Cause-related marketing for successful cross-border post-acquisition performance

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Abstract

Purpose – Building on the scant literature on cross-border acquisitions (CBAs) in the consumer perspective, the purpose of this paper is to investigate the impact of the acquirer's cause-related marketing (CRM) on consumers' repurchase intentions of the products of the post-acquisition target. In addition, the study aims at analyzing the moderating role of acquirer's CRM on the relationship between corporate ability (CA) and country image (CI) on consumers' repurchase intentions of the products of the post-acquisition target.

Design/methodology/approach – Drawing on a sample of Italian consumers ($n = 351$), the authors examined the roles played by the acquirer's CRM on consumer behaviour by considering an Italian target firm with a high reputation and comparing eight foreign acquiring firms with different combinations of CRM (poor/good), CA (poor/good) and CI (high/low).

Findings – The authors found that CRM, CA as well as CI have a significant impact on Italian consumers' intention to repurchase the products of the post-acquisition target. Furthermore, it is shown that good CRM reduces the negative influence of a poor CA and a low CI on post-acquisition repurchase intentions and strengthen the positive influence, thus confirming the moderating role of CRM.

Originality/value – The research investigates, in the context of CBAs, the impact of the acquirer's CRM on the host country consumers' repurchase intentions after the CBA, which has not previously been examined. It can help managers to understand the conditions under which CBAs will be favourably evaluated.

Keywords Country image, MNE, Cause-related marketing, Cross-border acquisitions, Repurchase intentions

Paper type Research paper

1. Introduction

Nowadays marketers make a lot of investments each year in corporate advertising, corporate philanthropy, sponsorships, cause-related marketing (CRM) and public image studies, because they influence consumers' cognitive associations for a firm. Brown and Dacin (1997) demonstrated that corporate ability (CA) and corporate social responsibility (CSR) can have important influences on company and product evaluations (Nassivera *et al.*, 2017). In particular, the former is related to the company's expertise in producing and delivering its outputs. For example, Grom has become known for its use of natural ingredients without flavourings, colours or emulsifiers. Its flavours and colours, therefore, come only from the seasonally available raw materials which, in turn, are produced by its suppliers without the use of additives. CSR reflects the organization's status and activities with respect to its perceived societal obligations; within the domain of CSR, the current study focusses on CRM, which plays a very important role since it is particularly relevant to customers (Demetriou *et al.*, 2010).

Because our focus in this research is on consumers' willingness to repurchase the products of the acquired brand after the acquisition, we consider CRM campaigns that are a specific case of CSR activity involving the purchase of a firm's products. We select this construct instead of CSR because we consider it more effective in relation to our research aim.

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Accordingly, multinational enterprises (MNEs) use CRM in order to strengthen their reputation and enter new markets, often through cross-border acquisitions (CBAs).

Despite the numerous studies on the factors that influence the success of CBAs (Bandick, 2011), estimated failure rates are high, driving the research on this topic to explore new issues, theories and fields of analysis (Weber *et al.*, 2012). In this regard, consumer attitudes and intentions may be a contributing factor to the explanation of CBAs failure (Heinberg *et al.*, 2016; McLelland *et al.*, 2014; Thorbjørnsen and Dahlén, 2011). This variable could shed more light on the prospects of a CBA (Heinberg *et al.*, 2016), because it represents a critical factor affecting its success (Fong *et al.*, 2013). CBAs increase consumers' uncertainty regarding the acquiring firm's ability to maintain product attributes, intangible assets, consumer benefits, and even brand personality (Lee *et al.*, 2011), especially if the acquiring firm has a poor CSR (Eteokleous *et al.*, 2016).

Homburg and Bucerius (2005, p. 107) demonstrate that "market-related performance (e.g. customer loyalty, market share) is a much more important driver of financial performance after the merger or acquisition than are cost savings".

Extant studies on consumers' perceptions of a CBA can be grouped into research streams that investigate the relationships between consumer ethnocentric tendencies, brand image fit and post-CBA brand attitudes (Lee *et al.*, 2011; Shi *et al.*, 2017; Quaratino and Mazzei, 2018); country of origin (COO) and post-CBA brand attitudes (Chung *et al.*, 2014; Heinberg *et al.*, 2016; Fang and Wang, 2018), and consumers' brand ownership (Chang *et al.*, 2015); consumer animosity and consumer attitude towards a product launched by a foreign firm's subsidiary established through a CBA (Fong *et al.*, 2015); and the acquirer's corporate reputation and post-CBA consumers' repurchase intentions (Fong *et al.*, 2013; Matarazzo *et al.*, 2017, 2018). These streams help to identify the main scientific gaps to be bridged by our study, as follows.

First, despite the growing interest in consumers' reactions to CBAs, there are no studies that focus on the role played by the acquirer's CRM in relation to post-CBA consumers' repurchase intention. Prior research investigated the more general construct of corporate reputation (Fong *et al.*, 2013; Matarazzo *et al.*, 2017, 2018) while we are interested in the specific role played by CRM in CBAs. Assuming that nowadays companies are putting a lot of effort into a wide variety of CRM activities, both in the social and environmental field (Bresciani *et al.*, 2016), in our opinion understanding their implications in the field of CBAs is of paramount importance.

Second, we investigate the effects of the acquirer's CRM initiatives on post-CBA repurchase intentions. In line with the study of Matarazzo *et al.* (2018), we consider repurchase intentions as a measure of post-CBA loyalty, a more complex construct than simple customer loyalty. In the context of mergers and acquisitions (M&As) and as a consequence of the change in ownership, customer loyalty refers to the belief that the acquiring firm will be able to maintain the high standard of the offering, or to the presence of a positive association in the consumer's mind between the relevant competencies of the previous firm and those of the new firm after the acquisition. The core of our research and principal contribution is analyzing the effects of the acquirer's CRM on the post-CBA repurchase intentions of the host country's consumers.

