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FACTORS THAT AFFECT THE PERCEPTION OF LUXURY BRANDS AFTER M&A

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ABSTRACT
The purpose of this study is to examine the effects of brand image and country of manufacture (COM) on the brand luxury index, especially when a low brand image affects the acquirer brand, and the acquired brand has a high brand image. A total of 248 responses were collected through snowball sampling in Taiwan (We gathered low-image differences from 119 respondents, and high-image differences from 129 respondents). The results indicate that brand image and COM have a positive influence on every dimension of brand luxury index (BLI). In addition, brand image and COM have an interactive effect on BLI. The findings suggest that excellent and average COM images have a greater effect on the BLI than a poor COM image with a high brand image variance, whereas the effects of high and low brand image variances do not differ for a poor COM image. The results reflect significant differences in the perception regarding discounts on luxury brands between the variances of high and low brand images after M&A for the COM. Few studies have evaluated the effect of brand image and COM on luxury brands after M&A. The contribution of this research is to help managers understand how the brand image could affect the acquirer's image; therefore, it should focus on the effect of COM to avoid the loss of customer loyalty.

KEYWORDS
brand image, country of manufacture, brand luxury index.

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INTRODUCTION
As the economic environment becomes more competitive, companies require rapid growth, profitability, efficiency, and a dominant market position (Schuler and Jackson, 2001). Mergers and Acquisitions (M&A) is a critical strategy for companies (Lee, Lee and Wu, 2011) because M&A enables firms to obtain the products, technologies, and desirable market positions, as well as distribution channels, of their competitors (Schweizer, 2005). The frequency and scale of mergers and acquisitions (M&As) have significantly increased during the past two decades in spite of numerous reports on their high failure rates (Weber, Tarba, and Oberg, 2014; Ahammad, Tarba, Liu and Glaister, 2016), and global M&A activity (17,369 deals with a combined value of US$ 3.2tn) managed to reach its third-highest combined value since 2007 (US$ 3.7tn)(Mergermarket, 2017). As regards international luxury brands, M&A are also flourishing, since the number of mergers and acquisitions in the international fashion and luxury sector rose by roughly 30% on the year to 96 in 2016, compared to 75 in 2015, and 89 in 2014 (Casadei, 2017). An example is the luggage maker Samsonite, which purchased the premium bag maker Tumi for US$1.8bn (Mergermarket, 2017). In the M&A process, the acquiring company gains not only tangible assets but also intangible assets, such as brands.

Numerous brands with an inferior image have recently been using the M&A strategy to acquire brands with a superior image, in order to help them enter the high-end segment of the global market, such as Lenovo's acquisition of IBM's computer department, as well as enhance their inferior brand image. This situation is especially true for luxury brands, such as Samson Investment Holding Co., which purchased the Baker, Milling Road and McGuire luxury furniture brands from Wisconsin-based Kohler Co.(Woodworking Network, 2017). In this situation, consumers would be concerned that a brand with an inferior image will prove unable to maintain the quality or superior image of the acquired brand. Brands and brand strategies influence the value of companies, and can be employed to measure their success (Aaker and Jacobson, 1994; Strach and Everett, 2006). The acquiring company must successfully manage the migration of a brand to the new company, and ensure that customers remain loyal to the brand (Kumar and Blomqvist, 2004). However, this area has been neglected, therefore there is little marketing-related research (Homburg and Bucerius, 2005).

In the modern context of market globalization and competition, companies strive to lower costs through cheaper labor and lower taxes; therefore, manufacturing in developing countries has been proliferating in recent decades (Hamzaoui and Merunka, 2006). For example, Burberry closed one of its few U.K. factories, and moved its manufacturing to China. In addition, about 20% of Prada's products, including shoes, bags and clothes, are made in China (Passariello, 2011). However, consumers evaluate the quality of the manufacturing to gauge the product's overall quality (Chao, 1993; Insch and Mcbride, 2004). Moreover, COM serves as a

vital diagnostic of the attributes of brand image at the time of a new product purchase (Allman, Fenik, Hewett and Morgan, 2016). As regards luxury brands, their expensive prices reflect the fact that they are handmade by European artisans, rather than mass-produced (Thomas, 2007). Research has indicated that products from a developed country are perceived as expensive luxury items (Kaynak and Kara, 2002; O'Cass and Lim, 2002). Furthermore, Lee and Schaninger (1996) advocate that the consumers' perception of the quality of global brands, even the most esteemed brands, will be affected by both the brand name and the country where the products are manufactured or assembled, which will then influence their willingness to purchase the brand's products (Fetscherin and Toncar, 2010).
Analysis of COO and brand interactions is crucial for global brands, often represented by products with a different CoD and CoM/A (Godey, Pederzoli, Aiello, Donvito, Chan, Oh, Singh, Skorobogatykh, Tsuchiya, and Weitz, 2012). However, the handful of existing studies lack a sufficiently detailed analysis of the marketing of brands following M&A (Homburg and Bucerius, 2005) because the majority of researchers have emphasized tangible financial factors (Yang, Davis, and Robertson, 2012). In addition, there has been little research performed on how consumers view luxury brands after M&A, and few studies have investigated how the brand image-COM interaction influences the consumers' perception of luxury brands after M&A. Thus, the purpose of this study is to fill the research gap by focusing on the interaction effect of the variance of two brand images and the COM on customer perceptions after M&A, and how these factors affect luxury brands following M&A.

