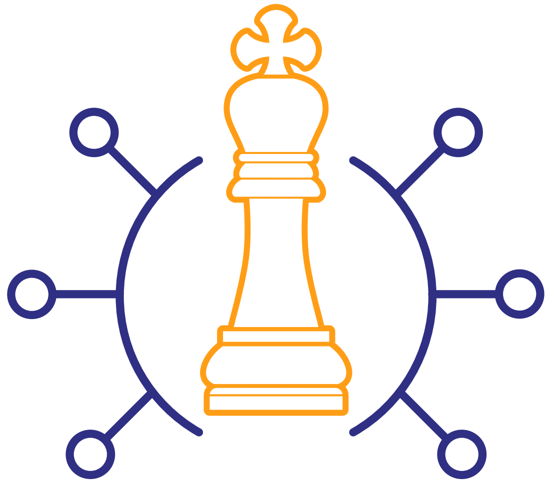
FINCH®
BRANDS

M&A

MERGERS & ACQUISITIONS

THE BRAND IDENTITY CHOICE

A Guide to Moving Your Brand Forward with Clarity



ALL FOR ONE *and* ONE FOR ALL

In the wake of a merger or acquisition, the decision of how to handle go-forward identity and brand architecture is a critical one. Choices made here impact how well the business thesis is realized – and send an important signal to team members, current and prospective customers, and other key stakeholders. This white paper will dive deeper into a menu of ten different M&A brand strategy options, the strengths and weaknesses of each approach, and key questions to answer as executives consider the best path forward.

Chapter 1

BRANDING BLIND:
A RECIPE FOR VALUE DESTRUCTION

Given the importance of branding in conjunction with an M&A event, one might expect that it is among the most deeply considered topics of any deal. Yet – for reasons of too much speed, divided focus, lack of executive/investor expertise, and beyond – the core brand choices often seem to be rushed and poorly planned.

This is particularly concerning when one considers the general M&A scorecard, said to include a failure rate of 70-90%. Large firms have destroyed more than $200 Billion in shareholder value through poorly conceived or executed mergers and acquisitions over 20 years.

While many factors contribute to failed M&A activity, marketplace rejection and internal lack of stakeholder engagement are two major causes – and both can be at least partially ameliorated by thoughtful brand decision-making.

The stakes are clear – to activate the full potential of M&A, investors, executives, and integration teams must prioritize and thoughtfully consider the right brand architecture. This white paper will show you how.

> ***"More value is destroyed by acquisitions than any other single action taken by companies."***
>
> –Ashwath Damodaran, NYU Stern Professor

Chapter 2

WHY BRANDING MATTERS: AN UNMISTAKABLE SIGNAL

In an M&A situation, brand strategy is a principal symbol of the business strategy – a declaration of what the world should expect from the new entity. This decision is often rushed – for obvious and understandable reasons – and it can come across as an afterthought.

Yet brand architecture – the structure of how name/logo is handled and how various brand equities fit together in the 'new world' – is all the marketplace sees at first. You may have thought deeply about operational integration, managed against a whole range of risks, and made important internal choices thoughtfully and decisively. Yet the brand choices are a powerful symbol of all that lies beneath.

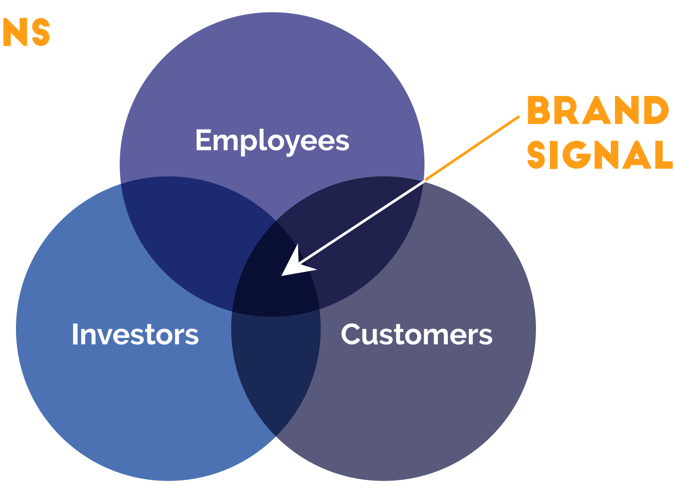
Brand architecture choices send signals to three key, distinct stakeholder groups: the customer (current and prospective), the team, and interested outsiders (investors, partners, etc.). As each group is critical to the execution of the business strategy and full activation of its potential, it is important to consider what brand choices say or don't say.

