

Master's Thesis

**The interplay between Country-of-origin image and perceived brand localness
as drivers of perceived brand value after cross-border acquisition:
An empirical study in Vietnam**

By

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CERTIFICATION PAPER

I, NGUYEN Hoang Minh Anh (Student ID: 52116010), hereby declare that the contents of this Master's Thesis entitled "Should Emerging Firms Say it Loud? The Effect of Foreign Acquisitions on the Perceived Value of Acquired Local Brands" are original and true, and have not been submitted at any other university or educational institution for the award of degree or diploma. All the information derived from other published or unpublished sources has been cited and acknowledged appropriately.

NGUYEN Hoang Minh Anh

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ABSTRACT

Acquisition is one of the strategies often used by emerging firms to access global markets. However, we know little about how this strategy affects the market performance of their acquired brands. This limited understanding is critical because previous studies have shown that firms from emerging countries face greater difficulties in penetrating local markets and accessing local resources compared with firms from developed countries. In order to fill this gap, using a survey-based experiment in Vietnam, this study will explore whether and how the effect of emerging firms' acquisitions on the perceived value of a local brand differs from that of developed countries.

This study claims that the negative effect of less favorable country of origin of acquirer strengthens for acquired brands with high perceived brand localness. Moreover, the research reveals that a local brand with high perceived localness will be perceived lower value after an acquisition. On the other hand, there is less significant evidence that demonstrate the country of origin effects on the acquired local brand with low perceived localness. This study demonstrates important empirical insights into the country of origin effects regarding consumers' perspective in a developing country. Important contributions to the theoretical and practical implications for global marketers conclude this research.

Keywords: Country of origin image, Perceived Brand Localness, Acquisition, Perceived Brand Value, Emerging Market Firm

CHAPTER 1: INTRODUCTION

1.1 Research Background

Over the past five years the number of international acquisitions has risen dramatically with the new wave of global brands from emerging markets. In fact, acquisitions of established companies by emerging country firms has been growing at an annual rate of 26%, since emerging market firms (EMFs) shifted their focus to new markets (David et al., 2015). According to Kumar (2013), one of the eight routes for EMFs to go global is mergers and acquisitions, with which an acquiring company can gain both an instant international reputation and access to distribution channels in established markets. As a result, instead of leveraging their brands to tap into new markets, many companies from emerging markets choose an acquisition strategy for their international market expansion and business growth, and turning their products into globally recognized brands has become the ultimate goal for many EMFs. In other words, mergers and acquisitions have become a rapid and effective strategy for global expansion by simplifying access to brands from other countries (Pappu et al., 2007). Furthermore, in the acquisition process, the acquiring company will take over the ownership of another through share purchases, which means it does not only gain tangible assets such as equipment and inventory, but intangible assets such as the brand (Hsiang and Ching, 2011).

Nevertheless, in recent years, around 70% of cross-border mergers and acquisitions have failed due to issues surrounding culture, identity, stereotypes, and so on (Communicaid, 2013). This is especially true for EMFs, whose country of origin (CoO) is

one of the biggest challenges that these firms face after acquisitions since consumers frequently have negative perceived foreignness and stereotypical assumptions, developing potentially negative attitudes towards an acquired brand (Rao-Nicholson and Khan, 2017).

Starting as a Filipino style burger and fast food chain named Jollibee, the company Jollibee Foods Corporation (JFC) quickly expanded to more than 3,000 stores through internal growth and domestic as well as overseas acquisitions. With impressive breadth, speed and cost-competitiveness in their global expansion strategies, JFC is qualified in the top 100 of global challengers due to its achievements in growth, market share, and momentum through acquisitions of food and beverage chains doing business in Asia, America and Europe (The Boston Consulting Group, 2014). Vietnam was also a foreign market that JFC targeted in its expansion, and JFC currently possesses two chains in Vietnam, Pho24 and Highlands Coffee.

Founded in 2003, Pho24 was known as the first professional Pho chain in Vietnam and one of the first Vietnamese brands to successfully enter foreign markets such as Cambodia, the Philippines, Hong Kong, Macau, Australia, and Korea. Highlands Coffee on the other hand, originated as a packaged coffee business in Hanoi in 2000, and has quickly grown to become one of the popular café chains in Vietnam while beginning to expand its business abroad. Although both were acquired by JFC, which applied the same “simplified” strategy for acquiring both chains, to serve more customers than just business people and intellectuals as before, their business performance after being acquired is quite different.

To illustrate this, since 2011, after being 100% acquired by Jollibee Foods Corporation, Pho24 has not had significant growth, and its business has even dropped according to the shrinking number of stores in Vietnam, and the closure of overseas stores. Meanwhile, after

being acquired, Highlands Coffee has grown significantly, marking itself as the second largest coffee chain in Vietnam with the largest number of stores (more than 100 stores) (Vietnamnet, 2016). This fact inspired the author to conduct research in order to find out the influential factors in relation to the brand preference of Vietnamese consumers. This included a deep analysis of the CoO image of the acquiring company, the perceived brand localness of acquires, and consumers' perceived brand value regarding local brands after being acquired. Moreover, surprisingly, the majority of Vietnamese did not know that Pho24 and Highland Coffee chains had been acquired. By conducting experimental research with Vietnamese consumers, this study could analyze how the CoO image of EMFs influences the extent to which the brand equity evaluation of emerging global brands is able to provide guidelines for effective branding strategies (loud/conspicuous vs. quiet/discreet) for EMFs.

1.2 Significance of Study

CoO is an influential factor that has strong impact on consumers' behavior and perception including brand evaluation and purchasing intention. Along with other extrinsic cues (packaging, price, etc.), CoO serves as indicator to evaluate services and, thus, should be considered its significant influences in the international marketing of services. Especially, in the current era of globalization when the trend of cross-border operations and global expansion continued increasingly to emerge in both developed and developing nations, the CoO concept has become more sophisticated and noticeable (Magnusson et al., 2008). Hence, particularly for companies from emerging countries, the less favorable CoO results in various prejudices and preconceived notions from consumers (Russell and

Russell, 2010), weakening consumer's expectation about products / services offered by EMFs, causing numerous obstacles for them to go global (Park et al., 1986; Strebinger, 2004; Berthon et al., 2009). Analysis of CoO and brand interaction is therefore particularly important for global branding. Prior research tends to more focus on the global value mechanism or global and local positioning of brands (Dimofte et al., 2008) from a strategic perspective, while remaining a gap in investigating consumers' responses towards the local brands after an acquisition. This research aims to provide a deeper understanding of how CoO image of foreign firm and the level of perceived localness of local brand jointly influences consumers' evaluation of that local acquired brand in an emerging country.

1.3 Research Objectives

This study examined the challenges of EMFs when going global with respect to the impact of the acquirer's country-of-origin (CoO) image on perceived brand equity. The study also investigated local consumer responses (positive or negative) to the acquisition strategies of emerging global brands. It is expected that this approach will help businesses to discover how the CoO of a foreign company affects the perceived brand value of its acquired local brands. In the end, the findings will assist EMF decision makers in their global brand extension strategies to mask the brand's origin, or to stress and highlight the origins of their brands in the marketing communication strategies.

