

Consumer intentions, reactance and the marketing implications of policy induced mergers and acquisitions in financial services

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Abstract

Purpose – The purpose of this study is to establish, drawing upon the indirect effects of customer reactance from an emerging economy perspective, the marketing implications of policy induced Mergers and Acquisitions (M&A) in Financial Services.

Design/methodology/approach – The study employed a quantitative research approach, relying on data from 517 customers of M&A banks in Ghana. Purposive sampling technique was used in selecting respondents for the study. Hypotheses were tested using a structural equation modelling.

Findings – A positive and significant relationship between immersive marketing communication and consumer intention is revealed in the study. The presence of consumer reactance highly influenced the relationship. As a public policy tool, forced mergers and acquisitions was found to increase customer reactance. However, when customers are frequently engaged with relevant and consistent marketing communications through appropriate channels, such reactance would only be partial.

Research limitations/implications – Although some of the information were collected, they were not the main focus of our analysis. We acknowledge, from the sample demographics perspective, the study did not consider certain other confounding factors that could influence customers' decisions to remain or switch such as customers' level of banking, type of account, income level, banking experiences in relation to service fees, online banking etc., as these could also potentially influence customers' reactance. Perhaps these may have to be considered in future studies.

Social implications – When timely and relevant marketing communications are targeted at the customers who are directly impacted by the M&A process, they would experience reactance, but only partially. This has a range of marketing implications for policy-induced M&A and its impact on consumer intention, reactance and attitudes towards the new entity.

Originality/value – The marketing of financial services literature has been silent on the implications of M&A from a policy induced perspective. This study, therefore, contributes to theory by highlighting that the “destruction” of brand value of the affected firms is relatively high in a policy induced M&A and thus increases the level of customer reactance. This is because a regulator enforced M&A, as public policy, usually generates high public interest and public discourse, leading to a heightened customer reactance. However, when immersive marketing communications are targeted at the customers directly impacted by the M&A, they would experience reactance, but only partially.

Keywords Mergers and acquisitions, Consumer intention, Consumer reactance, Financial services marketing

Paper type Research paper



1. Introduction

This study suggests that mergers and acquisitions as a public policy to ensure firm survival destroys brand value and increases customer reactance, eventually failing in the ultimate objective for which it is proposed. However, when customers are effectively engaged through

the appropriate channels of communication in regard to the affected firms' efforts in managing the process to ensure customer value, the customer would experience reactance but partially.

In recent years, central banks in most emerging economies have facilitated M&A in their bid to consolidate the financial markets as a means to, arguably, protect customer assets, ensure employment, shareholder value and to save the economy (Akolaa, 2018). Therefore, distressed financial institutions were recommended for M&A. In Ghana, during the banking and financial crisis in 2016–2017, the country experienced what is referred to as the “financial clean up” where financial institutions in the country were instructed to increase their capitalisation to ensure survival. The directive given by the regulator proposed M&A as the alternative to those institutions that were unable to raise the capitalisation. Whereas some banks were able to meet the capitalisation requirement to survive, others had to take the alternative option of M&A. The eventual M&A process that ensued, as facilitated by the regulator, was perceived by customers as “messy” (Amewu and Alagidede, 2018). This is because there were numerous news headlines of mostly negative posturing of the management of acquiring and acquired firms involved in the process. The public was also exposed to regulatory reports of financial underperformance of target firms, managerial inefficiencies and non-compliance with good governance behaviours of these firms.

This is not the first time Ghana has experienced financial reforms. According to Antwi-Asare and Addison (2000), Ghana has undertaken several financial sector reforms since the 1980s but has failed to achieve most of its intended outcomes except for the “enhancement of financial development and the expansion in size and diversity of the banking sector.” Antwi-Asare and Addison (2000) also note other successes such as banks deriving considerable profit from their investments in government and central bank's securities, whereas the failures have been the decline in private deposits and the continuous sub-performance of state-owned banks against private banks. The recent financial sector reforms, which began in August 2017, saw the resolution of failed Universal Banks, Specialised Deposit-taking Institutions (SDIs) and Micro Finance Institutions (MFIs). According to the regulator, their continual existence was a threat to the interest of depositors (Afum, 2020). A total of nine universal banks headlined the exercise, which according to the then finance minister, was as a result of the mismanagement on the part of the directors of the collapsed banks and the financial institutions (Ghanaweb business News of Friday, 24 July 2020). Speaking on the floor of Parliament on Thursday in July 2020, the Finance Minister seemed to dismiss critics of the financial sector reform:

Let it be said that a serious government, as we are, desperate as we were to fix a broken economy as it was and fund our own programmes, as promised, and as patriotic as we are, had absolutely no thoughts, no time, no energy or the luxury to conspire with the central bank to deliberately cause the downfall of Ghanaian banks that were already in zombie state, fatally insolvent, by the time we took office.

Financial sector reform as a public policy has characterised recent M&As in Africa (Angwin *et al.*, 2016), and in most cases, it has generated controversy and divided public opinion about its intention and efficacy to achieve what it set out to do. This has led to studies on how communication impacts on consumer behaviour – before, during and after M&A (Angwin *et al.*, 2016). The term M&A has different meanings, and are of various types (Zagelmeyer *et al.*, 2018). On the one hand, a merger, on the other hand, refers to the fusion of two or more organisations into one. An acquisition, on the other hand, is the purchase of one organisation by another, where the acquirer takes control over the acquired firm. It can be hostile or friendly. It is usually voluntary and often results in a new corporate name (Alao, 2010; Zagelmeyer *et al.*, 2018). Lee *et al.* (2011) defined a merger as a combination of two firms, where the acquiring firm tends to survive whereas the acquired firm ceases operations.