KEY BUSINESS CONSIDERATIONS FOR EACH GROUP

EMPLOYEES
Employee engagement
Employee retention/turnover
Supporting/sabotaging integration

CUSTOMERS
Staying or switching to a competitor
Recommending or badmouthing
Attracting/repelling new customers

INVESTORS
Anticipating value creation/destruction
Upgrading/downgrading ratings
Buying/selling shares



OVERARCHING QUESTIONS:
Where is the firm headed?
What's changing/staying the same?
Does the new firm value me/my interests?

1

The CUSTOMER

The nature of the customer interaction depends on the business type – but in all cases, from banking to technology to consumer packaged goods, brand choices telegraph where the company is headed, how it sees itself, which values/attributes it seeks to emphasize, and more.

In a fairly linear acquisition situation – when a company acquires a competitor – there are a whole range of customer segments to consider. Existing, happy customers of the acquiring company want to know that what they like will stay the same. They want to know that all of the operational complexities of integration won't detract from the customer focus of their partner. They want to know (and you want them to know) why the acquisition will make life better for them – new products, capabilities, etc.

That's the big picture stuff, but their questions will extend down to the day-to-day interaction. Will I be dealing with the same people I've grown to trust? Will my pricing and contract terms stay the same or change?
Brand choices either help to answer or serve to raise questions like this.

The above seems obvious, but what about customers of the acquired company – especially if the brand they chose is going away? If I researched my options and chose to work with Company A, who has just been acquired, I may have recently considered (and chose not to work with) Company B, their acquirer. The signal and impact of brand choices – as well as how all are handled – are critical here.

And what about prospective customers who are in buying mode? What about lapsed customers where win-back is the overriding objectives? There are many different customer segments in the market and brand strategy impacts them all.

2 *The* TEAM

There is a clear and present need to communicate with affected teams on the impact of M&A – often, departmental efficiencies will result in some restructuring. Yet once the structural impact is clear and team members know their individual fates, brand choices send signals about what type of company you seek to be moving forward.

This is perhaps most relevant to the team of the company that is being acquired, when the effort and energy of team members have gone into building the brand/business. They have competed hard, won/lost their share, and earned the right to be an acquisition target. The leaders that have inspired them may be gone or in different seats. Even if a job is assured, there are many different emotions to manage and questions to answer.

All of a sudden, this other entity has come in and they now have dominion over decisions related to the brand, values, culture, etc.

The brand choice is often the most important signal to team members of an acquired company because it increases or reduces trust in leadership and the direction of the company moving forward. Based on the branding decision, employees will draw conclusions about what they should expect and whether or not they want to be part of the journey ahead.