Despite the increasing importance of the service industry in global markets, numerous marketing studies just investigate the CoO effect on products, while limited research has been conducted with respect to services. Hence, this thesis examines the effects of CoO image on global brands from emerging markets in the food and beverage industry after

cross-border acquisitions. Based on the real business context in which the Jollibee Food Corporation from the Philippines acquired the Pho24 and Highlands Coffee chains in Vietnam, this research attempts to shed light on two essential issues: first, what difference in consumers' perceived brand value according to difference in perceived brand localness of acquired brands (eg. Pho24 as high perceived brand localness, and Highland Coffee as low perceived brand localness), and second, what strategies should acquiring EMFs (the Jollibee Food Corporation) apply to cope with different consumer perceptions regarding acquired brands.

1.4 Research Structure

The remainder of the thesis is organized as follows. The literature review in next part explains the conceptual development that depicts the relationships under investigation, followed by the hypotheses to be answered. The subsequent section presents the research methodology employed in this study, including sampling and survey procedures. The following section provides the data analysis and discusses results in order to interpret them into findings for their theoretical and practical implications. Subsequently, the limitations of this study and ideas for future research direction will be examined.

CHAPTER 2: LITERATURE REVIEW

2. Perceived Brand Value

Zeithaml (1988) defined perceived brand value as a “consumer’s overall assessment of the utility of product (or service) based on perceptions of what is received and what is given”. Specifically, usually, consumers evaluate a product based on both intrinsic cues (eg. product features, design and performance) and extrinsic cues (eg. brand name and price) (Ahmed and d’Astous, 2008; Sharma, 2011). By analyzing the functional utility and non-functional utility, products’ brand could be formed into functional value and psychological value including emotional and social value (Chen and Hu, 2010). Functional value usually reflects the perceived quality and the fulfillment of basic and rational purpose of clients. On the other hand, emotional value reflects the ability to evoke feelings or affective behaviors to users such as the extent of pleasure, relaxation, etc., while social value is describes as “the perceived utility acquired from an alternative’s association with one or more specific social groups,” such as impression to others, personal desires, and so on. (Sheth et al., 1991).

Previous research in this regard has asserted the importance of psychological values in consumers’ evaluation for domestic brands is highlighted in the research on national identification and ethnocentrism (Shimp and Sharma 1987; Verlegh 2007). In contrast, according to Batra et al., (2000), consumers in developing countries are likely to associate a foreign origin with quality and prestige, demonstrating the higher perceived brand value regarding functional and psychological values of a global brand. A considerable amount of

research has found that CoO is one of the most determinant factors that affect consumers' perceptions about brand value of products or services from a specific country, which in turn influences clients' purchase decision as well (Pecotich and Ward, 2007; Gao and Knight, 2007). Moreover, CoO image is considered as a significant phenomenon that impacts on the evaluation of international brands (Kumara and Canhua, 2010). Overall, findings from several studies have provided evidence that consumers have a tendency to unfairly evaluate products or services from emerging nations due to stereotypical judgments (Brouthers and Xu, 2002), leading to inherent psychological barriers against EMFs approaching consumers in the international market. As a consequence, it is crucial to investigate how CoO affects consumers' brand evaluations in the context of acquisition.

Hence, this research addresses the following questions: How does the country of origin of a foreign company affect the perceived value of the local brand it acquires? What moderates this effect? Signaling theory is employed in response to these questions, since prior studies have found that CoO is served as a signal or indicator of overall product value or quality attributes such as durability and reliability when consumers have insufficient information about products or services (Chattalas et al., 2008). Thus, the following chapter discusses signaling theory to underpin the hypothesized relationship between the CoO of the foreign firm, perceived localness of local brand and perceived brand value in the cross-border acquisition context.

CHAPTER 3: THEORY AND HYPOTHESES DEVELOPMENT

3.1 Signaling Theory

According to Connelly et al. (2011), signaling theory “provides a unique, practical and empirically testable perspective on problems [...] under conditions of imperfect information.” In the other words, when information is imperfect and asymmetric, signaling theory suggests that consumers probably base on a series of cues as product-related attributes, such as brand image, brand origin, and so on, to access product quality and evaluate product value. Many previous studies have shown that CoO image is used as an information signal for consumers to infer the quality of a brand (Shimp et al., 1993), reflecting its direct influence on consumers’ preference for a particular brand (Han, 1989). For example, existing research has found that products from Germany are associated with high level of technology, accuracy and good quality whereas those from China are associated with low cost and relatively low quality (Chuin and Mohamad, 2012; Shahzad, 2014). Thus, customers may rely on their beliefs or perceptions about a specific country to evaluate the brands originating from that country.

Similarly, in acquisition context, CoO is a salient driver of brand value when there are different CoOs between the takeover and the acquired brands (Herz and Diamantopoulos, 2017). On the other hand, the localness of local brand is also considered as an accessible information signal that conveys the emotional and social values of local brands through cultural meanings (McCracken, 1986; Ger, 1999), and affects consumers’ choice through functional and psychological values (Swodoba et al., 2012). In the following discussion, the

counter arguments between influential factors on consumers' perceived brand value will be examined further in the context of acquisition, and the resulting hypotheses development will be built upon the postulates from signaling theory.

3.2 Country of Origin Image

The construct of a CoO image has been mentioned in the literature as “the total of all descriptive, inferential and informational beliefs one has about a particular country” (Martin and Eroglu, 1993). Information of CoO can have significant influence on product evaluation and purchase intention. According to Yasin et al. (2007), a product's CoO is a major factor in brand equity that highly influences customers' perception and evaluation of a brand and brand image. To illustrate, if the country of the acquiring corporation has a good reputation for product quality, their country image becomes an important factor in persuading consumers to continue to purchase their product. As a result, this might become a challenge for the market penetration of brands from EMFs, since consumers usually have stereotypes about the poorer country image of an emerging market compared with developed markets. These stereotypes affect the perceived brand value of consumers about brands derived from particular countries. To illustrate this, positive (negative) product stereotypes result in more (less) favorable product evaluations. Products from developed countries such as Germany, Japan and the USA are usually referred to reliability and high quality, while those from newly developing nations such as China, Malaysia and the Philippines are associated with lower quality and reliability (Pecotich et al., 1996).

This can be explained by “a hierarchy of bias for products”, where the ranking of favorability is led by developed countries, followed by emerging nations and unfamiliar

nations towards consumers (Yasin et al., 2007). Likewise, regarding CoO perceptions and foreign products, consumer preferences clearly tend to be towards the origin from rich and developed countries rather than from less or under developed nations (Cordell, 1992; Sharma, 2011). The reasons for this preference bias have been explained by Heslop and Papadopoulos (1993) as “good products are seen to be produced by people who have refined taste, and are likeable, trustworthy and admirable for their role in world politics.”