The total value of announced M&A transactions on a global basis exceeded US\$3.5 trillion in 2019, up 50% from 2013 levels and the strongest annual level since 2007 (Reddy *et al.*, 2019; Rahman and Lambkin, 2015). Specifically, M&As made by firms in emerging economies contributed to US\$129 billion, approximately 37% of the total value worldwide in 2013 (Hammond and Massoudi, 2014). However, studies have shown that the survival of most M&As are minimal with an estimated failure rate of 60–80% (DeYoung *et al.*, 2009; Thorbjørnsen and Dahlén, 2011; Papadakis and Thanos, 2010). Christofi *et al.* (2017) assert that this is due to heightened attention attributed to the financial objectives and firm performance. Thus, most M&A processes often neglect the significance of marketing related issues. In any case, the literature is replete with a significant number of marketing reasons why M&As fail, and these reasons are attributed to all the stages of the process-before, during and after the M&A. Bekier and Shelton (2002), for example, note that during the integration stage of the M&A process, customer-related issues are not paid attention to, leading to loss of customers post-merger, and eventual failure.

Whereas the situation is similar to what pertains in African markets (Angwin *et al.*, 2016), there are some notable differences with the current study. The current study concerns itself with M&A as public policy as opposed to M&A as a business strategy, a context widely dealt with in existing literature. The difference is that a regulator enforced M&A, as public policy, would generate a heightened public interest beyond just the customers of the firms involved. In this case, the parties involved in the M&A have at least two core audiences to persuade. The first party to persuade is the public, who become the primary audience to persuade with justification of the importance of the M&A, at least from the perspectives of the regulator sponsoring the M&A. The second is the customers of the affected firms. These customers are directly and immediately impacted upon by the process but become secondary and are most likely to be lost in the court of public opinion as interested parties justify the need or otherwise of the policy. In this situation, customers find themselves in two roles – citizen-consumer. As “a citizen”, the customers are faced with the challenge of being persuaded by the regulator’s justification of the M&A as a necessary condition to safeguard the public good, protect consumer assets, investor equity, secure employment and save the economy. As “a consumer”, the customers are concerned about their own individual consumption choices and how they are being impacted upon directly and immediately by the M&A.

This study thus argues that in a situation of a regulator enforced M&A, consumers could experience reactance due to their citizen-consumer role. The reactance arises because of at least three conditions that present conflict: that is, being in a dilemma whether they are better off to stay as customers or to switch. The first condition is that revelations in the regulator reports, usually publicised through news items on the target firm’s managerial improprieties, corporate governance lapses and possible insolvency that led to the proposed M&A, might persuade the public (including the customers of the banks involved) to believe that the regulator is indeed securing their welfare through the recommended action, which is the enforced M&A. The second condition is that possible counter policy narrative advanced by critics of the policy, could influence the public (including the customers of the banks involved) not to believe that the policy indeed protects their interests. The third condition is that the customers of the banks involved could be unhappy that their individual choices have been curtailed and are unable to access the banking services that they subscribed to if they are unable to access the services during the integration process.

While the first two conditions speak to the general public of which the firms’ customers are a part, the last condition is specific to the individuals as customers of the firms involved. This situation could result in reactance, where affected customers may have the desire to push back the choice being forced upon them by the regulator, thereby increasing their intentions to switch (Thorbjørnsen and Dahlén, 2011). Broadly speaking, this study revealed that immersive marketing communication, through a deliberate strategy would influence customer intention to

remain committed to the firm post M&A. Such a strategy, in our view, minimises the impact of customer reactance. The study, therefore, contributes to the existing body of knowledge by unveiling the reactance dilemma customers encounter during a policy induced M&A.

2. Literature review and hypotheses development

2.1 *The reactance theory*

The reactance theory assumes that people are mostly motivated to resist control (Brehm, 1966; Brehm and Brehm, 2013). Thus, individuals value their freedom and will oppose any threat that will hinder their liberty to make free choices. Steindl *et al.* (2015) note that psychological reactance is an unpleasant motivation that a person feels to regain freedom that is threatened or taken away. In reactance studies (Steindl *et al.*, 2015; Brehm and Brehm, 2013; Brehm, 1966), threatened freedoms are in the form of decisions and choices taken by an individual which is being impeded by a third party. People who are threatened usually feel uncomfortable and become hostile, aggressive and angry (Berkowitz, 1973; Brehm, 1966; Brehm and Brehm, 1981; Dillard and Shen, 2005; Rains, 2013), which motivate them to act behaviourally or cognitively to re-establish their freedom. The behavioural efforts could manifest in the individual directly performing the threatened or restricted freedom or actively lending support to another individual whose freedom (or behaviour) is under threat. The cognitive effort, on the other hand, is expressed in derogating the source of threat, upgrading the restricted freedom or downgrading the imposed option. These consequences of reactance, it is acknowledged in the literature, are widely explored in extent literature but little attention has been paid to “reactance as a state.” Few references are made to studies indicating three different states of reactance.

The first is when freedom threats arouse an intermingled state of affect and cognition; the second is when freedom threats arouse immediate, emotional reaction and the third is when freedom threats arouse cognitive and a delayed emotional reaction. These measures of reactance being immediate or delayed, according to Sittenthaler *et al.* (2015), are dependent on the importance of the threatened freedom, the strengths of the freedom threats and the legitimacy of the occurrence of the freedom threats, as perceived by the consumer, where perceived legitimacy is when reasons are ascribed to the occurrence. Thus, people seem to either react to the threat immediately or after a time delay with intermediary cognitions (e.g., Sittenthaler *et al.*, 2015; Rosenberg and Siegel, 2018).

Ample evidence suggests that customers react negatively to new brands after being merged or acquired (Alvarez-González and Otero-Neira, 2020; Akkus *et al.*, 2016; Söderberg, 2006). This is because they believe their personal freedom of choice is restricted as acquisition typically eliminate the target firm’s corporate brand and replaces it with the acquirer’s brand (Liu *et al.*, 2018). According to Thorbjørnsen and Dahlén (2011), mergers and acquisition are occurrences outside the consumers’ control, and as consumers are accustomed to the freedom of choosing among alternative brands, they experience reactance in accepting brands that are forced on them (Hinner, 2019), which is the case in M&A. In this regard, the theory of psychological reactance postulates that consumers can re-establish their threatened freedom through cognitive reorganisation. In M&A situations, customers of the merged firms perceive the acquisition as threatening to their behavioural freedom. This perception therefore results in psychological reactance, leading to customers devaluing the firm and articulating negative attitudinal predisposition towards the merger. This situation therefore leaves customers of the target brand with two options: the intention to reluctantly accept to become customers of the acquirer brand, or switch to other competing brands.