LITERATURE REVIEW AND HYPOTHESIS

LUXURY BRAND AND BRAND LUXURY INDEX

Luxury brands have traditionally been defined as "high quality, expensive and non-essential products and services that appear to be rare, exclusive, prestigious, and authentic and offer high levels of symbolic and emotional/hedonic values through customer experiences" (Tynan, McKechnie and Chhuon, 2010). Interbrand's (2016) list of 100 leading global brands with strong brand equities and significant earnings included a total of eight luxury brands (Interbrand best global brand 2016 report). The report indicates the remarkable growth of the global luxury market (Sung, Choi, Ahn and Song, 2015). Luxury brands are one of the best examples of branding because brands and their images are key competitive advantages that create substantial value for organizations (Keller, 2009). Thus, luxury brand consumption can allow consumers both to express themselves (i.e., value-expressive function) and to present themselves (i.e., social-adjustive function) in front of others (Wiedmann, Hennigs and Siebels, 2009; Stokburger-Sauer and Teichmann, 2013).Therefore, "luxury brands evoke exclusivity, have a well known brand identity, enjoy high brand awareness and perceived quality and retain sales levels and customer loyalty" (Phau and Prendergast, 2001).
Academic researchers disagree considerably on what constitutes a luxury brand (Christodoulides, Michaeldou, and Li, 2009). Vigneron and Johnson (1999) suggested that a brand should consist of five unique values in order to be considered a luxury brand: conspicuous value, unique value, social value, hedonic value and quality value. Most luxury fashion brands provide all five values in order to develop a brands' overall image (Berry, 1994; Liu, Li, Mizerski and Soh, 2012). The Brand Luxury Index (BLI) scale, developed by Vigneron and Johnson (2004), is a fundamental framework in brand luxury research (Hung, Chen, Peng, Hacklry, Tiwsakul, and Chou, 2011), and their studies provide useful insights into luxury brands and associated consumer behavior (Christodoulides et al., 2009; Sung et al., 2015). Several studies have employed BLI or even extended it to investigate consumers' perception of luxury brands (Sangkhawasi and Johri, 2007; Christodoulides et al., 2009; Wiedmann, Hennigs, and Siebels, 2009). For example, Kim and Kim (2015) revised the BLI scale to provide a valid and reliable measure of perceived luxuriousness with wide research applicability, and they proposed that the number of the dimensions remained the same as the original conceptualization (i.e. conspicuousness, uniqueness, quality, hedonism, extended-self). However, the contents of those dimensions differed. Determined to validate the BLI scales, Christodoulides et al. (2009) used data collected from Taiwanese luxury consumers. They found that "Taiwanese consumers may therefore take a more holistic view of brand luxury, and may make more universal evaluations of brand luxury than their Western counterparts. In this sense, the meaning of luxury may differ between Western and Confucian cultures". When Farrell and Tammy (2013) employed a BLI scale to compare and contrast young female consumers' perceptions of a luxury brand and counterfeits of that brand, the results showed that "all rated perceptions of the luxury brand were significantly higher than those for the counterfeits of that brand. Between-subjects effects revealed that the luxury perceptions of those consumers whose last handbag acquisition was a luxury brand significantly differed from the luxury perceptions of those whose last handbag acquisition was a counterfeit brand". Thus, we use the BLI scale to measure luxury in this study.
The five key luxury dimensions comprise three latent luxury factors that reflect non-personal perception-oriented perceptions: perceived conspicuousness, perceived uniqueness and perceived quality, as well as two personal-oriented perceptions: perceived extended-self and perceived hedonism (Vigneron and Johnson, 2004). The dimensions are explained as follows.

1) **Perceived conspicuousness**

Perceived conspicuousness is derived from early studies that have concentrated on the influence of reference groups on luxury brand consumption (Christodoulides et al., 2009). People desire to own luxury brands that serve as a symbol of group membership (Wiedmann, Hennigs, and Siebels, 2007). As a result, the social status associated with brands is a critical factor in conspicuous consumption (Vigneron and Johnson, 2004). The findings from one study revealed that the conspicuousness of a product is positively related to the reference group (Wiedmann et al., 2009). In addition, conspicuousness is expected to negate a negative main effect of price (i.e., the inverse relationship between price and quantity demanded) and/or improve a positive main effect of price (i.e., higher prices are a signal for luxury) on luxury brand choice (Hwang, Ko and Megehee, 2014).

2) **Perceived uniqueness**

Standing out among people or being unique in a larger group is often the result of signals conveyed by the material objects that the consumer has selected for display (Tian, Bearden, and Hunter, 2001). Therefore, "high levels of similarity/dissimilarity to others are perceived by individuals as unpleasant and reduce their self-esteem" (Fromkin, 1970, 1972). People use behavioral and affective mechanisms to maintain a moderate uniqueness (Ruvio, Shohamand, and Brencˇicˇ, 2008). Uniqueness is based on the assumption that the perceived scarcity and exclusivity of a product enriches the consumers' preference or desire for that product (Verhallen, 1982). Luxury brands are difficult to find because of the uniqueness, and they should be expensive compared with normal standards, thereby increasing their value even further (Vigneron and Johnson, 2004).

3) **Perceived quality**

A number of researchers have indicated that quality is a form of the overall evaluation of a product, and have suggested that quality is a value judgment that is relatively common across the globe (e.g., Olshavsky, 1985; Holbrook and Corfman, 1985; Kwak and Kang, 2009). In conceptualizing perceived quality, the concept is defined as a buyer's evaluation of a product's cumulative excellence (Zeithaml, 1988; Grewal, Monroe, and Krishnam, 1988). Gentry, Putreva, Shultz, and Commri (2001) found that consumers want to buy luxury brands because of the superior quality reflected in the brand name. Thus, it is highly questionable that a luxury brand image can be sustained when a product's quality does not correspond to a high standard (Christodoulides et al., 2009).

4) **Perceived hedonism**

Hedonic products are consumed primarily for sensory gratification or for enjoyment (Woods, 1960; Holbrook, 1986; Lim and Ang, 2008). Consumers occasionally shop for an appreciation of the experience, rather than merely for task completion (Babin, Darden, and Griffin, 1994; Overby and Lee, 2006). Studies in the field of luxury consumption have demonstrated that luxury products provide subjective intangible benefits (Dubois and Laurent, 1994; Wiedmann et al., 2007). Thus, consumers who rely on their own personal opinion, and those who are immune to interpersonal influence when considering luxury brands, might represent the hedonic type of consumer (Vigneron and Johnson, 2004).