3

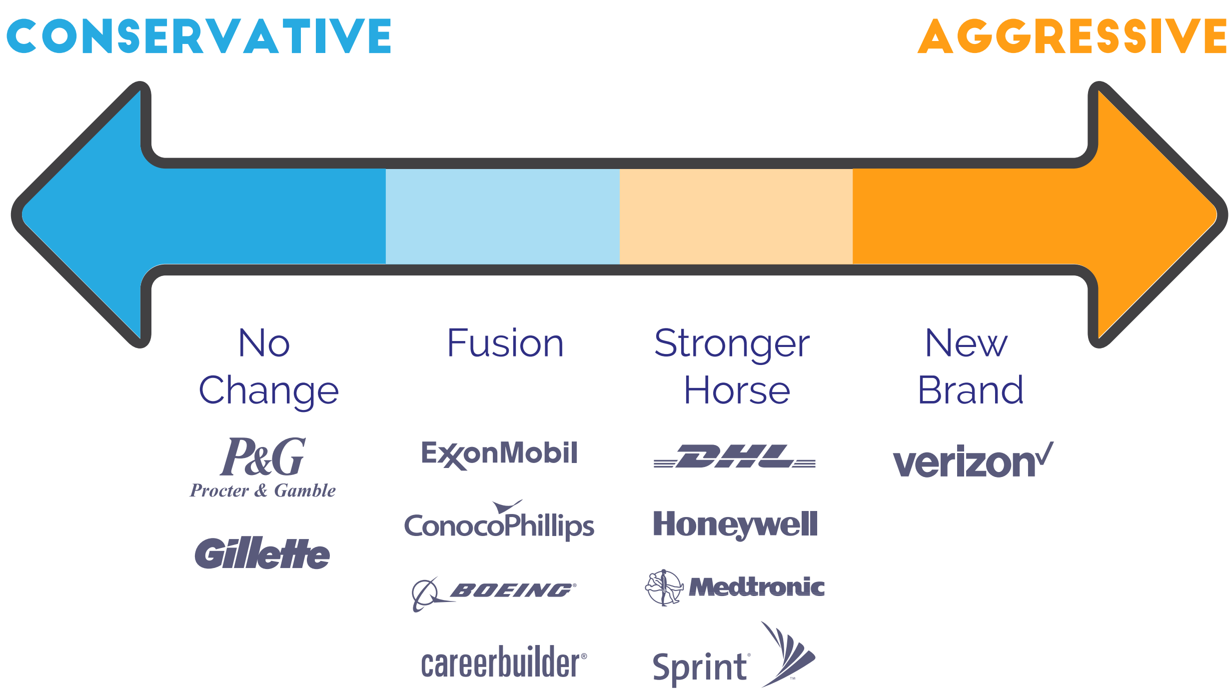
The INTERESTED OUTSIDERS

This is a diverse category that includes investors (where appropriate), partners, and other entities that occupy a place in the often-complex web of stakeholders.

These groups may not have the same emotional attachment to the brands in question, but they are watching closely for the signals brand choices send about the go-forward company and its vision for the future.

M&A BRANDING:
PREVAILING BRAND ARCHITECTURE OPTIONS

There are four prevailing brand architecture strategies for M&A branding decisions – with various options within each. The right approach is situational, based on both the business strategy and nature of existing brand equities. It is also fairly typical for a company to build a migration strategy that starts in one brand architecture style but migrates over time into another – this is often an effective way of enabling further planning and study before steady state decisions are implemented.



M&A Brand Architecture

IDENTITY OPTION SET

	Strategy	*Type*	*Description*
1	**NO CHANGE**	**NO CHANGE**	Exisiting brands continue to exist separately
2	**FUSION**	**STRAIGHT**	Combines names
		REFRESHED	Combine names with new symbol
		HYBRID	Combine mix of names and/or visual elements
		ENDORSED	Lead company endorses aquisition
3	**STRONGER HORSE**	**FORWARD**	Visual identity of lead company absorbs acquisition
		REVERSE	Visual identity of acquisition absorbs lead company
		PHASED	Temporary combo then forward Stronger Horse
		REFRESHED	Adopt name of lead company with new symbol
4	**NEW BRAND**	**NEW BRAND**	New organization creates totally new brand

Brand Architecture
NO CHANGE

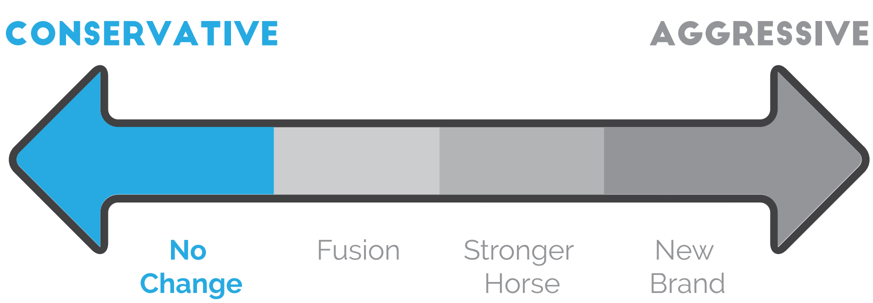
The most conservative strategy on the spectrum is making no change – the acquiring company leaves the brand of the acquired company alone. For the record, this may not mean that the acquired brand operates independently, just that the brands are expressed independently and differentiated in the marketplace.

This approach is often seen in the consumer packaged goods marketplace – with Procter & Gamble as a prime example – and makes sense when stablemate brands are positioned against one another or designed to appeal to distinct segments in the same category.

P&G Procter & Gamble
Gillette

No Change
A 'house of brands' approach that maintains distinctive sub-brands after launch or acquisition.

The No Change approach is generally best used in mature categories when the brands in question are clearly differentiated and either brand's position would undercut the other if they were overtly linked.