2.2 *Mergers and acquisitions*

The M&A concept has a long history (Bauer *et al.*, 2016; van Marrewijk, 2016) which was necessitated by the global credit crunch that began from the US and Europe in 2008.

[Cartwright and Schoenberg \(2006\)](#) report that over the years, studies on M&As have “towed” disciplinary lines with finance researchers focusing on profitability of acquisitions for shareholders and acquiring firms. Management research has also concentrated on the strategic fit between the two combining firms, looking at levels of relatedness between the affected firms in order to create value post-M&A and the importance of knowledge sharing in realising post-merger performance ([Cartwright and Schoenberg, 2006](#)).

However, research in the area of marketing has had little attention, although there is considerable risk of losing customers in M&A when marketing-related activities are not properly integrated ([Matarazzo et al., 2019](#)). [Alvarez-González and Otero-Neira \(2020\)](#) discover three crucial findings in their study of the impact of M&A on customers’ relationships with banks. Using the approach of face-to-face interviews of banking staff involved in M&As, they observe that the integration process does not affect customers equally, as customers of the acquirer bank fare relatively better post-merger than those of the target bank. The former “contribute, in most cases, to the culture, the operating systems and the way of working of the new entity” ([Alvarez-González and Otero-Neira, 2020](#)). Their second finding indicates that customers of the target bank, on the other hand, suffer in the change because they have to adjust their way of dealings in order to integrate well into the new entity. The third point they note is that marketing mix variables may affect customer behaviour in M&A, but price, more than any variable, is what impacts heavily on customers’ reactions, leading to the dissipation of value ([Alvarez-González and Otero-Neira, 2020](#)). In emphasising the significance of market-related issues for the success of post-merger, [Morall \(1996, p. 19\)](#) notes that “cost reduction to make a merger payoff is not as key as customer retention.”

M&A has also been noted as a mechanism by regulators to control sectors that are found to be in distress and with potential macro-economic impact. From the regulator perspective, the focus of M&A is to ensure market efficiency and the protection of consumer welfare. This study, thus, stems from mergers enforced by the regulator during the 2017–18 financial clean-up in Ghana. Regardless of the rearrangement and the assurances from the policy promoters, there was a feeling of “messiness” from the consumers’ viewpoint since the various media platforms communicated diverse perspectives (mostly negative stories) of the M&A and its implications.

2.3 Consumer intention

Research has shown that consumers do not willingly accept M&As, hence their negative intentions towards firms that embark on M&A. These negative intentions are usually revealed through the reactions and comments of customers ([Kato and Schoenberg, 2014](#)). The M&A literature asserts that mergers have a significant effect on internal employees, especially when the communication regarding the entire M&A process (pre-stage, integration and post-merger) is withheld or when there is ineffective flow of communication ([Oduro and Agyei, 2013](#)). This brings about negative consequences to consumers, if not well managed. The fixation on negotiation, operational efficiency, legal and regulatory activities and financial achievement leads firms to ignore the perceptions and concerns of consumers ([Tissera et al., 2018](#); [Kernstock and Tomczak, 2019](#); [Thorbjørnsen and Dahlén, 2011](#)). As a result, consumers may have qualms about their future relationship with the merging or acquired firm ([McLelland et al., 2014](#)). This leads to frustration among customers causing long queues at the banking halls and increase in account closure ([Liu et al., 2018](#)). An instance is the enforced merger during the 2017–18 financial clean-up by the regulator, the central bank of Ghana ([Afum, 2020](#)). Their actions during the first round of the M&A, which were corrected in the second wave, instigated panic withdrawal and long queues of customers trooping into the affected banks, with media bulletins and rumors widely circulating in the absence of communications from the affected institutions. Hence, this brings to light the

importance of immersive marketing communication (promotions) to reassure customers on the marketing efforts that the firms have taken, in terms of product and service quality (product actions) at their convenience (place actions), and affordable cost (price actions) (Alvarez-González and Otero-Neira, 2020). According to Thorbjørnsen and Dahlén (2011), lack of or ineffective communication will contribute to negative customer reaction towards M&A and thus translate to financial underperformance of the acquirer firms after M&A, as customers withdraw in panic and demand to close accounts. This is noted in Collins *et al.*'s (2009) work on antecedent and moderating factors in determining acquisition outcomes. The negative intention and reaction of customers towards M&A can be controlled with effective marketing practices and a well-crafted marketing communication between management and stakeholders, with the consumers at the centre (Beladi *et al.*, 2019; Han and Kang, 2018). This will enable M&A firms to influence consumer intention to remain with the firm.

2.4 Immersive marketing communication

Communication research and theory (Krone *et al.*, 1987), have suggested that both the medium and the content/type of communication have a role in determining the outcome of M&A activity. According to Krone *et al.* (1987) the volume, frequency and length of communication, as well as message content, are critical components of the communication process in M&A. Angwin *et al.* (2016) affirms this assertion by reporting on the various communication typologies (immersive, drip-feeding, “feast or famine” and perfunctory) and their effectiveness at the pre-M&A stage, during and post M&A. This study adapts “immersive communication through direct marketing” as an effective communication strategy to retain customers post M&A. This is due to the rich content, medium and timely dissemination of information embedded in the immersive marketing communication (IMMC) strategy.

