks' market position and expand their business areas (Buszko, 2005). From the year 2000 they were to strengthen national or cross-border consolidations, which would allow them to achieve cost synergies and economies of scale, and consequently improve efficiency (Ramotowski, 2015), maximise or maintain the value of an enterprise in the face of increased competitive pressures (Jones and Critchfield, 2005).
Today we can observe the growth of transaction processes related to the departure of investors from the Polish market, who failed to raise the appropriate scale and efficiency. Disinvestments are made by large foreign banks, thereby increasing their capital position. This is not left unnoticed by smaller, capital-strong entities, which perceive the acquisitions as an opportunity to build a scale effect. This situation is conducive to the strategy of repolonisation of the banking sector, which has been announced and implemented by the Polish Government.
Conducting a merger or acquisition involves identifying the manner, extent and degree of the integration of merging entities (Oberg and Tarba, 2013). An important issue which requires attention is the name and logo under which the combined companies are to operate. Transactional managers must decide whether they want to continue to use their current company names, change them to the name of the new owner, create a joint name, or perhaps a new one (Lambkin and Muzellec, 2008).

2. A review of literature on rebranding strategies in mergers and acquisitions
Enterprise's resources are a key factor in determining how it operates. The quantity, quality and structure of assets, both tangible and intangible, determine the operational and strategic potential of the organisation, the level of competitiveness and the potential for growth and development (Suszyński, 2013). Over the years, the world economy has observed the declining role of material assets in the process of creating the value of companies, which is replaced by the brands and trademarks equity and by the human capital. In S&P 500 index companies, the share of intangible assets in 2015 was 87%, while in 1975 it was only 17% (Ocean Tomo,

2015). Similar regularities were also observed in companies listed on the Warsaw Stock Exchange; in 2013 the value of intangible assets amounted to 63% of market value (Corpus, 2016), which confirms that they are significant generators of market value.

One of the components of intangible assets is a brand, often associated with a trademark. According to the definition given by the American Marketing Association a brand is "a name, term, design, symbol, or any other feature that identifies one seller's good or service as distinct from those of other sellers" (The American Marketing Association Dictionary). A strong brand is one of a company's most important assets, and its cumulative value is a collection of all of the tangible and intangible assets that bring market benefits to the brand owner (Upshaw, 1995).

Along with the development of the company, the expansion or change of the business profile, organisational changes and ownership structure, the company's management may face the need to refresh an outdated image, reposition the product or change its name (Johann, 2013). The process of changing a brand's perception by modifying certain elements through which the company communicates with the recipient is referred to as rebranding. This category includes a change of the name, trademark, symbol, pattern or combination thereof (Muzellec and Lambkin, 2006).

"Rebranding can occur at three distinct levels in an organization: (1) corporate; (2) strategic business unit; and (3) product level" (Lambkin and Muzellec, 2008, p. 331). Corporate-level rebranding means scheduled and coordinated actions aimed at increasing, transferring, acquiring and/or restoring corporate brand equity (Muzellec and Lambkin, 2006). It often involves renaming the entire entity, meaning repositioning the product, or introducing a significant change in strategy. Rebranding of strategic business units takes place when a subsidiary or branch of a large corporation receives a unique name in order to create an individual identity apart from the parent company. "Rebranding of individual products also occurs, sometimes as a tactical move driven by the desire to brand globally, to derive economies of scale in marketing communications and to benefit from spillovers in brand awareness across geographic borders" (Lambkin and Muzellec 2008, p. 332).

International corporations have dozens, even hundreds of brands that should be structured in such a way, as to ensure the effectiveness of the entire portfolio management. In this process, the architecture of brands (brand structure) plays a vital role, which should best support the company in achieving its strategic goals (Skorek, 2013). The branding process involves taking into account the brand image, the company's corporate reputation, the product's share in the company's turnover or its competition's actions (Witek-Hajduk, 2001).

An important part of an enterprise strategy and a key success factor in building a long-term competitive advantage is the proper management of the brand portfolio. Research confirms an existing correlation between the financial results of a company and the portfolio of brands at its disposal (Wiles, Morgan and Rego, 2012). Each company should therefore have an individually designed brand portfolio structure.