5) **Perceived extended-self**

Consumers use consumption objects to classify themselves in relation to relevant others (Holt, 1995). Belk (1988) employed the extended-self construct to examine the relationship between consumers' possessions and their sense of self (Sivadas and Venkatesh, 1995). He identified the extended-self as follows: "Our possessions are a major contributor to and reflection of our identities." Consumers desire to possess luxury brands that can serve as a symbol of group membership (Wiedmann et al., 2009). Therefore, consumers' desire to connect with certain prestige groups, and to be disconnected from non-prestige groups drives them to purchase luxury brands (Christodoulides et al., 2009).

BRAND IMAGE

"Brand image could be defined as perceptions about a brand as reflected by the brand associations held in the consumer's memory" (Keller, 1998). These associations refer to any brand aspect within the consumer's memory (Aaker, 1996a, b). Therefore, several researchers (Dichter, 1985; Snyder and DeBono, 1985) have proposed that brand image serves as the total impression of a brand, encompassing the product's attributes, applications, and advertisements (Chao, Fiore and Russell, 2015). Furthermore, user imagery is a vital form of brand image, according to Biel (1992). A solid grasp of brand image (how consumers perceive a brand) provides valuable insights, which are required to develop a brand's identity (Aaker, 1996a). Yoo and Donthu (2001) proposed that brand image can affect a company's merger and acquisition decision-making process, future profits and long-term cash flow, a consumer's willingness to pay premium prices, stock prices, sustainable competitive advantage, and marketing success (Jalivand and Samiei, 2012).

Thus, brand image consistency is crucial for the success of any brand (Ritson, 2003; Matthiesen and Phau, 2010), especially for luxury brands. Brand image, fashion and prestige are critical factors for consumers when purchasing premium luxury brands (Ian, Marishka, and Steve, 2009). As a result, protecting brand image consistency is critical for luxury brands (Vickers and Renand, 2003; Dall'Olmo Riley, Lomax, and Blunden, 2004; Park, Rabolt, and Jeon, 2008). Luxury brands also use origin cues and strong brand image in their international strategy (Chevalier and Mazzalovo, 2008; Shukla, 2011). Numerous studies have proposed that brand image has a positive influence on luxury brand perception or consumption (Kim, Kim, and An, 2003; Dall'Olmo Riley et al., 2004; Husic and Cicic, 2009). In the pre-merger stage, Andrew, Ronald and Dave (2014) advocated that "the news of a merger could affect a consumer of one of the merging brands in several ways including both positive and negative effects. Initial consumer attitudes toward a merged brand are likely to change based on the announcement of a merger and the brand image valence (positive or negative) of the pre-merger brands".

COUNTRY OF MANUFACTURE

In order to reduce manufacturing costs, a growing number of firms in highly industrialized countries are choosing to manufacture their products in newly industrialized nations (Chao, 1993; Ahmed, d'Astous, and Eljabri, 2002). Nike is based in the United States, but the factories that manufacture Nike's running shoes are located in Asian countries, such as China and Vietnam (Hamzaoui-Essoussi, Merunka, and Bartikowski, 2010). However, consumers increasingly pay attention to the COM in order to ensure that the products are safe and that the laborers are treated fairly (Fung and Yoon, 2012), thus managers should consider carefully how the COM would affect the consumers' perception. The COM is the country that produces or assembles branded products (Insch and McBride, 2004; Hamzaoui-Essoussi et al., 2010). As a result, the COM provides factual information about the actual country where the product is assembled, which appears in the made-in label (Lee and Brinberg, 1995). Several researchers have stated that the manufacturing origin has become largely irrelevant (Samiee, 2010; Usnier, 2011), and brand origin has progressively taken the lead in suggesting product origin (Usnier, 2011; Magnusson, Westjohn and Zdravkovic, 2011). Thus, "many fashion industry companies that originate from emerging countries and do not have a positive COO (like China) begun to manufacture in countries that do have a positive country of origin for luxury fashion (like Italy) simply to ensure that they could use the "Manufactured in (e.g.) Italy" label to enhance the favorable associations toward the brands and mitigate the unfavorable COO associations (Melnyk, Klein and Völckner, 2012; Krupka, Ozretic-Dosen and Previsic, 2014)". However, "several studies also find that national or cultural animosity can affect the attitudes toward products associated with particular countries" (Klein, Ettenson and Morris, 1998; Nijssen and Douglas, 2004). "Discrimination against imports from some countries can create invisible barriers to globalization, so in certain circumstances, it might be necessary to emphasize the origins (design and/or manufacture)" (Essoussi and Merunka, 2007). When a company chooses to change the COM of a product from a country for which consumers have a preference perception to one with fewer preference associations, the country of origin effect could cause the brand name to deteriorate as the consumers' perception of the brand decreases (Fetscherin and Toncar, 2010). Thus, several studies have provided strong evidence of the COM effect on the consumers' evaluation of the product (Hui and Zhou, 2003; Hamzaoui and Merunka, 2006; Fetscherin and Toncar, 2010). Research performed by Chen and Su (2012) found that COM is positively associated with industrial brand equity. Hamzaoui-Essoussi, Merunka and Bartikowski (2011) employed COM micro and macro-images to analyze how they affect brand quality, and the results demonstrated that both micro and macro-images related positively to brand quality. As regards luxury brands, consumers are sensitive to the countries where luxury brands are designed (COO) and manufactured (COM) because "luxury" has a significant connotation with price, quality, and status consumption (Arora, McIntyre, Wu and Arora, 2015). Phau and Leng (2008) found that "status-seeking teenagers have overall, a more positive attitude toward foreign luxury brand apparel as compared to Australian luxury brands, with the exception of Chinese brands". For products that also serve as status symbols (automobiles), consumers from emerging countries think that product quality is positively related to the global image of the country of manufacture (Hamzaoui and Merunka, 2006). The study of Arora et al.(2015) examined the differences in consumer response to high-tier luxury parent brands versus their low-tier diffusion brands and investigated the contrasting effects of congruence versus incongruence between country of origin and country of manufacture. The results revealed that when there is a congruence between COO and COM, diffusion brands are preferred more than parent brands; (2) in contrast, when there is an incongruence between COO and COM, parent brands are preferred more than diffusion brands. In addition, Paciolla and Mai (2011) discovered that COM is extremely important to adults when considering luxury brands.