For the purpose of this study IMMC is defined as the continuous process of disseminating rich information to customers at the pre-M&A stage, during and post M&A stage through direct marketing mediums. This implies that information concerning mergers and acquisitions must be concise but contain relevant information and circulated through effective direct contact mediums. The timely intervention of the communicate is equally important as its content. This means in applying immersive communication, it is pertinent to inform customers about the merger from the initial stage through to the climax, and not only at the completion stage of the M&A process. Timely dissemination of information and being cautious of information overload are also advised. The first phase of immersive communication is richness. Prior communication research (Riad *et al.*, 2012; Riad and Vaara, 2011) has found that the communication medium serves as proxy for communication richness. The medium of communication, which is described as the means of communication, such as email, face-to-face meetings and conferences, is essential as they present a hierarchy of richness, with more personalized communication having a greater influence on the listener than impersonal communications (Huber and Daft, 1987; Marmenout, 2011; Mohr and Nevin, 1990). This brings to conformity the concept of direct marketing as a communication strategy (Mensah and Amenuvor, 2021). Thus, customers' views are influenced by whether messages are available to everyone or restricted in scope, and whether they are unidirectional or interactive. This study argues that rich interactive communication through direct marketing, minimizes consumer confusion, false rumours and dysfunctional consequences (Weber *et al.*, 2014; Lengel and Daft, 1988) and can help M&A firms during periods of transition by giving clarity and direction (Ranft and Lord, 2002). Management may also consider communication richness as a proxy for effective communication. However, if such communication is not seen as relevant, trustworthy or honest (Angwin, 2000, 2015), it may not result in positive customer commitment or favourable organizational results. According to existing data, for M&As to work, communications must permeate throughout the company and not just the top

management (Angwin, 2000). This enables employees from diverse departments to offer accurate and uniformed information to consumers seeking clarity on the merger. This makes it easier for customers to deal with uncertainty and change.

The second component is the communication process in terms of timeliness, since the time frame of activities during M&A is becoming a crucial aspect of the process (Angwin, 2004; Stahl *et al.*, 2013). The bulk of research on M&A communications has divided the process into pre- and post-phases, with most contributions concentrating on the post-deal integration phase. This study is of the view that communications throughout the M&A process is a crucial success factor for M&A results and customer retention. Hence, customers and other stakeholders of M&A firms should be engaged through direct marketing as early as possible, in the pre-merger period and timely dispensation of information as the process evolves.

In an empirical study of M&A in the Nigerian financial services sector, Angwin *et al.* (2016) show that employees and customers of the firms that ensured comprehensive communication before, during and after the merger showed commitment to the new firm. On the other hand, mergers where communication was lacking, fragmented and or inconsistent, stakeholders looked out for signals from management at a time of uncertainty and filled the blank spaces with the “rumour mill.” Gomes *et al.* (2017) suggest that, even though an acquiring firm may have an effective communication system, it is important that the acquired firm(s) also maintain a good communication procedure throughout the process. This is significant in managing uncertainties-disruption of management and employee duties, emotions associated with threat of job losses and ultimately customer distress anticipating erosion of value (Appelbaum *et al.*, 2017). Appelbaum *et al.* further note that for the brand value to be realised during the integration, the process must capture the new organisation’s value proposition. This must be translated into execution actions and communicated to customers, in terms of revitalising the full complement of products and services solutions to better meet customer needs, delighting the most valuable customers, delivering consistent value over time and ensuring to take small but better steps from day one of the merger.

Angwin *et al.* (2016) also examined how communication approaches impact mergers and acquisition outcomes. Their study examines the link between different communication approaches and M&A outcomes, incorporating both the process (timing) and content (richness) of communication. Their findings lead to the creation of a typology that depicts interactivity between the process, content and timing of communication and M&A outcomes. They also assert that effective organisational communication during M&A helps to reduce uncertainty, guides the business through the transition, enhances the degree of post-M&A commitment to the “new” organisation and increases M&As’ success rates (Aguilera and Dencker, 2004; Allata and Singh, 2011; Risberg, 2001). However, ineffective communication is expected to lead to high levels of ambiguity, job insecurity, low level of trust and commitment. According to Kato and Schoenberg (2012), the question of why the acquisition and how customers will benefit must be answered diligently and communicated to stakeholders, especially customers, in a timely and consistent fashion (see Angwin *et al.*, 2016). Balmer and Dinnie (1999) observe that merger communication towards customers and staff have been found highly inadequate as their consideration in the M&A process is hardly acknowledged, accounting for the increased attrition rate of customers and staff demonstrating against the new corporate identity. Weber *et al.* (2014) revealed that effective marketing communication impacts positively on customer intention to remain customers. This implies that when firms properly communicate to customers their strategic position, there is a high probability of retaining existing customers and acquiring new ones (Mensah and Amenuvor, 2021; Anning-Dorson and Nyamekye, 2020; Xing *et al.*, 2017).

In theory, the medium through which firms communicate to customers underpin the success of the communication objective as explicated by the media richness theory. This school of thought argues that performance improves when a firm or team uses “richer” media

for equivocal tasks. Thus, for firms to successfully execute M&A activities, the channel of communication must not be neglected. This study argues that firms that employ immersive marketing communication (content richness and continuous timing) to customers through direct marketing influence consumers' intention to remain post M&A hence, minimising attrition rate associated with M&A (Homburg and Bucerius, 2005). Thus, in a regulator enforced M&A, communication pertaining to the merger must be disseminated by the merged firms through direct marketing as opposed to the regulator's mass media approach to the entire public. This study therefore hypothesises that:

- H1.* Immersive marketing communication directed towards individual customers by M&A firms have a positive impact on consumers' intention to remain customers.

Communication theory explicates that rich interactive communication reduce customer anxiety, minimising the impact of customer reactance and dysfunctional outcomes (Lengel and Daft, 1988; Weber *et al.*, 2014) and supporting M&As through the various changing phases, and offering clarity to customers (Angwin *et al.*, 2016). However, Riad *et al.* (2012) assert that if the content of the communication and timing is out of synchrony with the M&A processes as they unfold, it may lead to confusion amongst customers and arouse reactance towards the merger. This assertion is confirmed by Angwin (2000, 2015), as these studies showed that rich communication content may be regarded as a proxy for effective communication. However, if the content is perceived by customers as not honest, relevant and reliable, it may provoke negative consumer reactions which may result in outright rejection of the brand. Weber *et al.* (2014) in their findings also revealed that communicating negative news especially from the mass media increases one's sense of threat regarding the consequences of the merger hence, engendering reactance. This usually happens in a regulator enforced M&A, where the regulator has to issue negative reports to justify the call for the merger.