Third, we analyze for the first time the interaction between the acquirer's CRM and CA and country image (CI). Drawing from Brown and Dacin (1997), in addition to CRM, we consider the other sub-construct of corporate reputation that is CA. Some scholars (Torres *et al.*, 2012) showed that CRM, focussing on community involvement, contribution to charities, environmental protection and other causes, creates visibility that is amplified through mass media in the international context. CRM builds credibility, strengthens firms' reputation and customer loyalty, and, consequently, may positively influence the impact of a firm's CA on consumer purchase intentions. Varadarajan and Menon (1988) argue that CRM is a versatile tool for many marketing objectives, from enhancing corporate visibility and image to stimulating sales and loyalty. Furthermore, it increases consumers' utility for other products offered by a firm (Krishna and Rajan, 2009).

Unlike the position for domestic acquisitions, in CBAs it is not only firm factors such as the acquirer's reputation or brand but also country factors like CI that play a vital role in influencing consumers' willingness to buy the products of the target firm after the CBA.

Considering the issue from the open-systems theory perspective, Lopez *et al.* (2011) argue that a firm is linked to its environment and that changes in this may influence the firm and vice versa. Consequently, corporate image is not only affected by but can also affect CI. Furthermore, firms' CRM efforts have been proved to be beneficial to consumers' response.

In the light of the above, we are interested in investigating the contrast effect of a poor acquirer CA and low acquirer CI, in order to understand whether a good acquirer CRM may reduce or even delete their negative effect on consumer post-acquisition repurchase intentions.

Filling these gaps is important. Understanding the acquirer CRM effect on post-acquisition consumers' loyalty is of paramount importance for firms that want to avoid losing market share and consequently their profitability after having acquired another firm. Understanding the factors that can affect post-CBA perceptions helps managers to estimate the overall costs and benefits of a CBA. Furthermore, the research is unclear as to whether CRM positively influences post-CBA repurchase intention, even in the case of a poor acquirer's CA, and it can also have a moderating effect by balancing the negative effect of the poor CI.

This research contributes to the CBA literature in three ways. We first contribute to the limited literature on post-acquisition consumer reactions that have been neglected by extant research. Second, we contribute to CSR research by investigating, for the first time, the role of the acquirer's CRM in the context of CBAs. Specifically, the paper shows that a good acquirer CRM, a good acquirer CA and a favourable image of the acquirer's COO positively affect consumers' repurchase intentions after the CBA. Third, the paper is the first in the literature to show a significant moderating role of CRM in the case where the acquirer has a poor CA and a low CI, thereby confirming that CRM is the most important factor to be considered for firms engaging in CBAs. Also, from a managerial viewpoint this research could be of value and interest for foreign MNEs that decide to enter a foreign market through a CBA.

The paper is structured as follows. First, it presents a literature review on two firm-level factors (acquirer's CRM and acquirer's CA) and one country-level factor (acquirer's CI) impacting on host country consumers' post-CBA repurchase intentions and develops a model consisting of several hypotheses. Specifically, our purpose is to understand whether a difference in the level of CRM (good/poor) affects consumers' reactions; an acquirer's CRM may moderate the relationship between CA and consumers' repurchase intentions; and an acquirer's CRM may moderate the relationship between CI and consumers' repurchase intentions. Then, the study describes the empirical analysis and the results. Finally, the last two sections discuss the authors' findings, managerial implications and future research areas.

2. Theoretical background

2.1 Impact of acquirer's CRM activities and CA on consumer repurchase intentions

In the twenty-first century consumers tend to give great importance to the environment and the needs of local communities affected by firms' operations. Consequently, firms need to consolidate their CRM in order to strengthen their intangible assets such as reputation as differentiating elements in the competitive markets in which they operate.

In line with Brown and Dacin's (1997) study on corporate associations, another relevant firm factor is that CA related to the company's expertise in producing and delivering its outputs can have important influences on company and product evaluations.

Falkenreck and Wagner (2010), drawing on the literature on brand extension, develop a theoretical framework on reputation transfer. This concept implies the transfer of the values and identity of a firm to its new products and/or services and the related brands launched on the market. For an MNE, acquiring a firm is a way to add new products and brands to its previous brand/product portfolio. In a B2B context, Helm and Salminen (2010) show that a supplier starting out with no reputation or a poor reputation would be most likely to gain from being affiliated with a reference customer who has a good reputation.

Balmer and Gray (1999, p. 257) argue that "companies with high visibility and strong reputations, such as Sony and JVC, have competitive advantage in such fluid markets because their respected names add value to their products by reducing uncertainty in the minds of their customers, retailers and distributors". According to information integration theory (Anderson, 1981), a CBA exposes consumers to new informational stimuli because of the change in ownership, leading to uncertainty in their minds. For this reason, acquiring a firm is like launching a new product/brand on the market, since consumers will re-evaluate the products of the target firm in the light of the new owner. Building on previous studies (Brown and Dacin, 1997; Sen and Bhattacharya, 2001) showing that consumers are more favourable towards new products from firms that are perceived to be socially responsible and evaluate those companies more positively, we believe that a good acquirer's CRM may induce the consumers to repurchase the products of the post-acquisition target. Furthermore, some scholars (Arora and Henderson, 2007; Andrews *et al.*, 2014) show that CRM results in incremental utility for consumers and increases product attitude and purchase likelihood. Elfenbein and McManus (2010) demonstrate that consumers pay higher prices for auction products that generate charitable donations; Gupta and Pirsch (2006) highlight that company–cause fit has a positive effect on attitude towards the company–cause alliance and on purchase intent. Koschate-Fischer *et al.* (2012) demonstrate a positive (yet concave/decreasing) relationship between donation amount and willingness to pay for the product in CRM; Van Den Brink *et al.* (2006) show that consumers have improved brand loyalty as a result of CRM when the firm has a long-term commitment to the campaign and the campaign relates to a low-involvement product.