In addition, prior research has shown that information on CoO can affect the overall evaluation of products (Laroche et al. 2005), perceptions in product quality (Peterson and Jolibert, 1995), classes of products (Ittersum et al., 2003), and services as well (Javalgi et al., 2001). Thus, certainly, CoO image acts as an essential information signal in consumer judgments about brand perception and evaluation among a wide range of choices. In the cross-border brand acquisition context, the favorability level of the CoO image can be considered as the determining element of whether a CoO change is perceived to be beneficial or detrimental (Herz and Diamantopoulos, 2017). Hence, it is plausible to expect that consumers’ perception of the acquiring country may have direct influence on their perceptions of a local brand after it has been acquired. More precisely, particularly with the perception of consumers in developing countries (in this case Vietnam), the more favorable the CoO of the foreign acquirer is, the higher the prestige, value and quality associations of the local acquiree. Conversely, Gao and Knight (2007) contend that even consumers from emerging nations have less positive views of brands from emerging markets. Further research has examined the assertion that “a CoO change to a country with a more positive (negative) country image can be expected to positively (negatively) affect consumers’ brand responses” (Balabanis and Diamantopoulos, 2011). In other words, when a local

brand has been taken over by a foreign company with a less favorable CoO image, there might be a negative impact on consumers' attitude to that acquired local brand due to prejudices against products/services from developing nations. Therefore, the first hypothesis is proposed in the following:

H1: A less favorable assessment of the country of origin of the acquirer leads to a lower perceived value of an acquired local brand.

3.3 Perceived Brand Localness

Perceived brand localness (PBL) can be defined as the extent to which a brand symbolizes the value, aspirations and life styles of local community and represent local culture (Steenkamp et al., 2003). To evaluate the degree of perceived localness of a brand is not just merely based on the regional availability, but importantly, that brand should have uniquely cultural components and be able to be a proud representative for local community (Dimofte et al., 2008). Especially in food and drink categories, where has a foundational role in describing local tradition and culture, PBL plays stronger role in creating superior levels of awareness, unique perceived value and cultural resources (Ger, 1999; Alden et al., 1999; Swoboda et al., 2012).

Moreover, PBL considerably affects consumers' choice and perception among brands since PBL acts as signal for local uniqueness, cultural traditions and pride in representing the local community, and so on (Özsomer, 2012), especially in the food and beverage industries where PBL can strongly reflect local tastes and life styles. Additionally, local consumers may feel a strong emotional attachment with a local brand which conveys locally symbolic meaning (Hong and Wyer, 1990), and links to their sense of national

identity and pride (Verlegh and Steenkamp, 1999). Hence, consumers may be in preference to brands with strong local connections and local responsiveness (Zambuni, 1993) and have bias towards home grown products (Shrimp and Sharma, 1987).

Furthermore, prior literature has highlighted the strong association between PBL and perceived brand value in terms of consumers' evaluation with a retailer's domestic origin based on a domestic bias (Balabanis and Diamantopoulos, 2004), due to ethnocentric tendencies (Zhou and Hui, 2003), brand ownership (Chang et al., 2015), and national identification (Verlegh, 2007). As a result, given the underlying motives of nationalism and cultural values, local consumers are likely to have high product evaluations of and preferences for domestic brands. In the context of cross-border acquisition, with a home country bias, local consumers may develop potentially negative attitudes towards the occurrence of acquisition, which in turn can have a negative impact on their perception of a post-acquisition local brand. The negative effects of perceived localness on consumers' reactions towards an acquired local brand may differ depending upon the level of perceived localness of that brand. Specifically, consumers having higher levels of PBL initially develop stronger connections and emotional attachments with a local brand than those that have lower levels. In turn, they are likely to feel more cultural threats and experience greater disappointment, leading them to evaluate more negatively the perceived value of a local brand after acquisition by a foreign firm. On the other hand, if consumers perceive lower localness, due to a weaker association with and/or lower favorable attitudes towards a local brand, they might find an acquisition by foreign company less relevant. Thus, this study hypothesizes that consumers' perceptions of the localness of a local brand may

negatively influence their responses towards that brand after its acquisition by a foreign firm.

H2: The higher the perceived brand localness of an acquiree, the lower the perceived value of the acquired local brand.

Given that consumers may have potentially negative responses towards a local brand acquired by a foreign firm from a less favored country, it is crucial to discover the possible moderating variables which may suggest EMFs should have a deeper understanding of their situation, and have an appropriate marketing strategy for their acquired brands in local markets. As discussed above, consumers with high levels of PBL tend to be reluctant about changes in the foreign possession of their local brand, and have a tendency to respond negatively towards an acquired local brand. Since the perceived value of a local brand acquired by firms from emerging markets might be lower than that from developed markets, consumers may show greater disappointment and have more suspicious perceptions about the value of their local brand after its acquisition by a foreign firm from a developing country. Thus, logically, there could be a moderation effect from the perceived localness of a local brand in the relationship between the acquirer's CoO image and the perceived brand value of an acquired local brand. In the other words, the negative association of less favorable CoO image with perceived brand value will be stronger for brands with higher perceived localness.

H3: The negative effect of less favorable country of origin of acquirer is stronger for acquired brand with high localness.

The conceptual framework for this research is demonstrated in Figure 1.

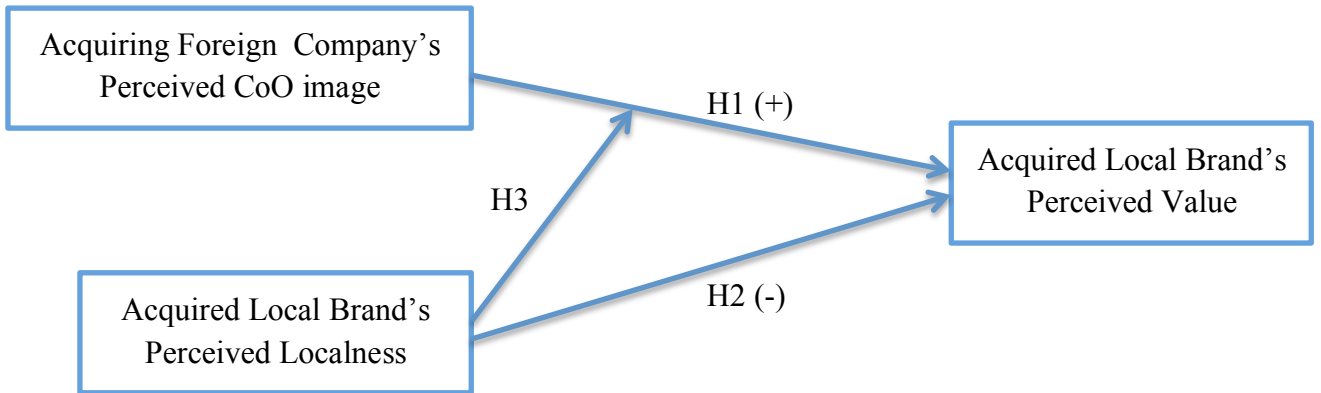


Figure 1: Conceptual Framework

CHAPTER 4: RESEARCH METHOD

4.1 Sample and procedure

In term of hypotheses testing, an experimental research which employed 2 (CoO: favorable vs. less favorable) x 2 (perceived brand localness of acquired local brand: high vs. low) factorial design was carried out online. CoO image is a manipulated variable, while both high and low PBL are measurable variables.