Prior studies have suggested that reactance mostly affects individuals' intention negatively (Bambauer-Sachse and Heinzle, 2018; Minton, 2018). Thus, when people experience undesirable situations, the affective nature of reactance is negatively accrued. Numerous studies have been conducted on the impact of reactance on customer intention (Evgeniia, 2018; Rains, 2013; Gundersen and Meyn, 2014; Thorbjørnsen and Dahlén, 2011). Steindl and Jonas (2015) reported a significant positive impact of reactance on aggressive behavioural intention in advertising. In the hotel industry, reactance was assessed from the traditional environmental CSR perspective (Hanus, 2019). The outcome of the study revealed that messages that are targeted to persuade customers to participate in environmental programmes most often fail because customers perceive such messages as an attempt to invade their freedom. Thus, the anticipated positive outcome results in undesirable behaviours towards the company. The literature explicates that such failures can be attributed to customer reactance (Rains, 2013; Hanus, 2019). The issue of brand fit and consumers' idiosyncratic perceptions of mergers has also been investigated in a study by Thorbjørnsen and Dahlén (2011), where consumers are found to show reactance towards the acquirer brand because they believe that by the acquisition, their personal freedom of choice has been curtailed and consequently react negatively to the merger and the acquiring brand, which is more likely to make them leave the relationship. This study argues that even though M&A activities may arouse consumer reactance, an immersive marketing communication as proposed by Angwin *et al.* (2016) may minimise the impact of customer reactance towards the merger hence, positively influencing their intention to remain customers. To this end, the study hypothesises that:

- H2.* Immersive marketing communication directed towards individual customers by M&A firms has a positive impact on customer reactance (CR) towards a merger.

- H3. Customer reactance towards the merger has a significant impact on the customer's intention (CI) to switch.

2.5 *The mediating role of consumer reactance*

Psychological reactance as a construct was introduced by [Brehm \(1966\)](#), who opined that people react towards an attempt to limit their behavioural freedom. Although Brehm originally assumed that such reactions were a situation-specific phenomenon, a plethora of literature has since established a stable predisposition ([Pavey and Sparks, 2009](#); [Wendlandt and Schrader, 2007](#); [Cherulnik and Citrin, 1974](#)). Studies have been conducted to test the mediating role of customer reactance in diverse disciplines. For instance, [Bambauer-Sachse et al. \(2018\)](#) argue that consumer reactance serves as a mediator between framing messages and message reactions. To [Rains \(2013\)](#), reactance occurs when people experience restrictions that are unfavourable to them and would react negatively to obtain their freedom. Studies have also shown the detrimental effect of threats to freedom through persuasive communication on consumer intention to switch ([Brown and Krishna, 2004](#); [Campbell and Kirmani, 2000](#)) and have noted reactance as a mediator amid the relationship. [Noguti and Russell \(2014\)](#) suggest psychological reactance as a mediator for negative effects of merger information on customers' attitudes and switching intentions. Persuasive messages, prohibitions and restrictions have all been identified as potential threats, causing customers to experience a state of psychological reactance, which serves as a motivating factor to reassert their threatened freedom. [Brehm \(1966\)](#) established that the state of reactance varies, depending on the strength of the perceived threat and may not arise if the persuasion is perceived as warranted. Thus, a regulator induced M&A, where the regulator and the affected firms communicate the merger as a protection of customer assets, may warrant customers to react positively, in turn influencing their intention to remain with the firm. The study hypothesis that:

- H4. The influence of immersive marketing communication on consumer intention to remain with a firm is mediated by consumer reactance.

3. Methodology

The study employed a quantitative approach to address the hypothesised relationships. The respondents for the study were customers of banks that were merged by a regulatory policy in Ghana. These respondents are customers of the second wave of merging banks and were selected using the mall intercept approach ([Bush, 1985](#)) at the premises of the merged banks in Accra, the capital city of Ghana. The purposive sampling technique was used as a medium to select and reach out to study participants for the study. In order to achieve the study's objective, it was pertinent to select customers that were previously banking with the affected and now merged banks. The sample size of 517 is deemed fit for the study because it satisfies the prerequisite of PLS-SEM, whereby the sample size to examine a model must be at least ten times the largest number of structural paths directed at a particular latent construct in the structural model ([Hair, 2017, 2019](#)). In terms of measures, the study adapted a questionnaire-based measuring instrument in assessing the constructs. These instruments were adapted from extant literature to suit the context of the study. The measuring indicators for immersive marketing communication (IMMC) was adapted from [Angwin et al. \(2016\)](#) and [Clemes et al. \(2010, 2014\)](#). In the same disposition, the items for measuring customer reactance were adapted from the study of [Dillard et al. \(2005\)](#) and [Hong et al. \(1996\)](#). The indicator measurements were designed in a five-point Likert scale, oscillating from 1 (strongly disagree) to 5 (strongly agree).

4. Findings

In the course of this study, 600 questionnaires were administered, and out of that, a total of 517 were completed. Out of the total respondents, 43.8% were males and the other 56.2% were females. The data further revealed that 41.9% of the respondents were degree holders, 30.2% had diploma and 18.8% were postgraduate. In addition, 51.7% of the respondents were between the ages of 26 and 35 years, and the next majority of the respondent were between the ages of 18 and 25 years (36.6%). Also, 45.5% worked in private institutions and 22.5% were Government employees. Lastly, the type of account held by the respondents and their income levels were ascertained. It was realised that 85.3% had savings account and 10.7% operated current accounts. In relation to their income levels, 60.1% of the respondents earned a monthly income of €2,000–€4,990 and 23.8% earned between €250 and €1990. These data retrieved, especially the type of account, informed the study about importance of the M&A to the respondents.