Drawing from Matarazzo *et al.* (2018), we assume that if the consumers had a pre-existing loyalty to the target firm due to its good reputation, the transfer of the acquirer's good reputation may induce them to repurchase the products of the post-acquisition target.

Building on the several case histories illustrating the use of CRM in facilitating market entry, we assume that when an MNE enters a new market by acquiring a firm it can rely on CRM by earmarking a portion of the marketing budget to a cause on behalf of those customers who engage in revenue-producing transactions, in order to reduce their uncertainty due to the acquisition and stimulate a positive perception of the general acquirer's reputation.

In line with these studies we can argue that, by contrast, pre-existing customer loyalty to the target firm may be compromised by an acquirer's poor CRM.

Therefore:

H1. In a CBA, the acquirer's CRM will positively influence consumers' post-acquisition repurchase intentions (C-REP).

Drawing on Brown and Dacin (1997), we further assume that, in the context of CBAs, the acquirer may transfer its good reputation not only through its CRM but also through its CA to the target firm's products/services and related brands in order to have a positive influence on the host country consumers' behaviour and pursue long-term success.

For an MNE, acquiring a firm is a way to rapidly add new products and brands to its previous brand/product portfolio. Basically, it relies on its high visibility and respected name due to its innovativeness, manufacturing competences and qualified human resources to extend its strong competitive advantage to the new firm acquired (Dezi *et al.*, 2018). In many cases, although the acquired firms, especially if they are SMEs, contain manufacturing and purchasing departments, they do not possess research or marketing structures.

Signalling theory (Wernerfelt, 1984, 1988; Swaminathan *et al.*, 2008) proposes that information asymmetry concerning latent and unobservable quality, between, for example, a firm (sender) and its customers (receivers) (Akerlof, 1970) can be reduced by signals. A brand, for example, may be seen as a signal for alleviating consumer uncertainty concerning the quality of a product in a pre-purchase situation (Dawar and Parker, 1994; Erdem *et al.*, 2006).

Consumers may view an acquisition of a local brand favourably, since the international acquirer positive reputation (signal) acts as collateral for the quality promises of the acquired local brand (Heinberg *et al.*, 2016). This is possible, since good reputation of the acquirer would transfer to the established signal by increasing its value. The spillover would, therefore, improve a consumer's quality expectations regarding the target firm and its products.

Consumers may use the acquirer's CA associations as the basis for inferences about missing post-acquisition product attributes of the target firm (Brown and Dacin, 1997).

The source of the signal's credibility is the acquirer's ability to live up to consumer's expectations referred to expertise in producing and delivering its outputs. It contains sunk costs for the acquirer (sender), "which cannot be recovered if the sender defaults on the signal's promise" (Heinberg *et al.*, 2016, p. 589).

The foreign acquisition may then lead to spillover effects and raise, for example, the image of the target (Lee *et al.*, 2011) and, as a consequence, consumer intentions to buy its products.

Therefore:

H2. In a CBA, the acquirer's CA will be positively related to consumers' post-acquisition repurchase intentions (C-REP).

Furthermore, regardless of the firm's CA, any associations of a firm with a social or environmental cause capable of evoking positive attitudes should have a positive effect on consumers' intentions to repurchase the target firm's products. Some scholars (Torres *et al.*, 2012) showed that CRM, focussing on community involvement, contribution to charities, environmental protection and other causes, creates visibility that is amplified through mass media in the international context. CRM builds credibility, strengthens firms' reputation and customer loyalty, and, consequently, may positively influence the impact of a firm's CA on consumer purchase intentions. Varadarajan and Menon (1988) argue that CRM is a versatile tool for many marketing objectives, from enhancing corporate visibility and image to stimulating sales and loyalty. Furthermore, it increases consumers' utility for other products offered by a firm (Krishna and Rajan, 2009).

In the context of CBAs, the theory of psychological reactance (Brehm, 1966; Thorbjørnsen and Dahlén, 2011) assumes that an acquired brand is not appreciated by consumers, since consumers might interpret the acquisition as a threat to their freedom of choice and thus attempt to restore their freedom by devaluating the appeal of the forced alternative in their mind. In the light of the above, acquiring a firm may have the same effect of a negative publicity that can be thwarted by CRM.

Indeed, while a firm's innovativeness, manufacturing and technology capability can accommodate better products in relation to consumer preferences and improve productivity, CRM can enhance customer brand metrics such as brand awareness, brand image, brand credibility and brand engagement (Keller, 2003), which is of paramount importance for consumers' post-acquisition choices. As a consequence, a good CRM activity may strengthen the positive effect of the acquirer's CA on consumers' post-acquisition repurchase intentions, and reduce or even delete the negative one.

Therefore:

H3. In a CBA, the interaction between the acquirer's CA and consumers' post-acquisition repurchase intentions (C-REP) is moderated by CRM.

2.2 Acquirer CRM and country image

The image of a country is a key macro-level variable that influences consumers' attitudes and purchase intentions towards the products of firms from that country (Kang and Yang, 2010; Papadopoulos and Heslop, 1993; Parameswaran and Pisharodi, 1994). Thus, CI influences consumers' decisions and could have a positive impact on consumers' purchase intentions. Some scholars relate the concept of CI to product image, conceptualizing CI as consumers' perceptions of products that originate from the country (Papadopoulos and Heslop, 2002). Others, meanwhile, have coined the phrase product–CI (Papadopoulos and Heslop, 1993), viewing CI as "a consumer's perceptions about the quality of products made in a particular country and the nature of people from that country" (Knight and Calantone, 2000, p. 127).