Regarding the choice of specific countries and brands, actual cases were used. The questionnaire was conducted to determine how CoO image affects the perceived brand value of local brands after being taken over by foreign firms; specifically, to investigate the different perceived brand value of Vietnamese consumers towards an acquisition from emerging-market firms (Philippines) and developed-market firms (USA). A scenario-based manipulation was applied with expect to reduce artificial settings in experimental research, in which the perceived CoO image and high-low levels of PBL were differentiated by employing a current real-world setting in Vietnam. To illustrate, Yum! Brands Inc. (from USA) and Jollibee Foods Corporation (from the Philippines) were expected to have favorable and less favorable CoO images respectively. Regarding PBL, since Pho24's mission is to "share the nutritious, delicious goodness of authentic Vietnamese pho, at great value prices, with fast and friendly service, to pho lovers everywhere" (Pho24, 2017), Pho24 was perceived as having high localness. In contrast, Highlands Coffee was considered to have a lower PBL because its mission is to "deliver delicious Vietnamese

coffee in a modern and comfortable environment that reflects the appeal of modern Vietnamese life” (Highlands Coffee, 2014).

For the experimental groups, the questionnaire was in two parts. The first section asked respondents for some demographic information, and their opinions about the CoO image of the acquirer (Philippines or USA), as well as their perception of the brand localness of local brands (Highlands Coffee or Pho24). In section 2, after reading a press release with the acquisition announcement of that local brand by a foreign corporation, participants were asked about their perceptions of the value of that acquired local brand based on the scenario provided. The purpose of this experimental study is to discover the difference in perceived value of a local brand with high vs. low perceived localness after being acquired by foreign company from a favorable vs. less favorable CoO. Thus, respondents who had known about the actual acquisition case would not be qualified for data analysis to ensure accuracy and consistency among groups of respondents. In the survey, there was a screening question to help exclude those respondents during the data collection process.

Besides the four experimental groups, a control group was also included in the investigation of the perceived brand value of Vietnamese consumers towards local brands before acquisition; this was then compared with experimental results to increase the reliability of those results. Regarding the control group, the questionnaire did not mention the acquisition information. Instead, respondents only needed to answer questions about perceived localness and the perceived value of local brands Highlands Coffee and Pho24.

In terms of participant selection, to safeguard the validity and generalizability of this study, it is ideal to choose a homogeneous group of subjects with high degree of control as

interviewees for this study. Hence, officers were believed relevant and appropriate for the objectives of this research. Since this white-collar segment of population is the target consumer and HCM City is the main market of mentioned food and beverage chains in Vietnam, officers working in HCM City were randomly assigned to participate in the experiment. Each experiment was based on a separate sample of officers. All the experiments were separate and self-standing studies. Thanks to the convenience and time for gathering data, online surveys were applied for data collection.

The questionnaires were written in English and back-translated by a Vietnamese native speaker to ensure consistency in survey content. To verify the understandability, validity and reliability of the questionnaire, it was pre-tested with a group of 20 officers working in the main districts in HCM City, Viet Nam. After the pilot test, by modifying the structure and removing vague factors, the questionnaires were improved and distributed widely online to participants. The presentation was standardized, except for the rotation of CoO, acquiring companies and acquired brands. The responses concerning the extent of CoO image, perceived brand localness and perceived brand value were recorded according to the set of scales allocated in the questionnaire. A total of 332 qualified respondents, including 232 responses from 4 experimental groups and 90 responses from a control group participated in the online survey during October 2017. The profile of the sample is demonstrated in Table 1.

	N	%
Gender		
Male	70	21.1
Female	262	78.9
Age		
20 – 30	254	76.5
31 – 40	68	20.5
Above 41	10	3.0
Monthly income		
Under VND 10 mil.	183	55.1
From VND 10 mil. To VND 23 mil.	119	35.8
Above VND 23 mil.	30	9.0

Table 1: Sample Profile (N=323)

4.2 Measures

There were three questions regarding the proposed constructs in the conceptual framework, particularly on the CoO image of the acquiring firm, the perceived localness of the local brand, and the perceived brand value of the acquired local brand. Based on prior literature, each measure in the study was a complete statement and assessed using six-point Likert-type scales (1 = “strongly disagree”, and 6 = “strongly agree”), which required participants to indicate how strongly they agreed or disagreed with each statement. The multiple-item measures used in the questionnaire were adopted and modified from a variety of sources. Firstly, the perception of country image (Philippines vs. USA) was measured with three items patterned after Wang et al. (2012). These items were averaged to form a CoO image ($\alpha = 0.91$). Another independent variable - perceived brand localness in high vs. low level was measured with total three items adapted from Steenkamp et al. (2003). Responses to these three items were combined into one scale ($\alpha = 0.93$).

Regarding perceived brand value as a dependent variable, a multiple-item scale to access consumer perceptions of brand value was developed with four dimensions: emotional, social, quality and price value (Sweeney and Soutar, 2001; Akdeniz and Kara, 2014). Responses for all six items were averaged to create an index of perceived brand value ($\alpha = 0.92$). Based on Cronbach's Alpha Reliability Analysis results, the values of all factors were greater than 0.91, indicating the validity and accuracy of measurement of the analysis. Full measurement details for all constructs are shown in Table 2.

Construct	Statements
Perceived Country-of-origin Image (Wang et al., 2012) ($\alpha = 0.91$)	1. Product / service from this country is good in quality. 2. Product/ service from this country is reliable. 3. I have good impression about products/ service from this country.
Perceived Brand Localness (Steenkamp al., 2003) ($\alpha = 0.93$)	1. I associate this retail brand with things that are "Vietnamese". 2. To me, this retail brand represents what "Vietnam" is about. 3. To me, this retail brand is a very good symbol of "Vietnam".
Perceived Brand Value (Akdeniz & Kara, 2014; Sweeney & Soutar, 2001) ($\alpha = 0.92$)	1. Visiting this retailer is one that I would enjoy. 2. Visiting this retailer would give me pleasure. 3. Visiting this retailer would help me feel acceptable. 4. Visiting this retailer would create good impression to others. 5. This retailer offer consistent quality. 6. This retailer is reasonably priced.

Table 2: The Construct Measurement

CHAPTER 5: DATA ANALYSIS

5.1 Manipulation checks

Since to figure out the effects of CoO image cues was one of the main objectives of this study, a manipulation check was conducted to investigate the validity of the manipulated CoO image variable (USA vs. Philippines). The results showed that the CoO image of the USA is significantly more favorable than that of the Philippines ($M_{USA} = 4.81$, $M_{Philippines} = 3.63$; $t(229) = -10.33$, $p < 0.001$). Regarding perceived brand localness, a similar manipulation check was also employed. As expected, participants in the Pho24 brand condition reported higher level of perceived localness ($M_{Pho24} = 4.15$) than participants in the Highlands Coffee brand condition ($M_{Highlands} = 3.22$, $t(212) = -6.4$, $p < 0.001$). Participants correctly perceived all conditions as intended. Thus, the manipulation check of both independent variables was successful.