To assess the measurement model, the reliability and validity tests were conducted. This is incumbent and has been recommended by [Hair et al. \(2019\)](#). The study examined the model's internal consistency by testing for the reliability, discriminant validity and the convergent validity. Furthermore, the factor loadings were ascertained, and as [Hair et al. \(2019\)](#) recommend, loadings above 0.7 and 0.5 respectively represent an indicator of acceptable item reliability. This is because the construct explains more than 50% of the variance extracted. Most, but not all, the indicators for this study loaded well on their corresponding constructs. After running the first analyses, it was necessary that loadings below the threshold be dropped as asserted by [Hair et al. \(2019\)](#). However, all indicator loadings attained the accepted thresholds hence, all the items were maintained. [Figure 1](#) displays how well the indicators measured the latent variables. A confirmatory factor analysis was conducted to assess the reliability and validity of the constructs and scales. To perform this analysis, the measurement model was assessed, consisting of three latent variables as presented in [Table 1](#). It was also pertinent to assess the model fitness. Hence, the fitness of the model was assessed using the Standardised Root Mean Residual (SRMR = 0.056) and the Normed Fit Index (NFI = 0.908). SRMR values below 0.088 are considered the best fit, and they also indicate that the model is not mis-specified ([Henseler et al., 2014](#)). NFI values should be between the values of 0 and 1, and the closer the NFI value is to 1, the better the fit. An NFI value of 0.908 arrived at by running the PLS algorithm signifies a high acceptable fit and thus confirms the overall fitness of the measurement model ([Dijkstra and Henseler, 2015](#); [Bentler and Huang, 2014](#); [Bentler and Bonett, 1980](#)). The factor loadings of the model have been displayed in [Figure 1](#). Each indicator loading exceeded the acceptable threshold of 0.5 and 0.7 as recommended in the literature (see for example, [Marticotte and Arcand, 2017](#); [Hair et al., 2019](#)).

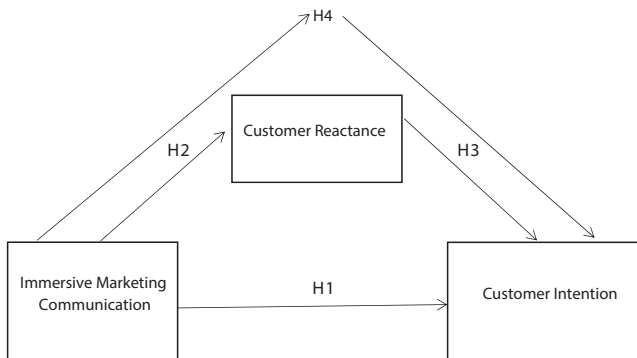


Figure 1.
Hypotheses

Construct and measurement items	Loadings	β	CR	AVE	α
<i>Immersive marketing communication</i>					
The bank communicated the merger to me before the deal took place	0.858				
The content of the communication on the merger process was relevant to my needs	0.830	0.714	0.933	0.736	0.91
There were frequent communications regarding the merger processes	0.892				
Communication about new products and prices after the merger was appealing	0.874				
Generally, promotional campaigns concerning the merger and acquisition appealed to me	0.833				
<i>Consumer reactance</i>					
I Get irritated when I am unable to make free and independent decisions	0.792				
I become angry when my freedom of choice is restricted	0.890	0.568	0.907	0.710	0.863
I resist the attempts of others to influence my decision	0.857				
I am contented only when reasons underpinning the restriction is well communicated to me	0.828				
<i>Consumer intention</i>					
I intend to defect to a suitable alternative bank after the merger and acquisition	0.877				
I intend to operate multiple accounts with my current bank and alternative bank	0.880	0.242	0.897	0.688	0.844
I intend to switch to a suitable bank within a year after the merger and acquisition	0.880				
I intend to move all my deposits and banking needs to the alternative bank	0.658				

Table 1.
Loadings of constructs

The study employed the Cronbach's alpha, composite reliability and the average variance extracted (AVE) in testing for the reliability and validity of the model (Fornell and Larcker, 1981; Jöreskog, 1971). According to Nunnally (1978), the recommended threshold for Cronbach's alpha is 0.7 and from the table (Table 1), all the constructs' Cronbach's alphas were above the threshold (between 0.805 and 0.910). To ascertain the model's validity, the discriminant and convergent validities were assessed. In relation to the convergent validity, the average variance was extracted. According to Hair *et al.* (2019) and Fornell and Larcker (1981), the acceptable threshold for average variance extracted (AVE) is ≥ 0.50 which implies that the constructs explain at least 50% or more of the variance of the items. The results of the AVE assessment revealed that all the AVE values exceeded the required threshold. The discriminant validity of the constructs was analysed by comparing the AVE values of each of the constructs with the squared individual inter-construct correlations (Fornell and Larcker, 1981). The results in Table 2 reveal that the AVE values were higher than the square of each inter-construct correlation which is an indication that the criteria for discriminant validity have been achieved.

4.1 SEM analysis and hypothesis testing

The hypothesised relationships amid the antecedent and the outcome variables in the framework were assessed using SEM. This was done by conducting separate estimation structural models in PLS-SEM to examine the direct, mediating relationships. The results of the relationships have been reported in Table 3 and graphically presented in Figure 2. From

the table (Table 3), it has been realised that all the direct hypotheses tested were supported (H1, H2, H3). Immersive marketing communication was found to have a significant positive impact on consumer intention ($\beta = 0.714, p < 0.000$) and consumer reactance ($\beta = 0.509, p < 0.000$), while consumer reactance also had a significant positive effect on consumer intention ($\beta = 0.568, p < 0.000$). The mediation analysis was performed using a bootstrapping of 5,000 samples. The results revealed the presence of a partial mediation. Thus, although immersive marketing communication directly impact on consumer intention to remain, it can also be observed from Table 4 that immersive marketing communication affects consumer

Constructs	1	2	3
Consumer intention	<i>0.829</i>		
Consumer reactance	0.741	<i>0.842</i>	
Marketing communication	0.445	0.097	<i>0.773</i>

Note(s): The italicised value on the diagonal are the average variance extracted (AVE) and the off-diagonals are the squared correlations. The AVE values on the diagonal are higher than the corresponding inter-construct square correlations which is an indication that the discriminant validity of the variables have been ascertained

Table 2. Convergent and discriminant validities of the measure

Hypothesis	Path description	β	t-value	p-value	Results
H1	IMMC → Consumer Intention	0.242	5.002	0.000	Supported
H2	IMMC → Consumer Reactance	0.714	21.410	0.000	Supported
H3	CR → Consumer Intention	0.568	12.004	0.000	Supported