The COO construct can be decomposed into two components, namely, macro and micro CI (Oberecker and Diamantopoulos, 2011; Pappu and Quester, 2010; Pappu *et al.*, 2007). Macro CI refers to "a country's overall economic, social, technological, and political situation", whereas micro country image refers to "the total beliefs one has about the products of a given country" (Pappu *et al.*, 2007, p. 727). The substantial impact of CI on consumer brand perception is well documented in the literature (Pappu *et al.*, 2007). Chung *et al.* (2014) shows that CBAs induce changes in the country–brand association and infers that when a CBA occurs, not only the image of the home country but also the image of the acquirer's country can influence consumer brand perception. A high CI could lessen the uncertainty arising from a CBA and increase the likelihood of a consumer trusting in the foreign firm and purchasing its products. When a firm decides to enter a new market through a CBA, consumers in that market have no experience of that firm. Acquiring a firm is like launching a new product/brand on the market, since consumers will re-evaluate the products of the target firm in the light of the new owner. For this reason, it is likely that consumers will use the acquirer's CI to evaluate the firm and gather information about its behaviour, history, values, prestige and trustworthiness in the international markets. Thus, CI is fundamental to convincing consumers in the local market to trust the new firm (Michaelis *et al.*, 2008) and we argue that the acquirer's CI influences the consumers' repurchase intentions towards the products of the post-acquisition target.

Therefore:

H4. In a CBA, the acquirer's CI is positively related to consumers' post-acquisition repurchase intentions (C-REP).

Considering the issue from the open-systems theory perspective, Lopez *et al.* (2011) argue that a firm is linked to its environment and that changes in this may influence the firm and vice versa. Many studies within corporate branding and place branding have highlighted the influence that corporate image can exert on CI (e.g. Dinnie, 2008).

Drawing on acquisition studies at the brand level, we are interested in consumers' reactions to an acquirer with a negative CI. When the acquirer's CI is high, we expect consumers to be more likely to repurchase the products of the target firm. Conversely, if the acquirer's CI is low, this might hurt the pre-existing consumer attitudes towards the acquired company, because consumers would doubt that the quality or service of that firm would be the same as it was before.

According to balance theory (Heider, 1958), consumers will experience tension induced by the imbalanced state between the negative perception of the acquirer's CI and their pre-existing loyalty towards the target firm. In our study, we consider a triadic relationship involving post-acquisition consumers' intentions towards: an acquirer's country, an acquirer's CRM and acquired reputation. This triadic relationship is imbalanced when, for example, the acquirer's CRM and acquired reputation are good while the acquirer's CI is low. After a CBA, consumers will experience tension induced by the imbalanced state between the positive perception of the acquired reputation and the negative perception of the acquirer's CI. In the literature, a positive relationship between CRM and consumer purchase intentions is well documented.

When the acquirer's CI is negative, customers may be offended by the acquisition of the brand to which they are loyal, manifesting itself in their unwillingness to buy the products of the acquired brand. Such reactions may evolve into a call for a boycott of the firm's products. In such situations, CRM can be used as part of a larger programme to appease the offended public or specific customer groups.

Thus, in line with the above, we argue that consumers' negative perception of the low acquirer's CI will change according to the good acquirer's CRM and, as a consequence, his/her pre-existing intentions towards the acquired firm remain unchanged.

Therefore:

H5. In a CBA, the influence of the acquirer's CI on consumer post-acquisition repurchase intentions (C-REP) will be moderated by the acquirer's CRM.

Figure 1 summarizes the conceptual model of this study. CRM refers to the acquirer's commitment in activities of customer engagement in community support, philanthropy (corporate giving) and environmental causes. It is the independent variable of the model and at the same time the moderator variable of two relationships: between the acquirer's CI and the consumer post-acquisition repurchase intention (C-REP); and between the acquirer's CA and the consumer post-acquisition repurchase intention. CI and CA are the other two independent variables of the model, while C-REP is the independent variable.

Furthermore, country familiarity and country typicality are the control variables in the model, to ensure that consumers' reactions towards the post-acquisition target depend mainly on the effect of the main factors (the acquirer's CR and CI) rather than on other variables. Familiarity is considered because an increase in customers' knowledge about a product facilitates the decision-making process and increases purchase intentions (Chiou *et al.*, 2002). This is because consumers may be comfortable with their level of knowledge of those particular markets. Laroche *et al.* (1996) argue that a consumer's attitude towards a specific brand will be positively affected by his/her familiarity with the brand. In a similar way, a consumer's intention to repurchase the products of the post-acquisition target could

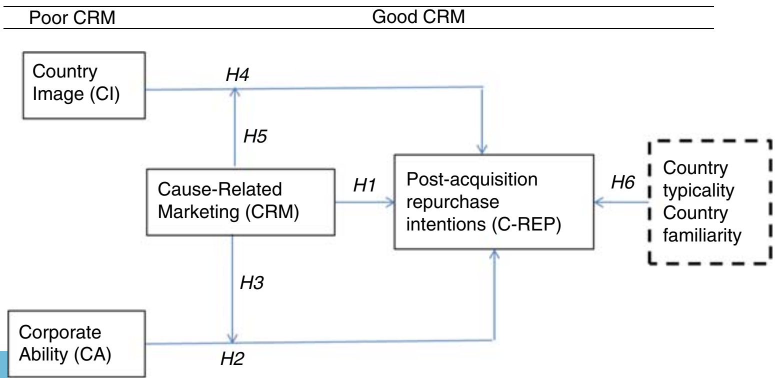

Figure 1.
Conceptual model

be positively affected by his/her familiarity with the country of the acquirer. As regards typicality, consumers consider more favourably products that are representative of a certain country (Tseng and Balabanis, 2011). Thus, a consumer's intention to repurchase the product of the post-acquisition target could be positively affected by his/her perception of the acquirer's country as the typical producer of the product.