5.2 Hypothesis tests

Independent t-tests were applied for hypotheses testing. Hypothesis 1 predicted the perceived value of an acquired brand would be negatively affected when that an acquiring company originated from less favorable CoO. To test hypothesis 1, independent t-tests were conducted to compare means between two pairs of the experimental groups to determine how the dependent variable – perceived value of acquired local brands - was influenced by the different levels of the perceived CoO image of the acquiring firm (Table 3). Specifically, it was expected that an acquisition from a foreign company with less favorable CoO image

(ie. The Philippines) would result in lower perceived value of acquired local brand. Conversely, an acquiring firm with favorable CoO image (ie. The USA) would result in higher perceived value of brand after an acquisition.

An independent T-test between the pairs of the Pho24 brand acquired by two acquiring foreign firms revealed that the mean perceived value of an acquired local brand when the acquirer has favorable CoO image ($M_{USA-Pho24} = 3.89$, $SD = 1.014$) was significantly higher than the mean perceived brand value when the acquirer has a less favorable CoO image ($M_{Philippines-Pho24} = 3.19$, $SD = 1.081$). Furthermore, the result confirmed the significant, positive relationship between the acquirer's CoO image on the perceived value of the acquired local brand ($t(92) = 3.57$, $p = 0.0007$).

Dependent variable: perceived brand value

Experimental Groups	Mean	SD	<i>df</i>	<i>t</i>	<i>p</i>
USA _ Pho24	3.89	1.014	92	3.57	0.0007*
Philippines _ Pho24	3.19	1.081			
USA _ Highlands Coffee	4.16	0.860	136	-0.057	0.3443
Philippines _ Highlands Coffee	4.21	0.804			

* - significant at 5% level of significance

Table 3: T-test results for differences in means comparison between two pairs of the groups for hypothesis 1

On the other hand, the T-test results for another pair of the Highlands Coffee brand acquired by two acquiring foreign firms indicated no significant difference between the average perceived value of local brands acquired by the developed country (M_{USA-}

Highlands = 4.16, SD = 0.860), and that by emerging country (MPhilippines-Highlands = 4.21, SD = 0.804). Moreover, no significant difference emerged in post-acquisition perceived brand value in respect of acquired local brand with low perceived localness ($t(136) = -0.057, p > 0.1$).

To sum up, the results revealed a significant, positive association between the CoO image of acquiring firms and the perceived value of acquired local brands for the case of local brands with high localness only. In other words, in the cross-border acquisition context, the perceived value of acquired local brand is affected by the acquirer's CoO image only when consumers consider that the local brand as high localness. Thus, H1 was partially supported.

Hypothesis 2 predicted that the perceived localness of local brands would be negatively associated with the perceived value of that brand after acquisition by a foreign firm. Hence, in a similar way to the testing process of the first hypothesis, independent t-tests were conducted to compare the means between two pairs of the experimental groups to determine how the dependent variable – perceived value of acquired local brands - was influenced by the different level of perceived brand localness (Table 4). Specifically, it was expected that a local brand with higher localness (ie. Pho24) would result in a lower perceived value of the brand after acquisition by foreign firm either from the Philippines or the USA. In contrast, a local brand with lower localness (ie. Highlands Coffee) would result in higher perceived value of the brand after acquisition.

An independent T-test between the pair of two local brands acquired by the Philippines

revealed that the mean perceived value of an acquired local brand when its perceived brand localness is high ($M_{\text{Philippines-Pho24}} = 3.19$, $SD = 1.081$) is significantly lower than the mean perceived brand value when its perceived brand localness is lower ($M_{\text{Philippines-Highlands}} = 4.21$, $SD = 0.804$). In addition, the results also indicated a significant, negative relationship between perceived localness and value of local brands after acquisition by a Philippines firm ($t(110) = -5.72$, $p = 0.000$).

Similarly, the T-test results for another pair of two local brands acquired by the USA indicated that the average perceived value of an acquired local brand with higher perceived brand localness ($M_{\text{USA-Pho24}} = 3.89$, $SD = 1.014$) was slightly lower than one with lower perceived brand localness ($M_{\text{USA-Highlands}} = 4.16$, $SD = 0.860$). Also, the results showed a negative relationship between perceived localness and value of local brands after an acquisition from USA firm ($t(118) = -1.42$, $p = 0.079$).

Dependent variable: perceived brand value

Experimental Groups	Mean	SD	<i>df</i>	<i>t</i>	<i>p</i>
Philippines _ Highlands Coffee	4.21	0.804	<i>110</i>	<i>-5.72</i>	<i>0.000*</i>
Philippines _ Pho24	3.19	1.081			
USA _ Highlands Coffee	4.16	0.860	<i>118</i>	<i>-1.42</i>	<i>0.079**</i>
USA _ Pho24	3.89	1.014			

* - significant at 5% level of significance ** - significant at 10% level of significance

Table 4: T-test results for differences in means comparison between two pairs of the groups hypothesis 2

To sum up, although the negative relationship in the Philippines case was demonstrated more clearly and was more significant than that in the USA case, both results indicated a negative association between perceived localness and value of local brands after acquisition by foreign firms. In the other words, as expected, the higher PBL of acquirees leads to a lower perceived value of acquired local brands. Hence, H2 was supported.

Hypothesis 3 predicted the negative effect of the less favorable CoO image of an acquirer would be stronger for an acquired local brand with high localness. Hence, it was expected that the perceived value of an acquired brand would have the lowest value when that local brand was perceived as having high localness and acquired by a foreign firm from a less favorable CoO. Specifically, to test hypothesis 3, the perceived value of Pho24 acquired by the Philippines was expected to have a lower value compared with other pairs in the experimental groups. The previous t-test results compared the perceived value of Pho24 between experimental pairs as follows:

$$(1) M_{\text{Philippines-Pho24}} = 3.19 < M_{\text{USA-Pho24}} = 3.89$$

$$(t(92) = 3.57, p = 0.0007)$$

$$(2) M_{\text{Philippines-Pho24}} = 3.19 < M_{\text{Philippines-Highlands}} = 4.21$$

$$(t(110) = -5.72, p = 0.000)$$

Obviously, as expected, the value of acquired local brand would be depreciated after an acquisition by a foreign firm from a less favorable CoO, especially when that local brand had high perceived localness. In the other words, the perceived localness had an interaction effect on the relationship between an acquirer's CoO image, and the perceived value of an acquired local brand. Hence, H3 was supported.

5.3 Compare results of control and experimental groups

For a deeper understanding about the CoO image effects on consumer perceived brand value, it is interesting to determine how significant the differences in perceived value of local brands between pre-acquisition and post-acquisition context were. Thus, further independent T-tests were conducted to compare the means of the perceived value of local brands between the control group and experimental groups (Table 5). The control group was those who did not know about the acquisition information, compared with the experimental groups that knew about the acquisition.

