

CHAPTER 1 : INTRODUCTION

Chapter 1 is divided into 5 sections. This chapter begins by describing the corporate rebranding scene in Malaysia. It reviews the study on brand value of top 30 brands in Malaysia that has been conducted by Interbrand from 2007 to 2009. The next section introduces the purpose and significance of this thesis. Furthermore, the research questions, research objectives and the scope of this thesis will be presented in this chapter.

1.1 Corporate Rebranding Scene in Malaysia

The value of brands is recognized widely and they contribute extensively towards building future assets in companies (Aaker,1992). However, as will be shown in the following chapter, the published literature on companies rebranding themselves lack significant empirical research (Balmer, 2001). The study conducted by Interbrand from 2007 to 2009 provides a better understanding of the branding phenomena in Malaysia. It publishes Malaysia's 30 Most Valuable Brands (MMVB) by taking into account three categories :-

- Financial analysis (forecasts current and future earnings specifically attributable to the brand);
- Brand analysis (measures how the brand influences customers at the point of purchase); and
- Brand strength analysis (determines a brand's ability to secure ongoing customer demand, such as loyalty, repurchase and retention).

In published report by MMVB (2009) which is a study conducted by Interbrand, the total brand value of the Top 30 brands dropped 13% from 2008 to RM 54 billion, while the Top 10

brands saw a drop of 15% in their brand value to RM 40 billion due to the global financial crisis and tougher business conditions which have had a significant impact on the earnings and profitability of the companies surveyed.

Companies are starting to understand the relationship between brand value and their financial performance. If a brand's value drops, this means that the overall business value is affected. Brands are tangible assets that reflect on the overall business performance. There are many companies across different industries who are rebranding themselves to differentiate themselves from their competitors. As barriers to entry weakens in different industries, the competition increases as companies compete on price and quality, thereby reducing positioning options available. The fragmentation in media and markets and the involvement of multiple brands and products describe the context of building brands in the present time where it involves a growing level of complexity of the things that organisations aim to offer and present.

In the recent years, more and more companies have undertaken rebranding exercises in Malaysia. For example, Bank Pertanian changed its name to Agro Bank to go international in 2008 and McDonalds's in Malaysia (owned by Golden Arches Restaurants Sdn Bhd) rebranded its image in 2006 from being a fast-food restaurant to a place that focuses on family values and a balanced and active lifestyle by listing the nutritional information of their meals. McDonalds ran ads which show how it sources its food to address "junk food" criticism. All these actions were taken by the companies to change the perception of the investors about the company. Companies are gradually beginning to understand that it is insufficient to offer a good product and hope that it will sell well. Corporate brands need to differentiate themselves and provide value-added services to attract and retain their customer

base. The brand promise that the companies aim to offer need to be communicated timely and accurately to ensure that investors have a good perception of the company continuously. Accurate and timely portrayals of a brand's promise are required to ensure that investors have a favourable perception and more importantly, continuous awareness of a company. This is then reflected by the stock price of the company.

The name and logo forms the two basic elements of corporate identity, which is "a visual statement of who and what a company is" according to Gregory and Wiechmann (1991, p. 61). Balmer *et al* (1991) defines corporate visual identity as the "way in which an organisation uses logos, type styles, nomenclature [and] architecture ... to communicate its corporate philosophy and personality". In this thesis, the potential impact of identity change through logo change on company's value will be examined.

1.2 Purpose and Significance of the Study

This study is to investigate the effects of corporate rebranding through corporate logo changes on the organisation's market value, particularly on publicly listed companies in Malaysia. Under most circumstances, the rebranding exercise aims to positively affect the brand's equity and this effect can be observed from the reaction of stockholders by monitoring the stock prices using the event study methodology. In addition, the rationales surrounding the rebranding exercise will be investigated. Whilst rebranding exercise may be necessary in difficult financial climates, it is nonetheless a major strategic decision within an organisation because it is a very costly exercise and carries with it significant levels of reputation risk (Clavin, 1999; Dunham, 2002) and can be detrimental if not implemented well. When a brand name is changed, this may be a loss of all the values that the old name signifies, and this challenges traditional marketing wisdom with regards to brand equity.