3. Empirical study

An experimental field study on a sample of Italian consumers was performed in order to empirically test the aforementioned hypotheses. The participants were randomly assigned to one of eight CBA scenarios and provided with questionnaires that included information about a fictitious CBA in which one of eight different firms acquires an Italian firm with a strong corporate reputation. Fictitious firms were created to prevent any bias due to existing perceptions of a known firm and brand (Fong *et al.*, 2013; Lafferty, 2007). We explained to the participants that the target firm has been operating in the confectionery sector for about 70 years with a brand (ITA) that is very popular in Italy as well as its products (which are entirely made and packaged in Italy). Scenarios 1 and 2 present the acquirer as a Chinese firm (low CI) with a good vs poor CRM and CA (both CRM and CA are good or poor); Scenarios 3 and 4 do the same for a French firm (high CI); Scenarios 5 and 6 present a Chinese firm with a good CRM but a poor CA vs a poor CRM but a good CA; and Scenarios 7 and 8 do the same for a French firm.

3.1 Pretest

A first pretest (Pretest A, 60 Italian consumers) was conducted to select a suitable product for hypothesis testing (Fong *et al.*, 2013). The majority of the respondents answered that CBAs in the food sector may alter their purchase decisions and, as a consequence, confectionery products were selected as a focal product category of "made in Italy".

A second pretest (Pretest B) involving another group (30 Italian consumers) was conducted to evaluate the overall CI of the selected countries. Building on a previous study conducted by Håkanson and Ambos (2010), seven countries were selected, namely, Belgium, France, Spain, China, India, South Korea and the USA. We measured CI using six items and a seven-point scale for each ($\alpha = 0.77$) applied to each country: high–low level of industrialization, high–low standard of living, existence–absence of a good welfare system, democratic–dictatorial system, highly–poorly developed economy and high–low level of technological research.

The Italian respondents perceived China to have the lowest CI, and France to have the highest CI (means, respectively, of 3.23 and 4.61; $p < 0.001$). We therefore selected China and France as countries for this study.

3.2 Study design

The study considers a dependent variable (consumers' repurchase intention), three factors (CRM, CA and CI) and two control variables (country familiarity and country typicality).

There were 351 respondents for the main study, which was conducted in Italy using a 2 (good/poor CRM) × 2 (good/poor CA) × 2 (high/low CI) between-subjects factorial design.

In total, 20 students from Italian universities were asked to recommend up to non-student Italian adults who were randomly exposed to one of eight types of acquirer: a Chinese firm (negative CI) with a high/low level of commitment in CRM initiatives implemented in the target country (Italy) after the acquisition and a high/low CA; and a French firm (positive CI) with the same combinations of CRM and CA. Table I shows the sample characteristics of this study. The questionnaires were created using Google Forms, sent to and answered by participants via e-mail, or shared via social media. The eight questionnaires were prepared with the different manipulations, one for each acquiring firm.

Item	Description	Percentage
Gender	Male	52
	Female	48
Age	Up to 24	46
	25–34	35
	35	18
	45 and beyond	1
Job	Fulltime	39
	Part-time	24
	No job	37
Education	High school	36
	Bachelor's degree	49
	Master's degree/PhD	15

Table I.
Sample characteristics

In the first section, respondents were exposed to a cover story describing the CBA of a local firm by a foreign one. The Italian target firm (ITA) was presented as a very famous firm in Italy, with popular products, and thus it was characterized by a good reputation. The cover story was that ITA has been operating in the food industry for about 70 years and manufactures a large variety of confectionery products that are completely made and packaged in Italy. We made the following assumptions (Fong *et al.*, 2013): the foreign firm acquires all the shares of the local firm; the corporate name of the acquired target remains unchanged; the foreign acquirer appoints a new chief executive officer and key positions in the firm; and participants are asked to assume that they are regular and habitual customers of the local firm. We assume that the name remains unchanged so that the local heritage of the acquired brand remains recognizable for the consumer (Heinberg *et al.*, 2016).

Participants were randomly exposed to one of eight types of acquirer's corporate reputation: four Chinese (low CI) firms and four French (strong CI) firms.

We exposed respondents to corporate reputation stimulus by presenting different combinations of firm's CA and CRM. In addition to the information about the acquiring and acquired firms, the first section contained the manipulation for the acquirer's CRM and CA. Consistent with Brown and Dacin (1997), we manipulated CRM and CA to give two levels, poor and good, varying the number of stars level (ratings from 1 to 5 stars, Table II). In particular, we assumed that five stars were associated to high commitment in CRM initiatives implemented in Italy after the acquisition (good CRM) and high level of technological innovation, manufacturing ability, and employee expertise and training (good CA). In one scenario, for example, we supposed that the acquirer is a Chinese multinational operating in the food sector with the brand "CHI" that is associated to low investments in technological innovation, manufacturing ability, and employee expertise and training (poor CA, 1 or 2 stars). Nevertheless, after the acquisition,

Poor CRM	Good CRM
Corporate giving (donations made by firms to non-profit associations): *	Corporate giving (donations made by firms to non-profit associations): ****
Environmental orientation: *	Environmental orientation: *****
Community involvement of the firm: *	Community involvement of the firm: *****
Poor CA	Good CA
Technological innovation: *	Technological innovation: *****
Manufacturing ability: *	Manufacturing ability: *****
Employee expertise and training: *	Employee expertise and training: ****

Notes: The larger the number of stars, the better firm's CRM and CA; * = poor, ***** = good
Source: Our elaboration on Brown and Dacin (1997)

Table II.
Dimensions to measure acquirer's CRM and CA

it implements in the target country (Italy) several CRM initiatives showing its high commitment in protecting the environment, giving to worthy causes, and being involved in local Italian community (good CRM, 5 stars). In a second scenario the acquirer, a French multinational, operates in the food sector with the brand "FRA" that stands for technological innovation, manufacturing ability, employee expertise and training (high CA, 5 stars). Nevertheless, after the acquisition, it does not implement in the target country (Italy) CRM initiatives showing poor commitment in protecting the environment, giving to worthy causes, and being involved in local Italian community (poor CRM, 1 or 2 stars).