Regarding the perceived value of local brands with high localness, the t-test results indicated a significant, positive relationship between a favorable CoO image of the acquirer and perceived brand value ($t(96) = 2.72, p = 0.008$). By contrast, when an acquiring company had a less favorable CoO, the perceived value of post-acquisition brand ($M_{\text{Philippines-Pho24}} = 3.19$) was slightly lower than that of the pre-acquisition brand ($M_{\text{Ctr_Pho24}} = 3.32$). However, this difference was not statistically significant in the cross-border context ($t(94) = -0.61, p > 0.1$).

Dependent variable: perceived brand value

Groups	Mean	SD	<i>df</i>	<i>t</i>	<i>p</i>
Ctr_ Pho24	3.32	1.026	94	-0.61	0.543
Philippines_ Pho24	3.19	1.081			
Ctr_ Pho24	3.32	1.026	96	2.72	0.008*
USA_ Pho24	3.89	1.014			

* - significant at 5% level of significance

Table 5: T-test results for differences in means comparison between two pairs of the groups in control and experimental groups of high localness brand

To sum up, regarding local brand with high perceived localness, perceived brand value is differentially affected by the extent to which the CoO image of acquiring foreign firms is perceived. These interactions are illustrated in Figure 2.

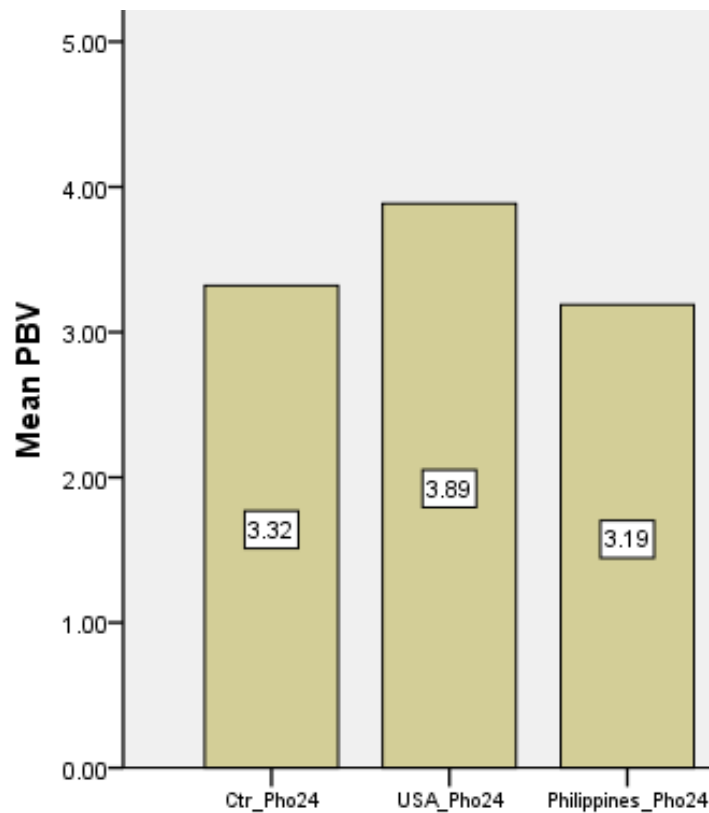


Figure 2: Results of perceived brand value of high localness brand in control and experimental groups

On the other hand, in terms of the perceived value of local brands with lower localness, the t-test results revealed no significant difference ($p > 0.1$) among the control and experimental groups. Table 6 and figure 3 provide the results in detail, indicating that the fact of acquisition did not affect significantly the perceived value of the local brand.

Dependent variable: perceived brand value

Groups	Mean	SD	<i>df</i>	<i>t</i>	<i>p</i>
Ctr _ Highlands	4.09	0.897	114	0.794	0.429
Philippines _ Highlands	4.21	0.789			
Ctr _ Highlands	4.09	0.897	120	0.344	0.732
USA _ Highlands	4.15	0.872			

Table 6: T-test results for differences in means comparison between two pairs of the groups in control and experimental groups of low localness brand

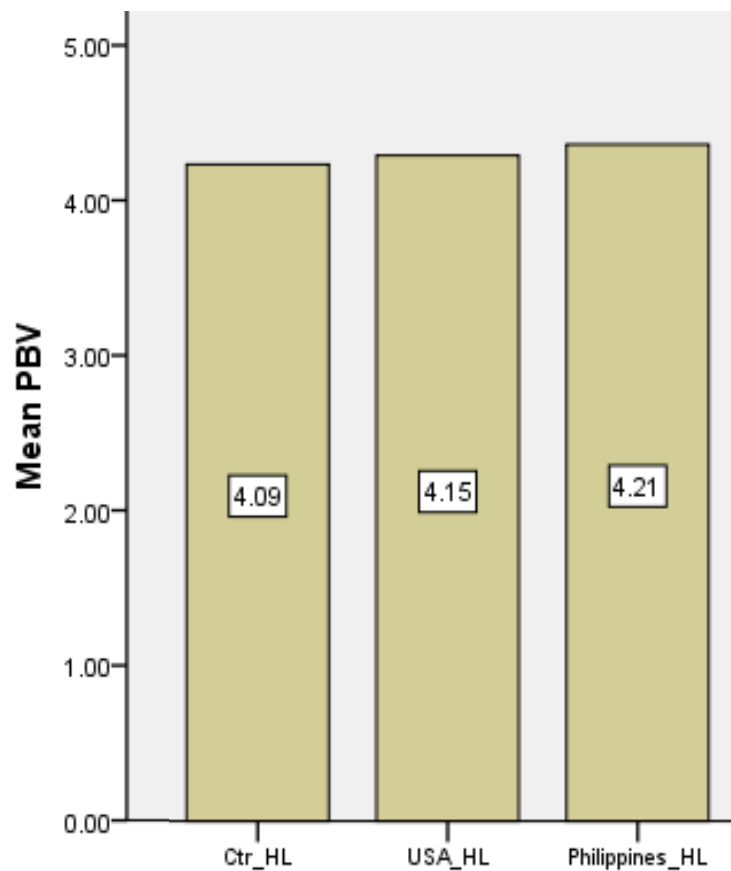


Figure 3: Results of perceived brand value of low localness brand in control and experimental groups

CHAPTER 6: CONCLUSION & IMPLICATIONS

6.1 Discussion

Main outcomes are discussed by reflecting research objectives and underpinning signaling theory regarding the effects of CoO image. The findings have some theoretical implications which contribute to literature of CoO effects in acquisition context. By adopting signaling theory, this study sheds light on the crucial role of the acquirer's CoO image and how it affects consumer responses to local brands after an acquisition. In particular, and in contrast to prior research about consumer preferences towards favorable CoO due to a hierarchy of bias (Cordell, 1992; Sharma, 2011; Yasin et al., 2007), CoO cues are generally positively associated with consumer evaluations.

Nevertheless, in this study, this **positive association is only found when the local acquired brand is perceived as having high localness**. In the other words, in the given context, the impact of the acquirer's CoO image on the perceived value of the local acquired brand is only effective when that local brand has high localness. Furthermore, the findings of this research assert that perceived localness moderates the relationship between CoO image and perceived value. Specifically, the negative effect of a less favorable CoO image of acquirer is stronger for an acquired local brand with high localness. Based on these findings, the current research suggests that consumers have a tendency to rely more on CoO effects when evaluating an acquired local brand having high localness.