The literature on this particular subject distinguishes two strategies of brand portfolio management: (1) "branded house" – the corporate brand is an umbrella for all brands of its businesses and products; (2) "house of brands" – a collection of independent, individual brands with different names of business units and products, concentrated in the company structure (Aaker and Joachimstaler, 2000).

Another classification of brand architecture is presented by Kapferer (2012) by distinguishing six strategies: product's brand strategy, maker's brand strategy, endorsing brand strategy, source brand strategy, master brand strategy and umbrella brand strategy.

The brand management strategy is particularly important in the context of mergers and acquisitions, and is critical to the future market success of the merging entities. The different integration strategies and solutions in the organisational structures of merged entities determine corporate brand decisions.

A number of proposals for rebranding the merging entities can be found in literature on this subject. Knowles, Dinner and Mizik (2011) present three main types of corporate brand strategies in mergers and acquisitions. They are:

(1) assimilations – the organisation keeps the name and logo of one of the companies (the acquirer's or the target's company);
(2) "business as usual" – each company retains its name and logo;
(3) fusion – after merging, branding elements of both companies are retained, either by merging two names or by adopting one company's name and logo.

The authors also point out a fourth possibility, namely the creation of a completely new name, which in their opinion, is in practice a rare strategy used in mergers.

Basu (2006) outlines four possibilities for similar rebranding options applicable to mergers and acquisitions:

(1) one brand, usually that of the acquirer (Firm A);
(2) a joint brand, where the names of the acquirer and the acquired are combined (A–B);
(3) a flexible brand, where both brands are kept and used selectively (A&B);
(4) a new brand, where both previous brands are dropped in favor of an entirely new one (C).

R. Ettenson and J. Knowles, based on studies of all mergers and acquisitions completed since 1995 with a transaction value exceeding $250 million (sample size: 207 mergers), have indicated 10 strategies that can be grouped into four main categories:

(1) "backing the stronger horse – the deal is a merger where the stronger brand is adopted;
(2) "best of both" – the deal is merger and the best of both brands is adopted;
(3) "different in kind" – the deal is transformational merger and a new brand is created;
(4) "business as usual" – the deal is simply a portfolio transaction and no brand changes occur.

This research revealed that two strategies are dominant: either the target brand disappears altogether or both companies' brands continue to exist independently in an unchanged form. These two options account for nearly two-thirds of the deals studied.

Based on the literature analysis of the subject (Altunbas and Marques, 2008; Berger, Demsetz and Strahan, 1999; Hannan and Pilloff, 2009; Jones and Critchfield, 2005; Korzeb, 2010; Walkner and Raes, 2005) it can be shown that important factors influencing the strategy of corporate rebranding in mergers and acquisitions are, among others:

(1) the size and market power of the merging companies;
(2) the brand value of the acquisition participants;
(3) the type of transaction (merger or acquisition);
(4) the type of an investor (strategic or financial),
(5) the type of products and services,
(6) geographic distance.

3. Methodology of research

The above considerations have become the basis for research aimed at determining which rebranding options are used by commercial banks and financial investors in the context of ongoing mergers and acquisitions on the Polish market.

The following research hypotheses were formulated on the basis of the review of literature, as well as personal observations concerning the specifics of transactions implemented in the Polish pharmaceutical sector:

H1: The dominating strategy of rebranding used by banks in Poland is the preservation of the acquirer's brand. Other strategies are used less frequently.

H2: The chosen rebranding option depends on the brand value of the banks participating in the transaction. Changing the name of the acquired/attached bank is more likely when its brand value is low. A high value of the acquired brand influences the decision to preserve it.
H3: The used rebranding option depends on the type of transaction: the merger resulting from integration within the capital group in the country or abroad, or the acquisition by a new investor. Changing the name of the acquired bank is more likely to happen when it is taken over by a new investor, than in the case of a friendly merger of two banks.
H4: The used rebranding option depends on the type of investor involved in the transaction. Creating a new bank's name is more probable in the case of acquisition by financial investors. Strategic investors will more likely change the name of the acquired bank to the brand of the acquirer or create a name referring to the names of the merging companies.
In order to verify the formulated research hypotheses, a detailed analysis of the transactions has been carried out on the Polish market for corporate control, involving the participation of commercial banks and financial investors. The analysis covered 50 acquisitions made in 2000–2016.

