Passnotes
Best Practice in PR and Marketing

The Henley Group International

All Together Now:
Rebranding after a merger or acquisition

Whether it's the result of a merger, acquisition or a strategic re-launch, rebranding an organisation is a demanding undertaking that places PR and marketing departments under considerable pressure.

If they don't get it right, customers may be lost in the transition between the old and new brands. Sales channels could lack the collaterals they rely on, while employees may become demotivated and lack focus.

WHY DEALS ARE DRIVING REBRANDING

Merger and acquisition (M&A) activity is at its highest level since 2007, as businesses take advantage of an advantageous financial climate to buy up competitors, boost growth, and provide greater return to shareholders.

According to Mergermarket, there were 3,230 billion USD of global mergers and acquisitions in 2014; the third highest annual total since 2001. This equates to an increase of 44.7% over 2013, and near the previous high seen in 2007.

The blistering pace of M&A activity looks set to continue. As William Vereker, head of Europe, Middle East and Africa investment banking at UBS notes, "In an environment where costs have already been reduced and companies are struggling to find growth, M&A is a way to drive greater revenues. Boards and executives are increasingly confident and shareholders have been supportive." [1]

Yet while no M&A is complete without talk of strategic fit, synergies and cost-savings, many of these mergers end up destroying rather than creating value for shareholders.

Indeed, studies have suggested that anywhere between 70% and 90% of all mergers and acquisitions fail.[2] Another study suggests that "customers remain 'significantly less satisfied' up to two years after completion of an acquisition." [3]

One reason given for why mergers or acquisitions fail is the "short shrift" [4] that senior executives often give to an essential, yet overlooked part of the M&A process: the branding of the new organisation.

As Richard Ettenson and Jonathan Knowles note in their paper Merging the Brands and Branding the Merger, without a solid brand platform "company integration will often be mismanaged, and communications to key constituencies will necessary suffer." [5] In the worst cases, say the authors:

> *"The relationships between the two organisations becomes contentious, promised synergies remain elusive, employees become distrustful and disgruntled, and customers grow cynical and dissatisfied."*

For marketers, a merger and acquisition therefore provides an important test. Failure to establish a new brand and to communicate its worth to internal and external audiences could have massive repercussions on the organisation as a whole.

While this paper doesn't claim to be an exhaustive study of the topic, it aims to provide PR and marketing professionals with practical tips on negotiating the path from an old brand, to a new one.

TIP 1: UNDERSTAND THE BASIS OF THE REBRANDING

For their paper, Ettenson and Knowles studied all mergers and acquisitions completed between 1995 and 2005 with a value of over 250 million USD.

They found that branding strategy was a low priority for the majority of organisations during M&A negotiations, while simple expediency was the main influence on the choice of name for the new organisation.

They grouped these mergers and acquisitions into four main categories, based on the decisions made when faced with the rebranding of their organisations.

Each category has a number of permutations, and the authors cite different strengths and weaknesses:

Backing the Stronger Horse (55% of those surveyed). In this scenario, the new organisation takes the visual identity of the acquirer – or the target, if it has the stronger brand.

Best of Both (13%) – the new organisation combines the visual identity of the lead and target companies.

Different In Kind (8%) – an entirely new corporate identity is created for the organisation.

Business As Usual (24%) – the lead and target brands continue to exist independently.

As a first step, marketers faced with rebranding after M&A need to understand which category they fit into, as each presents distinct benefits and challenges from a communications perspective.

For example, an organisation that acquires a business and folds the purchased brand into its own sends a strong message to financial markets, but risks losing customers that were familiar with the older brand, and may feel aggrieved that they have been forced to switch.

Equally, the disappearance of the former brand may foster the perception that there is a 'winner' or 'loser' amongst the two parties, which may make it harder to inspire internal audiences.

The categories, their permutations, and the benefits and challenges that apply to each are considered in detail in Merging the Brands and Branding the Merger, which can be found at: **http://sloanreview.mit.edu/article/speaking-in-tongues/**

TIP 2: IDENTIFY AND SEGMENT AUDIENCES

It's up to marketing and communications to ensure that customers are not lost en route to the new brand, that internal audiences are kept fully informed and motivated, and that the media is made aware of the new brand and its values.