To avoid priming effects, respondents were first asked to state their repurchase intentions (nine-point agree/disagree scale based on Heitmann *et al.*, 2007; $\alpha = 0.88$) for the stimulus they were exposed to.

They were then exposed to three manipulation checks for the acquirer's CRM, CA and CI.

Finally, respondents were exposed to questions regarding country familiarity, measured using a single-item scale, ranging from 1 = not at all familiar to 7 = very familiar (Kristensen *et al.*, 2014), and country typicality, measured with a single-item scale ranging from 1 = not at all typical to 7 = very typical (Tseng and Balabanis, 2011) for each country considered in the study. An overview of the model constructs and associated measurement items can be found in Table AI.

4. Results

4.1 Manipulation checks

The independent *t*-test ensured that the manipulation checks for acquirer's CRM, acquirer's CA and acquirer's CI were successful. The difference in the mean for poor CRM and good CRM for the acquirer was significant ($t = 2.942$, $p < 0.000$), on a seven-point scale (poor CRM = 0.124, good CRM = 0.000, normalized coefficients).

Finally, the difference in the means for poor and good CA ($t = 3.241$, $p < 0.0001$) and for low and high CI ($t = 2.992$, $p < 0.0001$) was significant. The Italian respondents considered China to have a low CI and France to have a high CI on a seven-point scale.

4.2 Tests of hypotheses

We ran a 2×2×2 ANOVA to test the hypotheses. In line with the study's goals, our model considered consumer repurchase intention as the dependent variable, the acquirer's CRM, acquirer's CA and acquirer's CI as the factors, and country familiarity and country typicality as the control variables. The correlation matrix for the manipulation check variables and the other variables of the study is reported in Table III.

As expected, a good CRM for the acquirer exerts a positive effect on consumers' intentions to repurchase the products of the post-acquisition target ($F = 3.077$, $p < 0.0080$). On average, consumers' repurchase intentions tend to be significantly stronger (thereby supporting *H1*) when the acquirer's CRM is better (poor = 3.94, good = 5.22). Similarly, the

	C-ATT	MC1_CRM	MC6_CA	CI	MC5_CI	C-FAM	C-TYP	C-REP
C-ATT	*1*	−0.256	−0.143	0.329	−0.249	0.287	0.233	0.806
MC1_CRM	−0.256	*1*	0.652	−0.065	0.423	−0.021	−0.167	−0.215
MC6_CA	−0.143	0.652	*1*	−0.003	0.467	−0.044	−0.168	−0.148
CI	0.329	−0.065	−0.003	*1*	0.109	0.574	0.622	0.317
MC5_CI	−0.249	0.423	0.467	0.109	*1*	−0.024	−0.064	−0.228
C-FAM	0.287	−0.021	−0.044	0.574	−0.024	*1*	0.683	0.311
C-TYP	0.233	−0.167	−0.168	0.622	−0.064	0.683	*1*	0.276
C-REP	0.806	−0.215	−0.148	0.317	−0.228	0.311	0.276	*1*

Table III.
Correlation matrix

results showed a significant main effect of the acquirer's CA on consumers' willingness to buy the product of the post-acquisition target ($F = 2.292$, $p = 0.0200$); on average, consumers' post-acquisition repurchase intentions tend to be significantly stronger (thereby supporting *H2*) when the CA of the acquirer is better (low CA = 4.83, high CA = 5.11). Finally, as hypothesized (*H3*), CI significantly impacts on consumers' post-acquisition repurchase intentions ($F = 3.851$, $p = 0.007$); on average, the willingness to buy products of the post-acquisition target tends to be stronger when CI is high (low CI = 4.97, high CI = 5.24).

Furthermore, the findings confirmed a significant interaction between the acquirer's CRM and CA ($F = 5.245$, $p = 0.0001$) and between the acquirer's CRM and CI ($F = 4.226$, $p = 0.0420$). Specifically, when the firm has a poor CRM, CA negatively influences post-acquisition repurchase intentions, while this relationship is reversed in the case of a good CRM, thereby supporting *H3*.

In summary, the findings confirm that the better the acquirer's CRM, the more probable it is that consumers will buy the products of the post-acquisition target; similarly, the better the image of the acquirer's country, the stronger the consumers' repurchase intentions. Furthermore, there is an additional, although less significant, interaction: a good CRM reduces the impact of CI on consumers' intentions to repurchase the products of the post-acquisition target, thereby partially supporting *H5*. The results also show that a high image of the acquirer's country may compensate for a poor CRM of the acquirer, because when there is a poor CRM the acquirer's CI positively influences the consumers' repurchase intentions. As a consequence, the image of the country plays a significant role if the acquirer has a poor CRM.

With regard to the control variables, there was no significant impact of country typicality on consumers' repurchase intention ($p > 0.05$; see Table IV). By contrast, country familiarity increases the probability that consumers will repurchase products of the post-acquisition target ($F = 3.932$, $p = 0.0061$; Table IV).

5. Discussion and conclusion

The current study adds to the limited body of knowledge on the effects of CRM on consumers' reactions in the context of CBAs. Generally, an MNE chooses a CBA to enter a new foreign market very quickly by acquiring the total market share of the target firm. As a consequence, a positive response of consumers to the CBA event is crucial in order to guarantee the success of the international expansion strategy.