Note(s): * $p < 0.05$; ** $p < 0.001$

Table 3. Direct path analysis

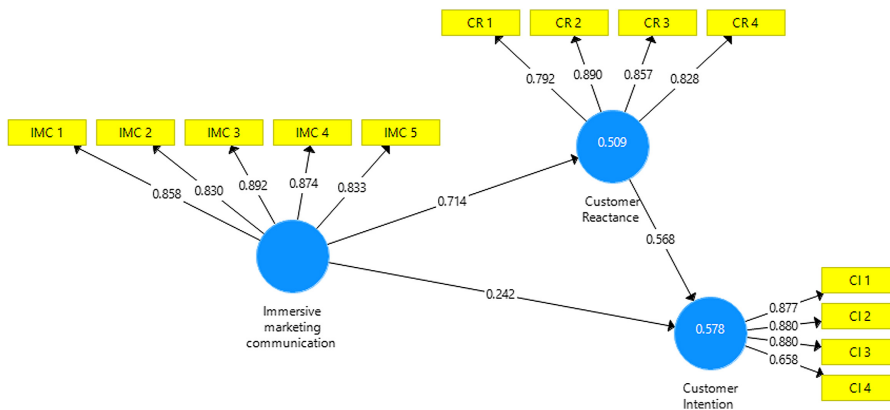


Figure 2. Structural model results

Relationship	Hypothesis	p-value (indirect)	Mediation type
IMMC → Consumer Reactance → CI	H4	0.000	Partial mediation

Note(s): * $p < 0.05$; ** $p < 0.001$

Table 4. Results of mediation analysis

intention to remain through customer reactance. This demonstrates that consumer reactance partially mediates the relationship between immersive marketing communication and customer intention to stay with the M&A firm.

5. Discussions

The study sought to assess the impact of immersive marketing communication on consumer intention (i.e., the intention to accept the new brand and remain customers post M&A) and the mediating role of customer reactance. All the hypotheses tested proved highly significant (H1, H2, H3, H4). Immersive marketing communication had a direct impact on customers intention to accept the new brand and remain customers. Studies have shown that customers mostly reject M&A firms (Christofi *et al.*, 2017; Angwin *et al.*, 2016). This finding has been underpinned by the reactance theory which elucidate that individual value their perceived freedom and will oppose to any threat that tends to subdue that freedom. As previously noted, M&As have been perceived by customers as a threat to freedom, in that, their choice of association with a preferred brand or firm is curtailed in the instance of M&A. This supports the use of CR as a mediator between IMMC and CI to stay with or divorce the new brand. The result revealed customer reactance as a partial mediator amid IMMC and CI. This is an indication that IMMC can directly influence CI without the customer necessarily opposing the M&A outcome. The results proved with strong evidence that immersive marketing communication is crucial to the success of M&A. This affirms the assertion of Angwin *et al.* (2016) and Gomes *et al.* (2011) that communication is an essential factor to the success or failure of mergers and acquisitions and as such, needs to be scrutinised extensively before its execution (Weber *et al.*, 2012, 2014; Zhu *et al.*, 2004; Angwin, 2000; Nikandrou *et al.*, 2000).

Empirically, this study found that the communication activities executed before and during the second wave of the M&A met consumers' needs, thus accounting for their delayed decision to switch. This is attributed to the content of the communication, the timing and the frequency. Furthermore, with respect to the content of M&A communicated, respondents from the affected banks strongly agreed that the information given pertaining the marketing activities – thereby ensuring the continued quality and trustworthiness of their purchased products, no changes in price, protecting the jobs of employees among other things were relevant to their needs, and reinforced the general assurances provided by the policy promoters in the media (see, e.g., Opute and Madichie, 2017). This is in line with some existing knowledge that immersive marketing communication with customers pertaining to affected firms' marketing-mix (product, price, promotion and place) reduces uncertainties, enhances post-M&A commitment to the "new" brand's success and most importantly, retains existing customers (Angwin *et al.*, 2016; Weber *et al.*, 2012).

Furthermore, Angwin *et al.* (2016), in their study, found that IMMC enhances a smooth M&A transition and conversely, an ineffective communication is expected to raise high levels of ambiguity, customer loss, low level of trust and commitment. However, it is common knowledge in the literature that consumers tend to have negative perceptions whenever M&A strategy emerge without a proper marketing communication (Farah, 2017). It is observed that in times of such crisis, customers become unsure of their fate and resort to panic withdrawal. As noted earlier, the results of the analysis revealed customer reactance as a partially mediator amid marketing communication and consumer intention within M&A context. Thus, it was found that customers are likely to experience reactance, but partially when two companies merge or integrate, and they are duly informed about the process. Thus, this study found that when firms communicate rich content pertaining to the M&A processes in a consistent and timely manner, customers experience partial reactance. This is to state that inasmuch as a customer of an M&A bank will want to reject the new firm, the intervention of immersive marketing communication through direct marketing can mitigate the intention to defect.

6. Conclusions

The contribution of this study is based on its ability to highlight the fact that M&A, as a public policy tool to ensure firm survival could be counterproductive, and largely lead to customer reactance as cases in Nigeria and Ghana have shown in recent times. The study revealed that in a regulator enforced M&A, customers may experience high levels of reactance because of negative communications that ensue in public discourse as authorities seek to justify the necessity of the policy to the general public.

On the one hand, the champions of regulator-enforced M&As tend to use news media outlets that seek persuading the public about the processes with reports of the bad practices of the targeted firms – notably allegations of managerial inefficiencies, bad corporate governance and the impending threat of insolvency or bankruptcy. Hence, the need to act in order not to impact negatively on the economy and customers' personal welfare. On the other hand, when customers are engaged with IMMC on the M&A process, indicating the marketing efforts undertaken by the firms to reduce the negative effect of the process, and assuring them of value post merger, they are likely to be in a state of dilemma, hence experiencing a state of partial reactance. This position is evident in our findings from the instruments under marketing communication and consumer intentions. For example, most customers strongly agreed that there was communication between them and the firms, and further indicated their knowledge about the M&A. They also strongly agreed to the frequency and relevance of communication to their needs. As a result of the positive effect of IMMC most customers preferred to remain loyal to the firm. This is evident in our findings from the instruments under CI, where customers were asked if they intended to remain as customers or switch. We also found that most customers preferred to operate multiple accounts with their current bank and another bank or switch entirely to a new bank within a year after of any M&A, ostensibly preferring to “*wait and see*,” hence reluctantly delaying their state of reactance. The study, therefore, recommends that stakeholders of future M&A must ensure to reduce mass media communication due to their tendency to disseminate negative information. They must, however, deploy and enhance the use of IMMC before, during and after M&A, with direct access to affected customers in order to reduce their anxiety and reactance thereof.