BRAND AND COUNTRY IMAGE EFFECT AFTER M&A

The research of Lee et al. (2011) examined the relationship between the variance of two brand images and dimensions of brand equity after M&A, especially when the acquirer-dominant is affiliated to a weak brand image and the acquired one has a stronger brand image. They discovered that the variance of brand image would positively affect the acquirer's brand equity and enhance the brand image acquired by a firm with an inferior image, therefore the higher the brand, the greater the increase in equity. From the above-mentioned section, we have determined that brand image fit is a critical factor for a successful M&A. This notion was supported by the study of Lee and Tseng (2016), which examined the effect of brand fit and product fit on brand equity after M&A. They found that the interaction of brand fit and product fit has a significant effect on brand equity, and the results suggested that the relationship between brand fit and brand equity is influenced by product fit, in which a low product fit with a low brand fit has a greater effect on brand equity than a high product fit with a low brand fit.

In addition, country image is an important factor that affects consumers' perception of M&A. Lee, Chen and Guy (2014) discovered that the high variance of COO after M&A has more influence on the dimensions of brand equity than low variance, and COO variance has the greatest impact on brand loyalty. Research on luxury brand cross-border M&A found that whether a downward or upward (shift of country of company) M&A significantly decreased luxury brands' credibility and prestige among consumers.

THE INTERACTION EFFECT BETWEEN BRAND IMAGE AND COM

"Consumers consistently perceived more risk in purchasing products originating in a country with low image; a strong brand image should play an important role in their decision-making process" (Ahemd, Johnson, Ling, Fang, and Hui, 2002). In addition, if a brand with a firm reputation for quality switches production to a COM with a weaker image, the gap between the respective images of the brand and the country is likely to cause consumers to suspect the brand's quality.(Essoussi and Merunka, 2007). Diamantopoulos, Schlegelmilch and Palihawadana (2011) discovered that the image of the country of origin impacts purchase intentions indirectly since its influence is fully mediated by brand image. Yu, Lin and Chen (2013) explored the effect of country of origin (COO), brand image, and self-congruity on consumers' intention to purchase luxury brands via the Internet. Their findings suggest that inconsistency between the country of manufacture and the country of brand, and consistency in the country image would increase the influence of brand image on purchase intention when the brand image was weak.

From the above-mentioned conclusions we observe that the COM effect differs depending on brand image (e.g., brands with strong images are subject to less COM effect) (Johansson and Nebenzah, 1986). Furthermore, Tse and Lee (1993) discovered that a strong global brand such as Sony could override a negative COM (Kim and Pysarchik, 2000). However, a weak brand that is lesser-known and of a moderate quality allows the country of origin to have a strong effect on the evaluation of quality, resulting in a significant discount in perceived quality for the lower country of origin image (Jo, Nakamoto, and Nelson, 2003).

In addition, according to the Balance theory (Heider, 1958) "consumers value harmony among their thoughts and that they are motivated to reconcile incongruent thoughts" (Dean, 2002). Therefore, if an imbalance exists, people change their attitudes or behavior to restore the balance. Thus, people are inclined to like whatever is associated with what they already like, and vice versa (Dalakas and Levin, 2005). Moreover, after researching charitable event sponsorships, Dean (2002) indicated that if consumers have a preexisting positive sentiment toward such an event, they are likely to adopt a positive attitude, or even change their existing attitude toward the sponsor. From this viewpoint, a negative image of the CoD or CoM/A can reduce the positive image of a brand (Johansson and Nebenzahl, 1986), while a very strong brand could decrease the relevance of COO (Papadopoulos and Heslop, 1993). Based on this overview, we propose the following hypotheses:

HYPOTHESES

H1: A better brand image acquired by an inferior image brand compensates for an inferior COM effect on the consumers' perceived conspicuousness after M&A.
H2: A better brand image acquired by an inferior image brand compensates for an inferior COM effect on the consumers' perceived uniqueness after M&A.
H3: A better brand image acquired by an inferior image brand compensates for an inferior COM effect on the consumers' perceived quality after M&A.
H4: A better brand image acquired by an inferior image brand compensates for an inferior COM effect on the consumers' perceived hedonism after M&A.
H5: A better brand image acquired by an inferior image brand compensates for an inferior COM effect on the consumers' perceived extended-self after M&A.

METHODOLOGY

RESEARCH DESIGN

We conducted this study to measure how the interaction of different levels of variance in two brand images and the COM image affects luxury brands after M&A. The experimental design of this study involved the manipulation of two variables: the variance of two brand images and the COM after M&A (brand image using two levels: a brand with a poor image acquires one with an average image, and another brand with a poor image acquires one with a superior image; the COM is divided into three levels: poor, average, and excellent COM image). This study comprises a 2 (variance of two brand images: high variance and low variance) × 3 (COM: superior, medium and inferior image) between-subjects design. The variance of two brand images and the COM were between subject factors.

PRETEST

BRAND AND COUNTRY SELECTION

For this study, we employed the "naming method" in Pretest 1 (Fazio, 1990; Pappu, Quester, and Cooksey, 2006; Lee et al., 2014). The "naming method" involved presenting subjects with the name of the product category label and asking them to recall the names of countries. The Pretest 1 sample included customers with experience buying luxury brands. The respondents were asked to list the names of a maximum of 6 luxury brands and which countries had a superior, medium, and inferior manufacturing quality and brand image. The Pretest 1 sample included 45 customers with experience buying luxury brands, and the average price of the luxury brands they purchased was approximately US$1000. The results revealed that most of the respondents thought that the superior luxury brand image is "Hermes," with "Gucci" being the medium luxury brand, and "Coach" the inferior. The consumers' perception regarding the COM image demonstrated that the luxury brands made in Italy were of the highest quality, those made in Japan were of medium quality, and those made in China were of inferior quality.