Source	Sum of squares	df	Mean square	*F*	*p*-value
Model	146.002	9	146.002	95.765	< 0.0001
CRM	0.118	1	0.118	3.077	0.0080
CA	1.970	1	1.970	2.292	0.0200
CI	4.957	1	4.957	3.851	0.0072
C-FAM	5.385	1	5.385	3.932	0.0061
C-TYP	2.461	1	2.461	1.614	0.2050
CA×CRM	6.901	1	6.901	4.941	< 0.0001
CI×CRM	5.137	1	5.137	4.226	0.0420
CA–CRM	0.9262	1	0.7260	5.245	< 0.0001
Error	524.459	342			
Corrected total	1,546.474	351			

Notes: CRM, cause-related marketing; CA, corporate ability; CI, country image; C_FAM, country familiarity; C_TYP, country typicality

Table IV. ANOVA results as post-acquisition repurchase intentions as dependent variable

The present study collected data from Italy, as the host country market, in order to analyze the main effect of the acquirer's CRM on consumers' repurchase intentions. Furthermore, our study was the first to demonstrate, in the context of CBAs, the interactions between the acquirer CRM and acquirer CA and acquirer CI. The paper compares consumer responses towards eight acquiring firms with different combinations of CRM, CA and CI, four from China and four from France. One crucial issue investigated by our research is the moderating role of acquirer CRM. Indeed, we want to understand whether a good acquirer CRM can compensate for a poor acquirer CA, or a low CI, by improving the relationship between each of these two factors and consumer repurchase intentions, even reversing it from negative to positive.

Acquisitions can create a great deal of uncertainty for stakeholders such as consumers. Their willingness to act in a manner consistent with past behaviour may be jeopardized by an acquisition, and the nature of the relationship of the firm with its key stakeholders may undergo a transition during which the stakeholders assess whether the post-acquisition firm's behaviour is consistent with its past actions. This uncertainty increases when the relative standings of the target and acquirer are different, as the result of the acquisition is likely to be cognitive dissonance in the minds of the key stakeholders. In line with previous research (Varadarajan and Menon, 1988; Gupta and Pirsch, 2006; Van Den Brink *et al.*, 2006; Arora and Henderson, 2007; Krishna and Rajan, 2009; Elfenbein and McManus, 2010; Torres *et al.*, 2012; Andrews *et al.*, 2014; Koschate-Fischer *et al.*, 2016), our results confirm that CRM is a strategic tool that has become a necessity for all MNEs, especially those engaging in M&A strategies. These firms that expand abroad through M&A should create certain standards of CRM policies in order to eliminate consumer uncertainties due to fears of corporate expropriation by entrant firms. Customers tend to become more loyal and satisfied if a company is engaged in CRM activities because they maintain their credibility and positive image basically in the minds of the general public and more specifically in those of host consumers.

Our respondents exhibit stronger intentions to repurchase the products of the post-CBA target when the acquirer's CRM is good, regardless of whether the acquiring firm is French or Chinese. In addition, when the acquirer has a poor CRM, CA negatively influences post-acquisition repurchase intentions, while this relationship is reversed in the case of a good CRM. Conversely, our results show a less significant interaction with CI, with a good CRM reducing the impact of a negative CI on consumers' intentions to repurchase the products of the post-acquisition target.

The paper contributes to this literature by considering the specific construct of CRM, which is more appropriate to acquisitions of firms than the more general construct of CSR that is largely investigated in literature.

Although CRM, particularly in corporate and brand image research, has become important within marketing discipline, we found no empirical evidence in the literature on the relationship between CRM and consumer responses in the context of CBAs.

This study for the first time considers the impact of the acquirer's CRM on the underexamined aspect of post-CBA customer loyalty. Our results show that pre-existing customer loyalty remains unchanged and it cannot be compromised by a poor acquirer's CA and a low CI when the acquirer's CRM is good. More specifically, our study contributes to international marketing literature by validating the relationship between a firm's CRM activities and consumer product responses, and extending it into an area of relevance to international marketing, that is, host consumer reactions to CBAs. As a consequence, within the international marketing literature, our results contribute to the literature on consumer behaviour, international branding, global corporate image and CI. In contrast to Brown and Dacin (1997), who found that a reputation based on a firm's abilities may have a greater impact on both specific product attribute perceptions and the overall corporate evaluation than a reputation for social responsibility, we found that a firm's abilities are less important than an acquirer's CRM, in the context of CBAs. Indeed, our results show that pre-existing customer loyalty remains unchanged and it cannot be compromised by a poor acquirer's CA and a low CI when the acquirer's CRM is good. According to signalling theory (Wernerfelt, 1984, 1988; Swaminathan *et al.*, 2008), our results confirm that consumers tend to view an acquisition of a local brand more favourably if the acquirer's firm abilities are high.

In this way they may compensate for what they do not know and cannot evaluate about the new acquiring firm, which, in turn, can affect how consumers evaluate products from the target firm post-acquisition. Nevertheless, the results further indicate that when there is a discrepancy between the evaluative implications of the acquirer's abilities and the acquirer's CRM (e.g. poor CA and good CRM), a contrast effect can occur, which causes the evaluation of the product to be higher when the acquisition is from a firm with a good CRM despite it having poor ability associations.

In line with previous studies that have demonstrated that CI is a key macro-level variable in influencing consumers' attitudes and purchase intentions in relation to the products of firms from that country (Kang and Yang, 2010; Papadopoulos and Heslop, 1993; Parameswaran and Pisharodi, 1994), we found that COO is an important determinant of post-acquisition consumer repurchase intentions.