4. Analysis of research results

4.1. Identified rebranding strategies

Based on the conducted research, the following types of rebranding were used by banks conducting M&A transactions in Poland (Figure 1):

- preserving only the brand of the acquirer (A) – in 30 transactions;
- creating a joint brand through combining the name of the acquirer and the target company (AB) – in 6 mergers;
- preserving the brand of the target of the acquisition and supplementing it with the name of the group to which it will belong after the acquisition (B^{A}) – in 2 acquisitions;
- maintaining independent brands (A&B) – in 5 transactions;
- creating a new brand, replacing the previous name (C) – in 3 acquisitions;
- creating a new brand with its name referring to the acquirer (C^{A}) – in 4 mergers

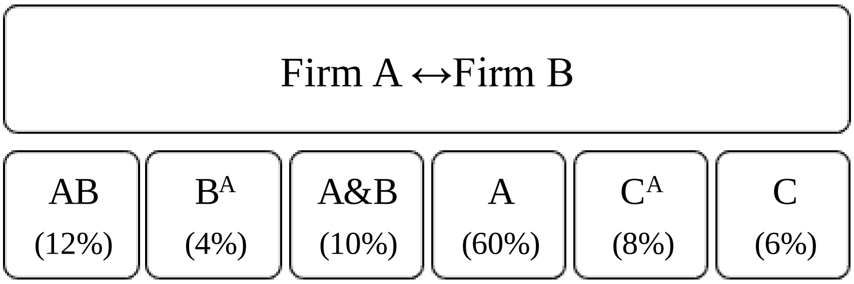

Figure 1. Strategy of rebranding in banking in Poland
Source: own study.

The dominating mergers & acquisitions rebranding strategy used by banks on the Polish banking market between 2000 and 2006 was to retain only the brand of the acquirer (A). Such a regularity was noted in 60% of the examined transactions. Two further strategies: the creation of a joint brand resulting from merging the name of the acquirer and the target entity (AB) and the maintenance of the independent brands (A&B), applied to 12% and 10% of transactions. The least used rebranding options were: creating a new brand (C^{A}) whose name referred to that of the acquirer (8% of transactions), creating a new brand (C), which replaced the previous names (6% of transactions) as well as retaining the brand of the acquisition's target (B^{A}) and supplementing it with the name of the capital group that it belongs to after the acquisition (4% of transactions). This means that the first hypothesis (H1) has been positively verified.

4.2. The option of rebranding and the value of the brands of banks involved in the transaction

When attempting to verify the second hypothesis (H2), an effort was made in order to identify the value of the banks' brands participating in the analysed transactions. Due to the unavailability of such data for the entire research sample in the analysed period, the brand values were determined only for the largest banks on the basis of the research done for Polish brands in the top 500 banking brands" and "TOP10 of Polish financial brands". It has been assumed that the brands of banks that are not included in the above rankings are considered to be of lower value in comparison to the main competitors.

The results of the analysis (Table 1) suggest that the rebranding carried out in the transactions that were aimed at acquiring valuable banks was based on the creation of a common brand (AB) resulting from the merger of the acquirer and the target entity (Getin Noble Bank SA, PNB Paribas Fortis Bank SA), or retaining the brand of the acquisition's target and supplementing it with the name of the capital group (B^A), that it belongs to after the acquisition (Bank BPH SA Grupa GE Capital, Bank Zachodni WBK SA Grupa Santander). The creation of a common brand resulting from merging the name of the acquirer and the target entity (Citibank Handlowy SA, BZ WBK SA, Raiffeisen Polbank SA, Bank BGŻ BNP Paribas SA) also took place when the acquired brand was not as high up in rank as the ones previously mentioned, but for the buyer, its value was significant, due to its high market awareness. The decision to continue the development of the bank under the acquired brand (BIG Bank Gdanski SA, Lukas SA, Euro Bank SA) was also undertaken by foreign investors, whose brands were poorly recognisable in Poland, as opposed to acquired brands.

Option of rebranding	Number of transactions	Number of transactions in which the brand of the acquired bank was of high value for the buyer	Number of transactions in which the brand of the acquired bank was not of a high value for the buyer
AB	6	6	
B^A	2	2	
A&B	5	3	2
A	30		30
C^A	4		4
C	3		3
Total	50	11	39

Table 1. The options for rebranding and the values of brands of banks involved in the transactions

Source: own study.