Pretest 2 involved a survey of another 31 customers who bought luxury products and the average price of the luxury brands they purchased was approximately US$900; we asked about the brand and the COM image based on the Pretest 1 results. The respondents rated the perceived brand and COM image on a 7-point Likert-type scale. The measures for brand image were based on the Teas and Agarwal (2000) study (e.g., "Hermes is a prestigious brand"). The measures for the dimensions of the COM image relied on previous research conducted by Hui and Zhou (2003; e.g., "Luxury products made in Italy are very durable"). The pretest results indicated that the respondents believed that Hermes had the best image of a luxury brand (score 6.52). Gucci was rated medium (score 6.13), and Coach was graded inferior (score 4.48). By contrast, consumers thought that Italy had the best COM image of luxury brands (score 6.55), while Japan's quality was rated medium (score 6.05), and China's was rated as inferior (score 3.6). Moreover, we conducted a paired sample t test to verify whether a significant difference exists between the three luxury brand images and COM images between the three countries in Pretest 2. The results showed the following: Hermes versus Gucci, p =.005; Hermes versus Coach, p =.000; Gucci versus Coach, p =.000. In addition, the consumers' perception of the COM image between the three countries was as follows: Italy versus Japan, p =.00; Japan versus China, p =.00; Italy versus China, p =.00. Therefore, a significant difference in brand image and COM image exists between all three luxury brands and countries.

SURVEY INSTRUMENT AND MEASURES

The questionnaire contained items measuring various dimensions of luxury brands including conspicuousness, uniqueness, quality, hedonism, and extended-self (see Appendix 1 - all of the items are in Chinese). Respondents rated their perception of these dimensions on a semantic differential scale. The measures for the dimensions of the BLI were based on previous research and literature.

Sampling

We employed three steps for data collection. Due to the difficulty of obtaining a representative sample of luxury brand consumers with probability sampling techniques, the current study relied on a convenience sample in Steps 1 and 3. In Step 1, we used snowball sampling to identify 6 respondents who had ever purchased or were aware of the same luxury brands as the interviewers. In Step 2, we relied on random sampling to assign each interviewer to one of six scenarios. In Step 3, all of the interviewers in Taiwan employed snowball sampling to identify the respondents who had ever purchased or were familiar with the luxury brands. The survey comprised 248 respondents (74 men and 194 women), who had completed a questionnaire in Chinese that was composed in Taiwan, and the unit of analysis was the group of consumers who had ever purchased or were familiar with those luxury brands, and the average price of the luxury brands they purchased was approximately $1050. The profiles of the respondents are shown in Table 1. For the questionnaire used to collect data, we applied an experimental design, and the research design included six cells (Table 2).

TABLE 1: DESCRIPTION OF RESPONDENT

Item	Description	Frequency	Percentage
Gender	Male	74	29.8%
	Female	174	70.2%
Education	Junior High school	1	0.4%
	High school	23	9.3%
	College	33	13.3%
	University	131	52.8%
	Master/PHD	60	24.2%
Age	<20	2	0.8%
	21-30	90	36.3%
	31-40	92	37.1%
	41-50	50	20.2%
	>50	14	5.6%

TABLE 2: RESEARCH DESIGN

Design Combination	Country of Manufacture			
Variance of two Brand images	China	Japan	Italy	Sample
Low	38	34	47	119
High	43	50	36	129
Sample	81	84	83	248

RESULTS

Reliability and manipulation check: the scales for all of the constructs were analyzed according to Cronbach's α to determine if they possessed acceptable levels of reliability (Nunnally, 1978). Table 3 presents the reliability estimates. All Cronbach's α were higher than 0.7, indicating that every construct had an acceptable reliability. Manipulation checks were performed to confirm that the manipulations were successful. The t-test results displayed a significant difference between the three luxury brand images and COM images. The results revealed the following: Hermes versus Gucci, p =.00; Hermes versus Coach, p =.00 (***high variance of brand image***); Gucci versus Coach, p =.00 (***low variance of brand image***). In addition, the consumers' perception of the COM image between the three countries was as follows: Italy versus Japan, p =.00; Japan versus China, p =.00; Italy versus China, p =.00. The results indicated that the manipulations of the luxury brand image and COM image functioned as intended.

TABLE 3: RELIABILITY ESTIMATES

Perceived conspicuousness	Perceived uniqueness	Perceived quality	Perceived hedonic	Perceived extended self
0.905	0.922	0.939	0.926	0.949

MAIN EFFECT

To analyze the effect of each variable in detail, we employed MANOVA to test the main effect, and Table 4 lists the mean and standard deviations for the variance of the brand image and COM image. Table 5 shows a summary of the MANOVA results, and also demonstrates that the different levels of variance between two brand images after M&A have a significant effect on the five sets of the BLI. According to balance theory, a stronger attitude toward the original target results in a higher likelihood of the attitude impacting an association with the target in a similar manner (Dalakas and Levin, 2005). Table 4 indicates that a brand with an inferior image, after acquiring one with a superior image, obtained higher perception scores among respondents across all five dimensions of the BLI compared with if it had acquired a brand with an average image. In other words, a better brand image acquired by one with an inferior image results in further increases on the BLI.

The hierarchy of biases posits a positive relationship between customer product evaluations and the degree of economic development (Bilkey and Nes, 1982). Therefore, products from developing countries are rated as inferior to those from industrialized countries (Han and Terpstra, 1988), and the results of our study support these statements. Table 5 demonstrates that all of the BLI dimensions vary significantly with the COM after M&A, and that the impact of the COM is greatest in relation to perceived quality. Table 5 also lists the BLI dimension means for different COM images after M&A. An excellent COM image was revealed to have significantly higher means for all the BLI dimensions, implying that an excellent COM image can sustain or even heighten the consumers' perceptions of the acquirer after M&A; therefore, a better COM image further increases the BLI.

