

How communicating the family business brand affect customer behavior post-merger?

Customer reactions after M&As. How family business branding and reputation influence purchase intentions

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Mergers and acquisitions (M&As) represent a critical moment for both businesses and their customers. For family firms, M&A events raise questions about how the transition will affect customer loyalty and behavior. While the family business brand is often seen as a tool to build trust, the reputation of the acquiring firm may overshadow its impact. This article examines how these factors—family business branding and the reputation of the acquirer—shape customer perceptions of trustworthiness, service quality, and purchase intentions after an M&A event.

WHAT WE STUDIED

The study analyzed the role of family business branding and reputation in shaping customer perceptions following an M&A. Data was collected from 159 participants in Italy, who were presented with scenarios involving family and non-family firms engaging in acquisitions. The experiment tested how the communication of the family business brand and the acquirer's previous reputation influenced customers' views on trustworthiness, service quality, and purchase intentions.

KEY INSIGHTS

1. Minimal Impact of FB Branding

Contrary to popular belief, communicating the family business brand after an M&A did not significantly impact customer perceptions of trustworthiness or service quality. This finding challenges the notion that family branding inherently drives customer loyalty in the aftermath of mergers.

2. Reputation Drives Customer Perception

The previous reputation of the acquiring firm played a decisive role in shaping customer behavior. A positive reputation led to the "halo effect," where customers viewed the firm as more trustworthy and providing better service quality, thereby increasing their purchase intentions. Conversely, negative reputations could have a "Velcro effect," sticking bad associations to the newly merged entity.

3. Trust and Service Quality as Mediators

Trustworthiness and perceived service quality were key factors that mediated the relationship between a firm's reputation and customer purchase intentions. When customers trusted the acquirer and perceived its services as high-quality, they were more likely to continue buying from the merged company.

TAKEAWAYS

1. For Family Business Leaders

Family firms undergoing M&A should not over-rely on family branding to retain customer loyalty. Instead, they should focus on maintaining or improving their reputation to foster trust and encourage customer retention post-merger.

2. For Acquiring Firms

Firms with strong reputations should leverage this asset during M&As to gain customer trust. Managing public perception during and after the M&A process is crucial to maintaining customer loyalty.

3. For Researchers

The findings open new avenues for studying the boundary conditions of family business brand efficacy

and emphasize the importance of customer behavior in determining M&A success.

IMPACT

This study highlights the dominant role of a firm's reputation in influencing customer perceptions during post-M&A transitions. While family branding alone may not sway customer behavior, maintaining a positive reputation is critical for ensuring customer trust and high service quality perceptions.

RECOMMENDATIONS

Family businesses should prioritize reputation management during M&A processes, ensuring they communicate effectively with customers to reduce uncertainty. Future research should explore how these dynamics play out in different cultural and industry contexts.

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