Also worth mentioning are the transactions in which the buyer did not change the name of the acquired bank (Społem SA, BGŻ SA) for a reason other than the value of the acquired brands. In both cases the acquired assets were to be the subject of subsequent M&A transactions, so rebranding after the first transaction would have appeared to be purposeless.

For other transactions, the acquirer changed the name of the acquired bank to their own brand (A) or created a new brand (C), including the name of the acquirer (C^A). It seems that the second hypothesis (H2) has been verified positively on the basis of the analysis, which means that a high value of the acquired brand influences the buyer's decision to preserve it.

1.3. Options of rebranding in accordance with the type of transaction – merger or acquisition

The mergers that occurred on the Polish banking market were a result of the consolidation policy of the majority shareholder of both entities, the next stage of banks' integration on the international market or the acquisition of the company by a new domestic or foreign investor

(Table 2).

Option of rebranding	Number of transactions	Integration of entities in one capital group in Poland	Integration of entities in Poland following the integration of banks in the international market	Control acquisition by a new domestic or foreign investor
AB	6	2	1	3
B^A	2			2
A&B	5			5
A	30	11	4	15
C^A	4	1		3
C	3			3
Total	50	14	5	31

Table 2. Rebranding options in accordance with the type of transaction
Source: own study.

Research shows that the dominating strategy of rebranding has been the renaming of the acquired bank. There is no reason to believe that a change in the name of an acquired bank is more likely to occur when it is acquired by a new domestic or foreign investor, than when two banks are merged into one group.

1.4.The options of rebranding and the type of investor – strategic or financial

A completely new name of a bank (Euro Bank SA, Meritum Bank ICB SA, Nest Bank SA) was created as a result of only three transactions. In all of these cases, the subject that made the final decision was the financial investor (Table 3).

Rebranding options	Number of transactions	Strategic investor	Financial investor
AB	6	6	
B^A	2	2	
A&B	5	4	1
A	30	30	
C^A	4	4	
C	3		3
Total	50	46	4

Table 3. The options of rebranding and the type of investor
Source: own study.

In most cases, strategic investors changed the name of the acquired bank to their own (in 30 transactions) or combined both banks' names (in 6 mergers). In four acquisitions, they decided to create a new name which clearly referred to the brand of the acquiring bank (Dominet Bank SA, Santander Consumer Bank SA, GE Money Bank SA, Getin Bank SA), in two, they chose to leave the name of the acquired bank and expand it with the name of the whole group (Bank BPH SA, GE Capital Group, Bank Zachodni WBK SA Santander Group), and in the four cases to remain unchanged names of the acquired company (BIG Bank Gdański SA, Lukas Bank SA, Euro Bank SA and BGŻ SA). Such results of the analysis allow one to validate positively the fourth hypothesis (H4).

Conclusions

One can point out, on the basis of the above literature analysis, a correlation between the issues of rebranding, mergers and acquisitions. It appears that demonstrating this dependency in the case of the banking sector, and in the financial sector in general, is of particular importance, given that the issue of brand management in this sector has been treated marginally for a long time (Urbanek 2012). Corporate rebranding plays a critical role in communicating strategic intent. The branding decision provides the opportunity to leverage both firms' corporate brands, setting forth a new and compelling vision for the combined entity (Ettenson and Knowles, 2006).

Empirical studies have confirmed that the dominating strategy of rebranding used in mergers and acquisitions by banks in the Polish banking market between 2000 and 2006 was to preserve the brand of the acquirer (A). They also allow for the conclusion that the used rebranding option depends on the brand value of the banks participating in the acquisition and on the type of investor (strategic or financial). There is no evidence that the rebranding option depends on the type of transaction – merger or acquisition.

The following conclusions can be drawn on the basis of the analysis of the transactions:

– changing the name of the acquired/attached bank is more likely when the value of its brand is low;
– the high value of the acquired brand to the buyer influences the decision to preserve it;
– creating a completely new bank name is more likely in case of acquisition by financial investors;
– strategic investors are more likely to change the name of the acquired bank to the brand of the acquiring entity or to create a name referring to the names of the merging companies.

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