PROS

- All brand equity maintained
- All team members feel valued and still compete
- Signals continuity to other stakeholders

CONS

- Direction/integration may be unclear
- No positive brand equity transfer
- Operational/perceptual synergies may be unrealized

Brand Architecture
FUSION

Fusion, the second most conservative approach, involves using brand identity assets from both partners in a merger or an acquisition and integrating them into the new corporate identity. There are four primary types of fusion strategies:

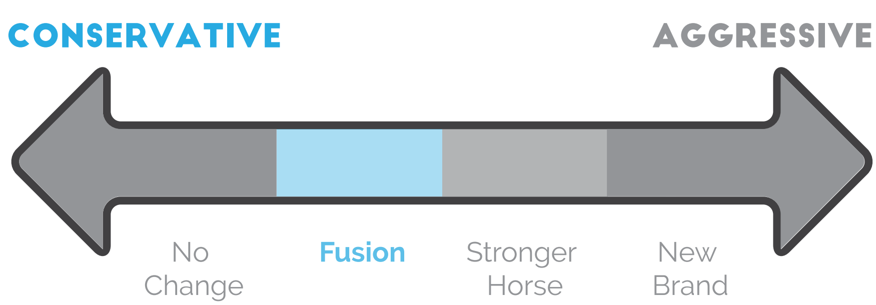
Straight Fusion
A combination of brand names such as ExxonMobil.

Refreshed Fusion
Names are combined, but there's a new visual identity, such as ConocoPhillips.

Hybrid Fusion
A combination of names or visual elements – such as after the merger of Boeing and McDonnell Douglas, in which the Boeing name and MD logo were combined.

Endorsed Fusion
The lead company endorses the acquisition in an identity lockup – such as when CareerBuilder was endorsed as 'A Gannett Company' after its acquisition.

Fusion approaches seem more geared to managing risk than activating potential. They prevent large-scale team and customer alienation, while sometimes creating clunky and uninspiring brand scenarios.



PROS

- Communicates shared future
- All team members feel valued
- Signals continuity to other stakeholders

CONS

- Direction/integration may be unclear
- Risk of blurring/conflicting equities
- Medium risk of customer alienation

Brand Architecture

STRONGER HORSE

The Stronger Horse strategy is when one brand is elevated–often the brand of the company that initiated the acquisition or the larger or more dominant brand. There are four variations.

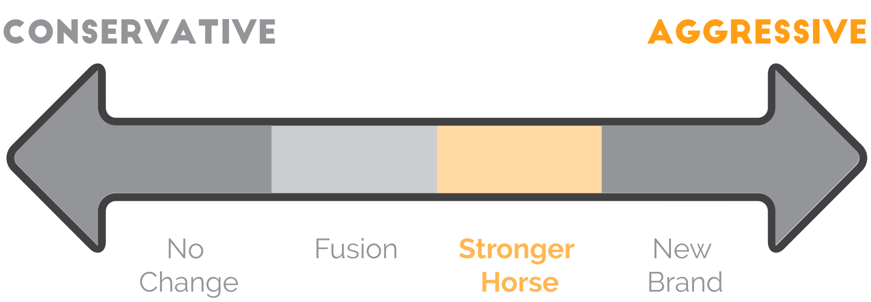
Forward Stronger Horse
Taking the brand identity of the lead company in the deal, and the other goes away – such as when DHL acquired (and retired) Airborne Express.

Reverse Stronger Horse
The acquired brand, which may be much smaller, absorbs the lead company – such as when Allied Signal acquired Honeywell but used the latter identity.

Phased Stronger Horse
A temporary combination of brand assets with a migration strategy that ends up with one name elevated – Medtronic merged with Midas Rex and combined the names before becoming simply Medtronic.

Refreshed Stronger Horse
Adopting the name of the lead company and developing a visual approach to reflect some newness – Sprint acquired Nextel and kept the name with a new visual identity.

Stronger Horse benefits include simplicity and clarity. The risks are related to brand equity and customer relationship destruction. This approach requires significant communication to reassure the team and marketplace that something is gained while something is lost.



PROS

- Strong and clear communication
- Clout, prestige for incoming staff
- Efficient process/controlled costs

CONS

- Winner/loser perception
- Discards brand equity and goodwill
- High risk of customer alienation

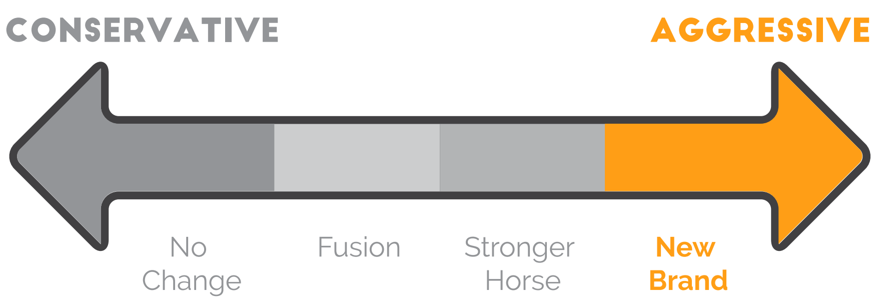
Brand Architecture
NEW BRAND

The most aggressive option is to develop an entirely new brand. This approach is usually most appropriate in categories undergoing an extreme level of transformation.