To do this, a detailed consideration of the many audiences that need to be addressed is important.

The customer base should be segmented to identify any overlap between the two organisations; for example, identifying any clashes in sales territories or duplication in products and services provided.

Key audiences, including major customers or geographic markets that require specific attention, should be identified - and tailored messages then developed for use with each.

> *Of course, an overall message that explains the reasoning behind the rebranding (and the purpose of any merger or acquisition that necessitates it), remains essential. This also needs to capture the values of the new brand. But the way that this is communicated, and any nuance that must be separately applied, should be dictated by the segment of the audience being targeted.*

TIP 3: WORK TO A TIMEFRAME - BUT REMAIN FLEXIBLE

If there's one certainty about mergers and acquisitions, it's that deadlines come... and go. The due diligence process has become protracted as businesses must open up massive amounts of data and complex systems to the scrutiny of potential buyers and partners.

Regardless, a detailed timetable that plans activity up to the point of completion - and beyond that date - is essential.

Dates may slip, so flexibility must be built into the schedule from the outset; but a proper consideration of the time required to undertake crucial rebranding activity is best made when plotted against a timeline.

Of course, if the old brand can be used for a certain time after completion, then this needs to be worked into the timeline as a secondary waypoint.

When placing activity on the timeline, it's important to be realistic. Websites, printed collaterals, document and forms may take many months to develop. Prioritisation may be necessary, and this will help allocate any resources, tools and investment required.

TIP 4: MAINTAIN A MARKET PRESENCE

It might be tempting to 'go quiet' while a merger or acquisition is under way, holding product launches back until after the completion date, for instance, or toning down PR and advertising until completion.

Such a temptation should be avoided, however, as it's essential that the sales channel remains supported and that customers contimue to be nurtured.

It's important that marketing budget is not wasted on activities or collateral that will be superfluous after completion, of course, but a balance must be struck: it's easier to establish a new brand from a healthy market position than from the sidelines.

Equally, if the new organisation is to combine elements of the old brand going forward, or the former brand will be used for a while to ensure a smooth transition, then PR, marketing and advertising activity up until the very day of completion is an investment in the future success of the new brand.

TIP 5: BE REALISTIC, AND ASSESS PROGRESS

The inevitable delays in the M&A process can make it hard to co-ordinate the PR, marketing and advertising activity that must support the rebranding process.

> *So, if the challenges of rebranding following a merger or acquisition may seem overwhelming, take comfort from the fact that the rebranding of an organisation takes time.*

Marketers should set short, medium and long term goals around the rebranding, with metrics to establish progress against objectives. Goals need to extend beyond completion itself, and allow for the evolution of the new brand over time.

The voice of the customer, feedback from sales channels and employee responses can all be employed to provide a valuable indication of how the transition to the new brand is going.

REBRANDING THE TRANSFORMATIONAL ACQUISITION

A final word must go to the growing importance of the so-called ‘transformational acquisition’.

These transactions allow organisations to expand into entirely new markets, supply them with access to new channels, or bring new products and exclusive processes.

This type of transaction is on the increase and, between 2010 and 2014, went from representing 29% to 44% of large acquisitions by Fortune 1000 companies. They are now the most frequent, large transaction. [6]

Crucially, they rely on successful integration in order to succeed, and this places additional emphasis on the successful rebranding of the resulting organisation.

Furthermore, as these transactions seek to establish businesses in new markets where awareness of the lead organisation may be low, the need to establish a solid foundation for the new brand is paramount.

In these types of acquisition, its is important that the purpose of the acquisition is fully and successfully communicated to all stakeholders in order that full value may be obtained from the transaction. However, the lead organisation’s lack of familiarity with the new market, channels or products that it finds itself with can make this even more difficult.

References:

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3. Emily Thornton, Michael Arndt, Joseph Weber, “Why Consumers Hate Mergers”, *Businessweek*, 4th December 2004
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5. Ibid.
6. Gregg Nahass, “Deals That Transform Companies”, *strategy+business*, Summer 2014