Furthermore, this study conducted a post-hoc multiple comparison to investigate significant differences among the group means. Table 6 presents the results of the least significant difference (LSD) method employed in our investigation. Our results demonstrate that all of the five dimensions of the BLI under the COM from Italy and Japan were significantly higher than that from China. In addition, the respondents' perceptions on perceived quality, hedonism, and extended self vary substantially between Italy and Japan. Although the respondents' perceived conspicuousness and uniqueness did not vary significantly between Italy and Japan, products made in Italy also enjoyed a higher brand image than those made in Japan.

TABLE 4: MEANS AND STANDARD DEVIATIONS

	Brand Image Variance		Country of Manufacture(COM)		
BLI	Low-variance	High-variance	China	Japan	Italy
Perceived conspicuousness	3.89(1.19)	4.38(1.32)	3.70(1.57)	4.31(.99)	4.50(1.10)
Perceived uniqueness	3.60(1.17)	4.16(1.32)	3.51(1.52)	4.06(.98)	4.10(1.22)
Perceived quality	3.79(1.28)	4.20(1.48)	3.39(1.65)	4.09(0.99)	4.52(1.26)
Perceived hedonic	4.01(1.20)	4.33(1.51)	3.73(1.64)	4.31(1.16)	4.63(1.18)
Perceived extended self	3.90(1.25)	4.32(1.53)	3.56(1.66)	4.17(1.06)	4.62(1.28)

TABLE 5: MANOVA RESULTS: SIGNIFICANCE OF MULTIVARIATE TESTS

Between-subject effect value		df	F value	P
variance of two Brand image	Perceived conspicuousness	1,247	12.252**	0.001
	Perceived uniqueness	1,247	14.063**	0.000
	Perceived quality	1,247	8.316**	0.004
	Perceived hedonic	1,247	8.362**	0.004
	Perceived extended self	1,247	8.286**	0.004
COM	Perceived conspicuousness	2,246	10.201**	0.000
	Perceived uniqueness	2,246	6.399**	0.004
	Perceived quality	2,246	17.183**	0.000
	Perceived hedonic	2,246	11.368**	0.000
	Perceived extended self	2,246	15.411**	0.000
variance of two Brand image × COM	Perceived conspicuousness	2,246	3.965**	0.020
	Perceived uniqueness	2,246	5.327**	0.005
	Perceived quality	2,246	5.571**	0.004
	Perceived hedonic	2,246	9.991**	0.000
	Perceived extended self	2,246	9.137**	0.000

**deemed significance at the 0.05 level

TABLE 6: POST HOC RESULTS OF MANOVA FOR COM

Brand luxury index	COM1(I)	COM2(J)	Mean(I-J)	P value
Perceived conspicuousness	China	Japan	-0.50**	0.010
	China	Italy	-0.80**	0.000
	Japan	Italy	-0.29	0.128
Perceived uniqueness	China	Japan	-0.55**	0.050
	China	Italy	-0.59**	0.030
	Japan	Italy	-0.04	0.838
Perceived quality	China	Japan	-0.70**	0.001
	China	Italy	-1.13**	0.000
	Japan	Italy	-0.43**	0.020
Perceived hedonic	China	Japan	-0.57**	0.007
	China	Italy	-0.90**	0.000
	Japan	Italy	-0.33	0.116
Perceived extended self	China	Japan	-0.61**	0.004
	China	Italy	-1.06**	0.000
	Japan	Italy	-0.45**	0.033

**deemed significance at the 0.05 level

We conducted MANOVA to demonstrate the interaction effect between the variance of the brand image and the COM and to test the hypotheses. The results indicated that each of the five dimensions of the BLI had a significant two-way interaction between the brand image and the COM, reflecting considerable differences in the perception regarding discounts on luxury brands between the variances of high and low brand image after M&A for the COM. Since an interaction effect emerged for the five dimensions of the BLI, it is necessary to closely examine the differences regarding these dimensions, therefore we conducted a simple main effect test for each COM and variance of the brand image.

A one-way MANOVA for the poor COM (China) presented a non-significant brand image effect, reflecting a non-significant brand luxury index discount for the brand image variance. The MANOVA results for the average COM (Japan) displayed a significant brand image effect, demonstrating a significant perceived conspicuousness ($F = 16.683$, $p = .000$), perceived uniqueness ($F = 14.684$, $p = .000$), perceived quality ($F = 15.551$, $p = .000$), perceived hedonism ($F = 12.446$, $p = .001$), and perceived extended-self ($F = 8.170$, $p = .005$), discounting for the high brand image variance, and when a superior image brand is acquired, it is more effective than a medium image brand. Finally, the MANOVA results for the excellent COM (Italy) revealed a significant brand image effect, reflecting a considerable perceived conspicuousness ($F = 14.435$, $p = .000$), perceived uniqueness ($F = 19.539$, $p = .000$), perceived quality ($F = 12.412$, $p = .001$), perceived hedonism ($F = 23.190$, $p = .000$), and perceived extended-self ($F = 24.803$, $p = .000$), discounting for the high brand image variance, and when a superior image brand is acquired, it is more effective than a medium image brand. The table also indicates that a better COM image results in an improved BLI after M&A. The results supported H1 to H5.

In addition, MANOVA was conducted to determine the variance of the brand image after M&A. The MANOVA results for the low brand image variance demonstrated a minor influence on the COM image. By contrast, a one-way MANOVA for the high image variance displayed a significant COM effect on perceived conspicuousness ($F = 12.366$, $p = .000$), perceived uniqueness ($F = 11.475$, $p = .000$), perceived quality ($F = 19.659$, $p = .000$), perceived hedonism ($F = 23.190$, $p = .000$), and perceived extended-self ($F = 22.121$, $p = .000$), revealing a significant and gradual BLI discount for the lower-quality COM.