At the point of writing, there are no reported studies on the impact of corporate rebranding through corporate logo changes in the Malaysian stock market. The closest form of a rebranding exercise is the study of rebranding Higher Educational Institutions (HEIs) in Malaysia conducted by Goi, *et al.*, (2009) which found that Malaysian HEIs extensively rebrand themselves to rejuvenate their reputations in the local and international market. On the other hand, more studies have been conducted out of Malaysia to examine whether a name change, which is another element in rebranding can improve the profit performance of an organisation and what type of organisation is more likely to succeed in doing so but few in corporate logo changes. In those studies, event study methodology was adopted. Balmer (2001a) noted in the study the importance of corporate branding to a multiplicity of stakeholders (customer attractiveness, investor confidence and staff motivation) and this

study will focus on investors in particular as their reactions are observed through the stock prices. It is hoped that more research can be conducted on corporate rebranding exercise through logo change to provide consistent results, especially in the Malaysian context.

1.3 Research Objectives

As corporate rebranding covers a large study, this thesis will focus on the effects of companies changing their corporate logo on the companies' stock price. The reaction of investors when the companies make the announcement of the change in their corporate logo will be examined by applying the event study methodology to Malaysian publicly listed companies. The companies' stock price on the day of announcement is examined. In order to fulfil the research objective, a wide review of past literature from the corporate rebranding field is conducted. Two case studies from two companies will be presented to provide more information that may not be obtained.

1.4 Research Questions

In order to fulfil the aim of this thesis, a wide review of previous literature on different fields of branding is conducted. In particular, this thesis aims to answer the following research questions:

1. Why do companies rebrand themselves ?

This thesis looks at the reasons behind why companies conduct corporate rebranding. It also looks at the period when the rebranding exercise is undertaken and the industries that these companies belong to.

2. What was the impact of the corporate rebranding exercise (through corporate logo changes) on their market value ?

This paper also looks at whether rebranding exercise provides any tangible or intangible results on the company's market value. This is looked at through the observation from the

stock price and the qualitative data provided by the case studies, which is the management's perspective that may not be reflected in the stock price.

3. How successful was the corporate rebranding exercise ?

The success of the corporate rebranding exercise is observed from the stock price by analyzing if the companies reaped abnormal returns during or after the announcement of the corporate logo changes. The findings will be presented in Chapter 4.

1.5 Scope of the Study

This is an exploratory study where there has been some research done previously but not extensively. More studies have been conducted on the name change compared to the corporate logo change which found that there is evidence of consistent abnormal returns following name change announcements (Horsky and Swyngedouw, 1987; Mase, 2009). As the organisation's market value will be evaluated via the stock price, this thesis begins with a review of the definition of corporate brands and rebranding in Chapter 2. The analysis of this thesis focuses on public listed companies even though there were many other non-public listed companies which have done a similar exercise within their company.

This thesis examines the corporate logo changes that took place amongst publicly listed companies between 2001 and 2010. Consistent with the majority of the existing research, there are limited abnormal returns immediately following the announcements of the corporate logo changes. The sample data was obtained from published sources like newspapers, corporate website and magazines which provides relevant information about the respective companies.

This thesis uses a technique names “event study methodology” to measure the impact of corporate rebranding on the organisation’s market value. The event study methodology will link the event of the corporate rebranding exercise with the reaction of the company’s stock market price following the event.

1.6 Organisation of the study

This study is divided into five chapters and Figure 1 represents the structure of this thesis :

Chapter 1 introduces the purpose and significance of this thesis and how it will impact both the finance and marketing area. It introduces to the reader what is the current corporate rebranding scene in Malaysia and where the corporate rebranding phenomena will be moving towards to. In addition, it brings forth the justification of the research topic and the methodology.

Chapter 2 presents the literature review relating to this study. Firstly, it presents the definitions of corporate brands by various authors and differentiates corporate brand from the product brand. This will be followed by the definitions of corporate rebranding and lists reasons as to why organisations would want to rebrand themselves. In this chapter, it links the success of corporate rebranding by providing support from various studies by using event study methodology. It observes the reaction of stock price when the announcements are made on the corporate logo changes. Whilst there has been studies conducted on this, it has not been extensive, especially in the Malaysian stock market.

Chapter 3 presents the methodology used in this study. The method chosen in this study is the event study methodology which has been extensively applied in different subjects of areas such as economic, finance and management studies. Based on the assumption that markets

are efficient, the impact of corporate rebranding exercise on stock prices should occur on the day of the announcement, or in the next day when the news is disclosed. The event study methodology tries to detect abnormal returns in stock prices on and around the event day. The results from the announcement are relevant for the management executives and investors. This study will present interviews with the representative from the companies to qualitatively support the rationale for the corporate rebranding exercise to provide important first-hand information that might not be reported or portrayed in the mass media. In addition, available documentaries obtained from the Association of Accredited Advertising Agents Malaysia (AAAA) were used to gain more information on the companies that have rebranded.