In addition, in the context of CBAs, when the acquiring firm has a poor CRM, a high image of the acquirer's country may compensate for a poor CRM of the acquirer, because the acquirer's CI positively influences the consumers' repurchase intentions towards the target firm. On the other hand, the results show that the negative impact on the consumers' repurchase intentions also decreases when the acquirer is a Chinese firm with a good CRM. As a consequence, in line with previous studies (Bernstein, 1984; Dowling, 1993), our work demonstrates that, in the context of CBAs, CI may shape and affect a firm's reputation, and a high CI is likely to positively influence the post-CBA consumer loyalty to the target company, when the acquirer's CRM is poor. We have even demonstrated the contrary that the negative impact of a low CI can be reduced by an acquirer's strong CRM. This paper is therefore the first to show that, in the context of CBAs, the effect of CRM is stronger than that of CI, and of CA, and that CRM has a moderating role in the relationship between each of these two factors and post-acquisition consumer intentions.

6. Managerial implications, limitations and directions for future research

The managerial implications are important for firms engaging in CBAs. Our findings indicate that senior executives first have to keep clearly in mind how crucial it is for an MNE to implement a good CRM in order to communicate its good reputation to all the key stakeholders and transfer it to the products/brands of the target firm. They have to communicate their cause-related initiatives to the local community and incorporate CRM as a primary component of the further development of the foreign brand. This is of paramount importance in order to maintain and sustain the competitive advantage in the host country after the acquisition. CRM may help acquiring firms to engage potential and existing host customers and to build relationships that will be very long-lasting. When an MNE expands abroad through a CBA, managers need to be especially conscious of the fact that they should plan strategically to enhance their image. Publicly displaying commitment to a cause regarding host community, environment protection or philanthropy, in whatever way they can, may induce positive feelings in the host consumers that, in turn, can affect their attitude towards the products from the target firm post-acquisition. Firms seeking to enter foreign markets should be aware that when they engage in CBAs, their abilities and their nationality matter to host consumers, but they can be influenced by good firm CRM activities in the host country. Before entering a new market, it is suggested that managers of MNCs conduct research and gain a clear understanding of how and why host consumers will view the actions of the acquiring firm and implement the CRM programme that will be viewed positively.

With regard to nationality, in line with the involvement in the local community, managers could communicate that the foreign acquirer wants to preserve and strengthen the heritage of the local firm, by introducing it to other countries, enforcing its visibility and brand awareness worldwide. According to the contemporary important role played by the CI, managers have to actively communicate that the target firm's values and beliefs remain in line with the value system of the target firm's COO.

Senior managers need to have a good understanding of the new market and prioritize their CRM as a key part of their strategy, because it plays a vital role in the success of a CBA where the acquirer has a good reputation. A lack of proper CRM in an M&A may create many uncertainties among people, leading to the failure of the CBA. Second, our results show that CRM has a significant moderating effect on the relationship between the acquirer's CA and the host country consumers' repurchase intentions. Consequently, an acquiring MNE should implement a good CRM, for example, through a large or expensive CRM campaign, and invest in market research in order to identify their customers' involvement and attitudes towards various causes (Koschate-Fischer *et al.*, 2012), thereby aligning with causes in which their customers are highly involved and towards which they have a positive attitude. Thus, through the development of CRM activities, marketing managers can leverage consumers' positive feelings towards the acquiring firm to compensate for what they do not know and cannot evaluate about the post-acquisition offering of the target firm.

Furthermore, when the CI of the acquirer is low, managers should not emphasize the COO in their advertising and marketing communications but rather opt for implementing initiatives related to such donations from a part of business profits for charitable organizations in the host country. Our results suggest that the only way to keep pre-existing customer loyalty is promoting cause-related activities and positioning themselves as manifestly socially responsible.

This study is not without its limitations, and this provides avenues for further research. First, the current work is focussed on a food product while future research could replicate the present study in other product categories or even in other sectors, such as the services market. Furthermore, consumers' involvement in the products used in the current study might be different in different countries (Akdeniz and Kara, 2014). Second, the study sample is geographically limited and thus the results may not be generalized because the customers from different countries will have different values and will perceive these CRM activities according to their culture. Third, our study did not consider some moderating variables (e.g. consumer animosity, cultural similarity), thereby potentially imposing boundary conditions on the observed relationships.

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Appendix

Variable	Source	Items	Scale	α
Repurchase intention	Heitmann *et al.* (2007)	You are a habitual customer of an Italian firm that has been acquired from a MNE. Express your repurchase intentions of its products after the acquisition It is very likely that I would purchase this same product (or its successor) again I am willing to pay a price premium over competing products to be able to purchase this product (or its successor) again Commercials regarding competing brands are not able to reduce my interest in buying the same product (or its successor) again I would purchase this product (or its successor) again, even if it receives bad evaluations by the media or other people	Strongly disagree/ Totally agree (1–9)	0.74
Cause-related marketing	Brown and Dacin (1997)	Based on the information given, provide an overall judgement on acquirer's cause-related marketing Corporate giving (donations made by companies to non-profit associations) Environmental orientation Community Involvement of the firm	Poor/Good (1–7)	0.80
Corporate ability	Brown and Dacin (1997)	Based on the information given, provide an overall judgement on acquirer's corporate ability Technological innovation Manufacturing ability Employee expertise and training	Poor/Good (1–7)	0.77
Country image	Oberecker and Diamantopoulos (2011)	Based on the following descriptors, provide an overall judgement on "CHINA/FRANCE" Country Image? Low–high level of industrialization Low–high standard of living No existence of a good welfare system Dictatorial–democratic system Poorly–highly developed economy Low–high level of technological research	Low/High (1–7)	0.78
Country familiarity	Kristensen *et al.* (2014)	How familiar are you with "CHINA/FRANCE"?	Unfamiliar/ Familiar (1–7)	
Country typicality	Tseng and Balabanis (2011)	How typical are confectionery products as "CHINESE/FRENCH" products?	Not typical/ Typical (1–7)	

Table AI.
Construct measurement

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