Overall, in this study, we have argued that although M&As largely lead to customer reactance, the situation is heightened in the instance of regulator enforced M&A as was previously the case in Nigeria, and Ghana in recent times. We have also argued that in a regulator enforced M&A, customers may experience high levels of reactance as a result of negative communications that ensue in public discourse as authorities seek to justify the necessity of the policy to the general public. The promoters of a regulator enforced M&A through news headlines try to persuade the public that bad practices of the target firm, including managerial inefficiencies, bad corporate governance amongst others have led to insolvency of the target firm, hence the need to act in order not to impact negatively on the economy and customers' personal welfare.

6.1 Theoretical implications

The theoretical implication of this study echoes a recommendation in existing literature that there is a need for a joint communications operation by the parties involved, including the regulator and the affected firms before, during and after the merger is set up to offer a synchronous communication to reduce the incidences of conflicting and negative news headlines that is usually associated with regulator enforced M&A. We also add our voices to [Alvarez-González and Otero-Neira \(2020\)](#), [Appelbaum et al. \(2017\)](#) and [Morall \(1996\)](#) that in all types of M&A, communication must strongly focus on the marketing mix offerings that the customer is getting and less on the financial efficiency perspectives such as cost savings. As [Segal et al.](#)

(2021, p. 2,935) more recently pointed out, following their structured literature review, “the literature is dominated by a unidirectional analysis that primarily considers the effect M&A has on stakeholders, falls short in investigating inter- and intra-stakeholder relationships and in eliciting the complex web of relationships between an M&A process and stakeholders.” We postulate, therefore, that forced or regulatory induced M&A activity would bring about a different kind of customer reactance than its organic, business strategy counterpart.

Broadly speaking this study is arguably a departure from findings in existing literature which argue that customers show reactance to an imposed brand choice through M&A. We argue that whereas immediate reactance may be the case in private sector-based M&A, where profitability and cost cutting are mostly the subject of M&A activities, the same cannot be said of public policy-based M&A, where the State through the regulator proposes M&A as a solution to the financial stability of the country. Hence, we propose a partial reactance option, arguing that customers’ response to a public policy-based M&A may be different. The findings also show that customers are mostly likely to delay their rejection, as they rationalise the public good argument advanced by the regulator in support of the M&A proposition. In this instance, customers exercise their judgment through the lens of citizen-consumer and are prepared to give the State the “benefit of the doubt” in anticipation that the end result will benefit the society as a whole. We also argue that such a situation is also enhanced if firms involved in the M&A have intimate engagement with the customers through IMMC pre, during and post the M&A.

6.2 Managerial implications

In terms of managerial implications, we observe and highlight the fact that regulator enforced M&A activity, as a public policy tool, was bound to generate heightened public interest beyond the customers of the firms involved, leading to two key audiences (i.e., public and the direct customers of the affected firms) being aware of communication purposes. Both are important for different purposes, and communication strategies must take cognisance of their roles and how to influence them. Management must also be aware of the three conditions of conflict that arise from a regulator enforced M&A activity, which could lead to different degrees of CR.

We draw the attention of management to the relatively high damage to the brand value of a regulator enforced M&A due to the excessive negative media headlines, as noted by [Weber et al. \(2014\)](#), and diverse ideological positions in public policy discourse. Although our study did not test this propensity, anecdotal observation suggests so, which could be tested in future studies. We also note that a regulator enforced M&A, as public policy, would generate a heightened public interest beyond the customers of the firms involved, leading to two key audiences to be aware of for communication purposes that is, the public and the direct customers of the affected firm. Both are important for different purposes, and communication strategies must take cognisance of their roles and how to influence them. Management must also be aware of the three conditions of conflict that arise from a regulator enforced M&A, which could lead to reactance. In this situation, we echo a recommendation in existing literature that there is a need for a joint communications operation by the parties involved, including the regulator and the affected firms before, during and after the merger is set up to offer a synchronous communication to reduce the incidences of conflicting and negative news headlines that is usually associated with regulated M&A.

Furthermore, this study enlightens the management on the factors that influence consumers intention to remain customers post M&A using the various modes of communications. The study recommends IMMC as the most effective to employ before, during and post M&A. The study again suggests direct marketing as an efficient marketing communication tool for managers to deploy during M&A transitions. The combination of these communication strategies that is, immersive, and direct marketing communication minimizes the impact of CR

during M&A and influences their intention to remain customers of the new M&A firm for at least a year to experience the services of the new firm. Certainly, the “moment of truth” will determine the survival rate of customers within the cohort. It is therefore imperative that managers adapt to the recommended communication strategies as well as dedicate the required attention to the financial objectives to ensure M&A firms’ success and survival.

7. Limitations and future research directions

Like most other studies of this kind, there are bound to be limitations, which may well provide grounds for future research enquiry. For one, although all hypotheses proved significant, the study does not entirely represent emerging economies due to the reliance on a single source country data. Multiple country source data is recommended for future studies to enrich the M&A literature. As regulator enforced M&A is engrossed with excessive negative media headlines and diverse ideological positions on public policy discourse, future studies must investigate the extent to which the mass communications interfere with, and impact upon, the efficacy of the marketing communications between affected firms and consumers. From the sample demographics perspective, the study did not consider the confounding factors such as customers’ level of banking, type of account, income level, banking experiences in relation to service fees, online banking – all of which may also potentially influence customers’ reactance and decisions to remain or switch. This could evidently be an interesting area for future research.

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