Meanwhile, through the comparison among control and experimental groups, the results again emphasize the **moderating effect of high localness on an acquirer's CoO image and the perception of the acquired local brand**. Specifically, consumers perceive a local brand with higher levels of localness, which in turn translates into positive responses to that brand after acquisition by a foreign firm from a favorable CoO. On the other hand, although there was no statistical significance in the case of the acquiring firm from a less favorable CoO, the negative responses to a local acquired brand with high localness should be of concern. It is possible that the difference could be more profound, and the value of the consumer response could be more observable in accordance with the stronger impact of the higher perceived localness of a local acquiree, or the lower perceived CoO image of a foreign acquirer. To illustrate, if the local acquired brand has much higher perceived localness or the foreign acquiring company has a severely poor CoO image, there may possibly be a significant difference in consumers' response towards brand value after acquisition.

In addition, this study found a **negative association between perceived localness and value of local brands after an acquisition by foreign firms**. This result supports prior findings about the strong relationship between perceived brand localness and consumer evaluations, and the reference based on home country bias (Balabanis and Diamantopoulos, 2004). More specifically, in the Vietnamese consumers' perceptions, the higher the localness of a local brand, the lower the value of that brand will be after an acquisition by a foreign firm. Interestingly, this negative association is more significant when an acquirer is from an EMF, and less significant when an acquirer is from developed country. This

finding indicates that a favorable CoO image can help alleviate the negative association between high perceived localness and perceived brand value in the oversea acquisition context.

6.2 Managerial Implications

In terms of practical implications, this research can help acquiring companies realize the influence of CoO image, and understand the potential impact of perceived brand localness on the value perceptions of an acquired brand. It is extremely important for global marketing managers to deeply understand the mutual effects of CoO image and perceived brand localness on consumers' responses toward an acquired local brand in both particular and specific contexts. To illustrate, regarding to the results illustrated in Figure 2, a company from a favorable CoO who acquires a local brand with high localness is highly recommended to "say it out loud" in order to gain more value from the existing equity of that local brand. In contrast, there is insufficient statistical evidence to prove the negative impact of consumer perceptions about the acquisition of a brand by less favorable CoO; thus, the exposition of acquisition information may or may not harm that company. However, EMFs need to give this careful consideration in their branding strategies, since the negative impact could be true if the acquired local brand has high localness. In fact, many companies choose to de-emphasize the ownership change to avoid possible negative responses from consumers in cross-border brand acquisitions.

In terms of an acquired local brand with low perceived localness, the findings of this study do not clearly indicate a significant impact from an acquirer's CoO image on consumers' attitudes. In the other words, when consumers perceive an acquired local brand

as having low localness, their responses are not affected by the CoO image of the acquiring company. This might be considered as a good opportunity for EMFs to expand globally into other emerging countries, where EMFs might have less concerns about their marketing communications to de-emphasize or conceal the origin of their brand. Hence, choosing a local brand with low perceived localness for acquisition could be a better decision and appropriate strategy for EMFs to successfully go global.

In the international business context, the less favorable CoO of EMFs could be their inherent vulnerability due to the unfavorable stereotypes of consumers about brands originating from emerging countries. Notwithstanding, thanks to technological advances, sophisticated marketing strategies, along with changes in personal lifestyles and demands, these perceptions may change over time (Chuin and Mohamad, 2012). For example, the Korean manufacturer Lucky Goldstar successfully transformed its brand LG into a well-known electronic home appliances brand. Hence, marketers should more concentrate on developing product attributes and offering more benefits for consumers. Moreover, by adapting signaling theory in advertising and marketing communication strategies, marketers can change the skepticism of consumers about brand origin, and positively influence their post-acquisition brand attitudes (Dunham, 2011). Furthermore, previous research has pointed out an interesting finding which may help “one thought to emerge in a comprehensive manner – that a well-known global brand will override the CoO effect” (Thakor and Pacheco, 1997; Tiwari, 2016). For example, Lenovo, a Chinese multinational/USA technology company with its well-known acquisitions of IBM and Motorola Mobility, marketed itself successfully in the merge and acquisitions context.

Hence, for huge international EMFs, should take advantage of their global brands to overcome the negative CoO effects, and focus on marketing communications to leverage the new brand globally.

6.3 Limitations and Future Research

This study was limited in scope of data collection since the questionnaire was only distributed to white-collar workers in office buildings in HCMC, Vietnam. Although this sample was selected based on their common characteristics as target consumers of the firms mentioned in the survey, this limited scope might somewhat influence the generalization and validity of research. Hence, the finding from this study, despite of its internal validity, might not be representative of the entire population. Therefore, the replication the findings of this study by broadening the database and exploring in other emerging countries would mitigate these limitations, and enhance the ability to generalize the research.

Furthermore, the experimental design includes no other informational cues other than CoO image, perceived brand localness and perceived brand value, while many other influential factors such as product involvement, perceived brand globalization, consumer expertise, and so on, may produce different consumer attitudes and responses toward an acquired local brand. Hence, to investigate the moderating role of these factors could be another potential avenue for future study. Moreover, in this study, the findings indicate that the less favorable CoO images of an acquiring company from emerging countries do have a negative impact on consumer perceptions about the value of acquired local brands. Hence, in future research it is necessary to ascertain how to eliminate these negative effects.

Finally, the current research covered only a single industry – food and beverage – engaged in services marketing. In future, it would be interesting to replicate this study in other service industries such as hospitality or banking to compare and contrast the results, and to gain new conclusions which can contribute more deeply to the literature of CoO effects.

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APPENDICES

APPENDIX 1: Sample Questionnaire for One of Four Experimental Groups

(Acquirer’s favorable CoO image: USA & Acquiree’s high localness brand: Pho24)

PART 1:

Q1. Age: _____

Q2. Gender: _____

Q3. Monthly income (VND)

Under VND 10 mil From VND 10 mil. to VND 23 mil. Above VND 23 mil.

Q4. Perceived Country of Origin Image

Please rate how strongly do you agree or disagree with each of the following statements regarding products and services originated from USA

	Strongly Disagree	Disagree	Slightly Disagree	Slightly Agree	Agree	Strongly Agree
Products & services from USA is good in quality						
Products & services from USA is reliable						
I have good impression about products / services from USA						

Q5. Perceived Brand Localness:

Please rate how strongly do you agree or disagree with each of the following statements regarding the brand of Pho24

	Strongly Disagree	Disagree	Slightly Disagree	Slightly Agree	Agree	Strongly Agree
I associate Pho24 chain with things that are “Vietnamese”						
To me, Pho24 chain represent what “Vietnam” is about						
To me, Pho24 chain is a very good symbol of “Vietnam”						

Q6. How often have you visited / eaten at Pho24?

- Regularly
- Occasionally
- Rarely
- Never

Q7. Do you know that Pho24 chain was acquired?