TABLE 7: SIMPLE MAIN EFFECT OF COM IMAGE

COM	BLI	Low brand image variance mean(S.D.)	High brand image variance mean(S.D.)	F value(P)
China	perceived conspicuousness	3.74(1.318)	3.67(1.783)	0.045(0.832)
	perceived uniqueness	3.57(1.291)	3.45(1.724)	0.108(0.744)
	perceived quality	3.55(1.371)	3.25(1.915)	0.661(0.419)
	perceived hedonic	4.03(1.307)	3.47(1.866)	2.330(0.131)
	perceived extended self	3.80(1.373)	3.34(1.873)	1.590(0.211)
Japan	perceived conspicuousness	3.71(1.023)	4.55(0.822)	16.983(0.000)***
	perceived uniqueness	3.60(1.000)	4.37(0.842)	14.683(0.000)***
	perceived quality	3.61(1.023)	4.42(0.839)	15.551(0.000)***
	perceived hedonic	3.79(1.137)	4.65(1.067)	12.446(0.001)***
	perceived extended self	3.78(1.078)	4.43(0.986)	8.170(0.005)***
Italy	perceived conspicuousness	4.13(1.194)	4.99(0.757)	14.435(0.000)***
	perceived uniqueness	3.63(1.225)	4.71(0.923)	19.519(0.000)***
	perceived quality	4.12(1.379)	5.04(0.870)	12.412(0.001)***
	perceived hedonic	4.15(1.181)	5.27(0.846)	23.190(0.000)***
	perceived extended self	4.07(1.281)	5.33(0.908)	24.803(0.000)***

**deemed significance at the 0.05 level

*** deemed significance at the 0.01 level

TABLE 8: SIMPLE MAIN EFFECT OF VARIANCE OF BRAND IMAGE

	BLI	China mean(S.D.)	Japan mean(S.D.)	Italy mean(S.D.)	F value(P)
Low brand image variance	perceived conspicuousness	3.74(1.318)	3.71(1.023)	4.13(1.194)	1.599(0.429)
	perceived uniqueness	3.57(1.291)	3.60(1.000)	3.63(1.225)	0.029(0.488)
	perceived quality	3.55(1.317)	3.61(1.023)	4.12(1.379)	2.621(0.207)
	perceived hedonic	4.03(1.307)	3.79(1.371)	4.15(1.181)	0.853(0.972)
	perceived extended self	3.80(1.373)	4.07(1.281)	3.78(1.078)	0.721(0.077)
High brand image variance	perceived conspicuousness	3.67(1.783)	4.55(0.842)	4.99(0.923)	12.366(0.000)***
	perceived uniqueness	3.45(1.724)	4.37(0.842)	4.71(0.923)	11.475(0.000)***
	perceived quality	3.25(1.915)	4.42(0.839)	5.04(0.870)	19.659(0.000)***
	perceived hedonic	3.47(1.866)	4.65(10.67)	5.27(0.846)	18.640(0.000)***
	perceived extended self	3.34(1.873)	4.43(0.986)	5.33(0.908)	22.121(0.000)***

**deemed significance at the 0.05 level

*** deemed significance at the 0.01 level

CONCLUSION AND IMPLICATIONS

The majority of the previous studies on luxury brands have focused only on luxury consumption in China (Li, Li, and Kembele, 2012), and how the brand and country of origin affect the consumers' purchasing intentions towards luxury brands (Godey et al., 2012). However, "mergers and acquisitions are a large part of the luxury industry, as companies grow and owners desire more brands for their portfolios" (Lamb, 2011). Our study is one of the few that has examined how the interaction effect of the variance of two brand images and the COM image affects luxury brands after M&A.

First, we test the relationship between the two luxury brand images with the five dimensions of the BLI. The test results indicated that an inferior image luxury brand can make considerable improvements to its BLI by acquiring a brand with a better image. In other words, companies can improve the existing image of its brand through the acquisition of a better brand. Preserving brand image consistency is crucial for luxury brands because of the brand symbolism (Park et al., 2008; Matthiesen and Phau, 2010). Each of the five dimensions was expected to vary significantly based on the variance of the two brand images after M&A, and these findings suggest that brand image has an influence on luxury brands.

The results of this study confirm that the variance with the greatest value across both brand images among the five dimensions was perceived uniqueness. "Uniqueness dimensions is based on perceptions of exclusivity and rarity that enhance the desire for a brand, and that this desirability is increased when the brand is also perceived as expensive" (Vigneron and Johnson, 2004). After acquiring a superior image luxury brand, the inferior image luxury brand can acquire the resources and technology needed to widen its scope, and make the brand more competitive, which would strengthen its position in the consumer's mind. In other words, acquiring a brand with a superior image can create an greater perception of uniqueness than acquiring one with an average image.

According to the U.S.-based World Luxury Association, 86% of Chinese consumers refuse to buy products labeled "Made in China" because of the country's reputation for cheap goods; therefore, approximately 40% of foreign companies in China have considered moving their manufacturing bases to other countries, such as Vietnam, or even to developed countries (Want China Times, October 11, 2012). The experimental results of our study also reflect this situation in Taiwan. The test results show that the COM image has a significant effect on all five BLI dimensions. The results also support the hierarchy of biases regarding the positive relationship between product evaluations and the degree of economic development (Bilkey and Nes, 1982); therefore, a more positive COM image of a luxury brand results in enhanced perceived conspicuousness, perceived uniqueness, perceived quality, perceived hedonism and perceived extended-self of the luxury brand. Among the five dimensions of the BLI, the COM image had the greatest influence on perceived quality. Luxury brands that are handmade offer excellent product quality compared with non-luxury brands (Vigneron and Johnson, 2004; Weidmann et al., 2007), which is the factor that motivates consumers to buy luxury brands (Gentry et al., 2001). Thus, it seems relatively difficult to develop a luxury brand image without embracing a long-term commitment to quality (Vigneron and Johnson, 2004).