Chapter 4 presents the analysis and results. Key findings were summarized to support the rationale and success of corporate rebranding. Findings from two (2) companies in Malaysia were presented from the management point of view.

Chapter 5 presents the theoretical contribution and managerial implications. An evaluation of the contributions and limitations of this research will be presented, followed by suggestions for future work on this subject.

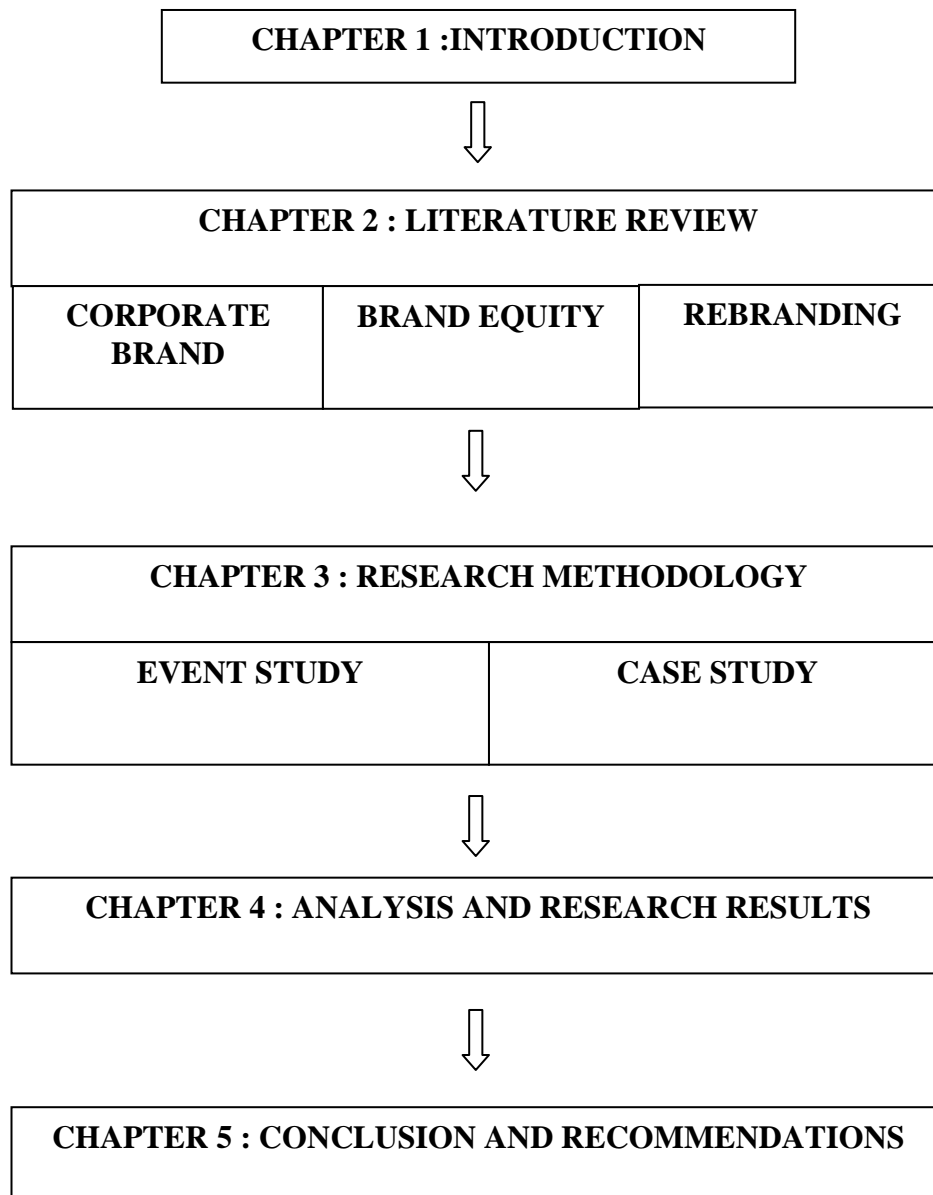


Figure 1: The structure of the study