New Brand

GTE and Bell Atlantic, two old line phone companies, merged at a moment when telecom was moving strongly into mobile. In order to signal that there was something new and exciting happening not only in the world of telecom but within their organization as well, they created a new brand, Verizon.

A New Brand is costly, time-consuming, and very risky as it relates to protecting brand equity and customer relationships. The upside, however, is real – the ability to create something that is perceptually new and innovatinve in a changing world.



PROS

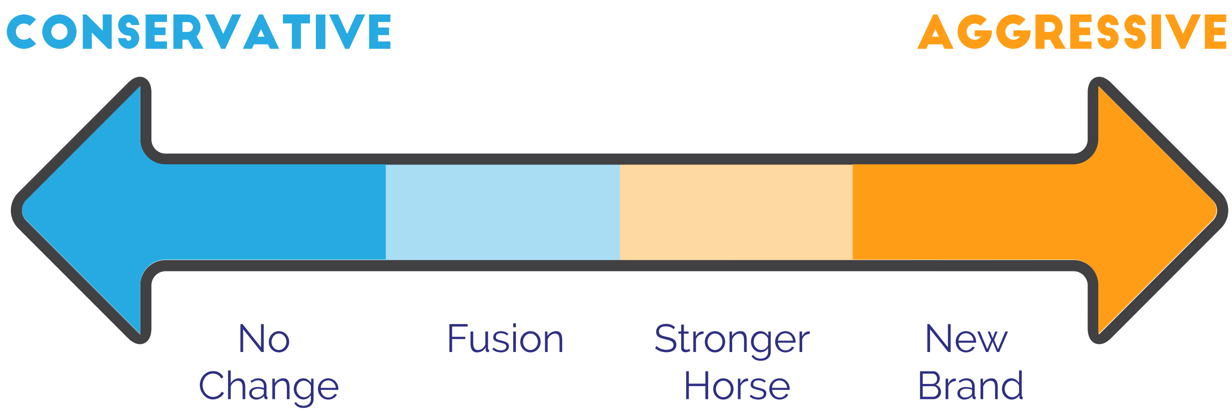
- Communicates shared future
- All employees feel valued
- Signals innovation to other stakeholders

CONS

- Direction/integration may be unclear
- Discards brand equity and goodwill
- High risk of customer confusion

M&A Brand Architecture

ARCHITECTURE OPTIONS COMPARISON



NO CHANGE

✓ PROS

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✕ CONS

- Direction/integration may be unclear
- No positive brand equity transfer
- Operational/perceptual synergies may be unrealized

EXAMPLE

P&G Procter & Gamble
Gillette

FUSION

✓ PROS

- Communicates shared future
- All team members feel valued
- Signals continuity to other stakeholders

✕ CONS

- Direction/integration may be unclear
- Risk of blurring/conflicting equities
- Medium risk of customer alienation

EXAMPLE

ExxonMobil

STRONGER HORSE

✓ PROS

- Strong and clear communication
- Clout, prestige for incoming staff
- Efficient process/controlled costs

✕ CONS

- Winner/loser perception
- Discards brand equity and goodwill
- High risk of customer alienation

EXAMPLE

DHL
AIRBORNE EXPRESS

NEW BRAND

✓ PROS

- Communicates shared future
- All employees feel valued
- Signals innovation to other stakeholders

✕ CONS

- Direction/integration may be unclear
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EXAMPLE

verizon

About Finch Brands

A Real-World Branding Agency

"It's not the strongest of the [***brands***] that survive, nor the most intelligent but the one most responsive to change."

- Charles Darwin,
Adapted by Finch Brands

Like the finches whose beaks inspired Darwin's theory of evolution, brands that adapt to the ever-changing environment not only survive, they thrive. We draw our name and inspiration from the forces that shape the natural world to help our clients succeed in the real world.

Finch Brands, founded in 1998, is a real-world branding agency, with a team consisting of alumni from iconic brands including Campbell Soup, Amazon, Anheuser-Busch, Target and Disney. This history of building, running and growing brands, fuels the strategic insight and creative excellence Finch Brands provides to help our clients succeed.

Our client base includes some of the world's leading brands, as well as those all along the growth track such as Jack Daniel's, Nutrisystem, Crayola, Samsung and Conair.

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