The MANOVA results of the interaction between the two brand images and the COM image are crucial for luxury brands after M&A because both the brand image and the COM image are critical for luxury brands (Jo et al., 2003; Godey et al., 2012). The results imply that the relationship between the COM image and the BLI are interacted by the variance of two brand images, suggesting that excellent and average COM images have a greater effect on the BLI than a poor COM image with a high brand image variance, whereas the effects of high and low brand image variances do not differ for a poor COM image. Most of the luxury brands that have been made in China for a long time, such as Prada, Gucci and Coach, have outsourced 85% of the production capacity in China (https://www.nownews.com/news/20150806/1770816, available at 2017/08/02). Thus, most consumers are accustomed to the "Made in China" luxury brands, the results of the study also demonstrated that even though Coach acquired a superior luxury brand, if Coach still made its products in China, the COM image will not have any synergistic effect and consumers would not have any better perception about Coach after the M&A. Table 7 also demonstrates that if an inferior image brand acquires a medium image brand, a country with a poor manufacturing image might be a suitable location to produce the acquired brand. By contrast, if an inferior brand acquires a superior image brand, the best country to produce the acquired brand is a country with an average or excellent COM image.

Table 8 indicated that the relationship between the variance of two brand images and the BLI are interacted by the COM image, therefore the acquisition of a superior image brand has a greater effect on brand luxury with excellent COM images than medium and inferior COM images. In addition, the effects of the COM image do not differ for low brand image variance. From Table 8 we can see that when Coach acquired LV and Coach moved to Italy it can obtain a higher score in BLI than the other two countries. But if Coach manufactured in Japan and China didn't get a better score, the reason might be that Japan is more famous for consumer electronic products, such as televisions, and they are not perceived to be good at producing luxury products, so if Coach manufactured in Japan there would not be a synergistic effect. The results demonstrate that the COM image is a crucial factor that affects the consumers' perception of luxury brands. Furthermore, different COMs might have varying luxury prices, such as the price of a Burberry black label, which is made in the United Kingdom, and is more expensive than the blue label, which is made in Japan.

MANAGERIAL IMPLICATIONS

Numerous luxury brands have recently begun using the M&A strategy to increase their market share or diversify. (When a company endeavors to enter a new market or increase its market share, M&A is one of the easiest, fastest, and most valuable strategies (Lee et al., 2011). Moreover, M&A enables the acquirer to obtain all of the assets of the acquired company, including tangible and intangible assets (Lee et al., 2011). However, after M&A, customers may worry whether an acquirer with a lower brand image can maintain the acquired brand's superior image and quality, and may even wonder how the acquirer can sustain its image and quality after paying a substantial amount of money for the acquisition.

It is essential for a low-image luxury brand to understand how image variance impacts its M&A activities, and how to use the COM image to increase the consumers' perception of the acquirer. How to maintain or increase brand image is vital for luxury brands. However, given the increasing global popularity of luxury brands, certain luxury brands have resolved to cut costs and increase revenue, therefore they have adopted a short-sighted strategy, and replaced their handmade products with products with cheaper materials made by machines, even outsourcing to developing countries, although they continue to state that their luxury brands are still made in Europe (Peng, 2007). Thus, when acquiring a superior image luxury brand, the acquirer with the inferior image should purchase a brand with an average or excellent COM image to increase the consumers' perception of quality. Consumers want to buy a luxury brand because their perceptions of a limited supply of a brand lead to an increased preference for the brand (Lynn, 1991; Christodoulides et al., 2009). Therefore, the perception of greater uniqueness for a brand results in its increased valuation (Verhallen and Robben, 1994; Wiedmann et al., 2007). Previous studies have demonstrated that the design of a unique product is critical in the luxury brand industry. In addition to brand designers, crossover cooperation is a suitable method for luxury brands to produce a unique product, such as the LV monogram bag designed by Takashi Myrakami. Through crossover cooperation, a luxury brand's firm can enhance its perceived uniqueness and value, as well as attract a designer's admirers.

LIMITATIONS AND FUTURE RESEARCH

Our study examined only the influence of the variance of the brand image and the COM image on luxury brands after M&A. However, numerous factors affect luxury brand consumption, such as fashion lifestyle, past purchasing experience, brand value (Li, Li, and Kambele, 2012) or even the brand origin. Future research must examine the effect of these cues to identify the one with the greatest impact on luxury brands after M&A. Companies can employ these results to determine which cues to highlight and promote to be successful after M&A.

We measured the BLI dimensions after M&A, but did not test them prior to M&A. Future research should test the BLI before and after M&A to better evaluate the causes of the results. Such an analysis would reveal changes in the BLI that could be used to determine whether the brand image and the COM image increase or decrease the luxury brand image.

We examined only the influence on the acquirer after M&A; however, the acquired luxury brand might also deteriorate because of the M&A. Since consumers would suspect whether the inferior image acquirer can maintain the acquired image after M&A, future studies should test the influence on acquired luxury brands, and inform the acquirer which factors can cause the most damage to their brand under such circumstances.

"The rapidly growing appetite for luxury brands in the emerging economies of Asia, especially China, has helped boost the growth of the luxury market in recent years" (Li et al., 2012). The global luxury goods market has continued to rise in 2012. According to Bain & Company, global luxury sales were estimated to have reached €212 billion in 2012, up by 10% year-on-year, and luxury goods sales in China were estimated to have reached €15 billion in 2012 (Fung Business Intelligence Centre, 2013). The luxury market in China will be the largest in the world in the future; however, there is a lack of information to identify the factors that affect the consumers' intentions to purchase luxury brands in China. Future studies should survey Chinese consumers to gain a greater understanding of the Chinese consumption of luxury brands.

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APPENDIX 1

Conspicuousness	
Conspicuous	Noticeable
Popular	Elitist*
Affordable	Extremely Expensive*
For wealthy	For well-off
Uniqueness	
Fairly exclusive	Very exclusive*
Precious	Valuable
Rare	Uncommon
Unique	Unusual
Quality	
Crafted	Manufactured
Upmarket	Luxurious*
Best quality	Good quality
Sophisticated	Original
Superior	Better
Hedonism	
Exquisite	Tasteful
Attractive	Glamorous*
Stunning	Memorable
Extended self	
Leading	Influential
Very powerful	Fairly powerful
Rewarding	Pleasing
Successful	Well regarded

*reverse scored items

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