- Yes
- No

Q8. Do you know about Yum! Brands Inc. ?

- Yes
- No

PART 2:

Before starting the questions below, kindly read the following press release from Pho24 about being acquired by a foreign corporation.

*Founded in 2003, **Pho24** was known as the first professional Pho chain in Vietnam and one of the first Vietnamese brands to successfully enter foreign markets such as Cambodia, Indonesia, Australia, etc. Pho24's mission is to share the nutritious, delicious goodness of authentic Vietnamese pho, at great value prices, with fast and friendly service, to pho lovers everywhere.*

*Pho24 has been acquired by **Yum! Brands, Inc.**, an America-based company engaged in the development, operation and franchising of quick-service restaurants. It possesses thousands F&B chains doing business in Asia, America and Europe such as KFC, Pizza Hut and Taco Bell.*



Q9. Perceived Brand Value:

Now, Pho24 has been acquired by Yum! Brands, Inc., please rate how strongly do you agree or disagree with each of the following statements regarding the brand value of Pho24

	Strongly Disagree	Disagree	Slightly Disagree	Slightly Agree	Agree	Strongly Agree
Visiting Pho24 is one that I would enjoy						
Visiting Pho24 would give me pleasure						
Visiting Pho24 would help me feel acceptable						
I think visiting Pho24 would make good impression on other people						
To me, Pho24 offers consistent quality						
To me, Pho24 is reasonably priced						

APPENDIX 2: Manipulation of brand acquisition information in stimulus press

release sample for four experimental groups

Group 1: USA – Pho24

(Acquirer's favorable CoO image – Acquiree's high perceived localness)

Founded in 2003, **Pho24** was known as the first professional Pho chain in Vietnam and one of the first Vietnamese brands to successfully enter foreign markets such as Cambodia, Indonesia, Australia, etc. Pho24's mission is to share the nutritious, delicious goodness of authentic Vietnamese pho, at great value prices, with fast and friendly service, to pho lovers everywhere.

Pho24 has been acquired by **Yum! Brands, Inc.**, an America-based company engaged in the development, operation and franchising of quick-service restaurants. It possesses thousands F&B chains doing business in Asia, America and Europe such as KFC, Pizza Hut and Taco Bell.



Group 2: Philippines – Pho24

(Acquirer's less favorable CoO image – Acquiree's high perceived localness)

Founded in 2003, **Pho24** was known as the first professional Pho chain in Vietnam and one of the first Vietnamese brands to successfully enter foreign markets such as Cambodia, Indonesia, Australia, etc. Pho24's mission is to share the nutritious, delicious goodness of authentic Vietnamese pho, at great value prices, with fast and friendly service, to pho lovers everywhere.

Pho24 has been acquired by **Jollibee Foods Corporation**, A Philippine-based company engaged in the development, operation and franchising of quick-service restaurants. It possesses thousands F&B chains doing business in Asia, America and Europe such as Jollibee, Burger King (Philippines), Red Ribbon, Yonghe King, Chowking, and so on.



Group 3: USA – Highlands Coffee

(Acquirer's favorable CoO image – Acquiree's low perceived localness)

Originating as a packaged coffee business, in Hanoi, in 2000, **Highlands Coffee** have quickly grown and become the second largest coffee chain in Vietnam and started to expand its business abroad. Highlands Coffee's mission is to deliver delicious Vietnamese coffee in a modern and comfortable environment that reflects the appeal of modern Vietnamese life.

Highlands Coffee has been acquired by **Yum! Brands, Inc.**, an America-based company engaged in the development, operation and franchising of quick-service restaurants. It possesses thousands F&B chains doing business in Asia, America and Europe such as KFC, Pizza Hut and Taco Bell.



Group 4: Philippines – Highlands Coffee

(Acquirer's less favorable CoO image – Acquiree's low perceived localness)

Originating as a packaged coffee business, in Hanoi, in 2000, **Highlands Coffee** have quickly grown and become the second largest coffee chain in Vietnam and started to expand its business abroad. Highlands Coffee's mission is to deliver delicious Vietnamese coffee in a modern and comfortable environment that reflects the appeal of modern Vietnamese life.

Highlands Coffee has been acquired by **Jollibee Foods Corporation**, A Philippine-based company engaged in the development, operation and franchising of quick-service restaurants. It possesses thousands F&B chains doing business in Asia, America and Europe such as Jollibee, Burger King (Philippines), Red Ribbon, Yonghe King, Chowking, etc.



APPENDIX 3: Questionnaire for Control Group

PART 1:

Q1. Age: _____

Q2. Gender: _____

Q3. Monthly income (VND)

Under VND 10 mil. From VND 10 mil. To VND 23 mil. Above VND 23 mil.

PART 2:

Q4. Perceived Brand Localness:

Please rate how strongly do you agree or disagree with each of the following statements regarding the brand of Pho24

	Strongly Disagree	Disagree	Slightly Disagree	Slightly Agree	Agree	Strongly Agree
I associate Pho24 chain with things that are “Vietnamese”						
To me, Pho24 chain represent what “Vietnam” is about						
To me, Pho24 chain is a very good symbol of “Vietnam”						

Q5. How often have you visited / eaten at Pho24?

- Regularly
- Occasionally
- Rarely
- Never

Q6. Perceived Brand Value:

Please rate how strongly do you agree or disagree with each of the following statements regarding the brand value of Pho24

	Strongly Disagree	Disagree	Slightly Disagree	Slightly Agree	Agree	Strongly Agree
Visiting Pho24 is one that I would enjoy						
Visiting Pho24 would give me pleasure						
Visiting Pho24 would help me feel acceptable						
I think visiting Pho24 would make good impression on other people						
To me, Pho24 offers consistent quality						
To me, Pho24 is reasonably priced						

Q7. Do you know that Pho24 chain was acquired?

- Yes
- No

PART 3:

Q8. Perceived Brand Localness:

Please rate how strongly do you agree or disagree with each of the following statements regarding the brand of Highlands Coffee:

	Strongly Disagree	Disagree	Slightly Disagree	Slightly Agree	Agree	Strongly Agree
I associate Highlands Coffee chain with things that are “Vietnamese”						
To me, Highlands Coffee chain represents what “Vietnam” is about						
To me, Highlands Coffee chain is a very good symbol of “Vietnam”						

Q9. How often have you visited Highlands Coffee?

- Regularly
- Occasionally
- Rarely
- Never

Q10. Perceived Brand Value:

Please rate how strongly do you agree or disagree with each of the following statements regarding the brand value of Highlands Coffee:

	Strongly Disagree	Disagree	Slightly Disagree	Slightly Agree	Agree	Strongly Agree
Visiting Highlands Coffee is one that I would enjoy						
Visiting Highlands Coffee would give me pleasure						
Visiting Highlands Coffee would help me feel acceptable						
I think visiting Highlands Coffee would make good impression on other people						
To me, Highlands Coffee offers consistent quality						
To me, Highlands Coffee is reasonably priced						

Q11. Do you know that Highlands Coffee chain was acquired?

Yes

No