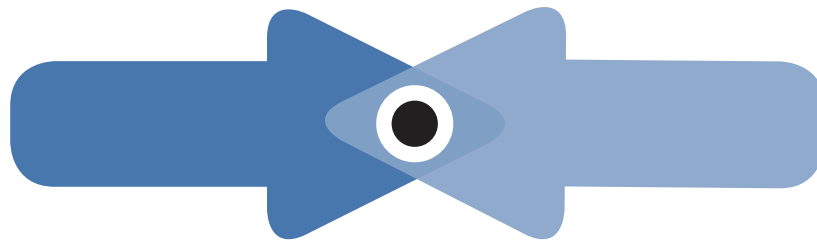


Blending Corporate Families

STRATEGIES FOR SUCCESSFULLY REBRANDING SMALL- TO MID-SIZED B2B COMPANIES
AFTER A MERGER OR ACQUISITION.

Chad Nelson, Creative Director: The Basis Group

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Mergers and acquisitions happen for a multitude of reasons from geographic expansion and diversification of offering to technology acquisition and brand leveraging. The fact that corporate alliances shift is no need for alarm.

What is frightening, however, is the rate at which these new relationships fail. According to James Gregory, CEO of Corporate Branding and author of *Leveraging the Corporate Brand*, 80% of M&A deals fail to live up to their expectations. The fact is that organizations have become quite skilled at planning a beautiful wedding, but few enterprises have actually thought about how to make the marriage work after the vows have been made. While there are a multitude of factors contributing to the alarming failure rate, ineffective brand management cannot be overlooked as a contributing cause. Much has been written on this subject for the global enterprise. It is not difficult to find case studies exploring the rebranding success stories of DaimlerChrysler or ExxonMobile. For the small- to mid-sized B2B marketer, the post M&A honeymoon may not be celebrated before a worldwide audience with generous budgets and elaborate launches, but the basic rebranding tactics still apply. Ultimately, the long-term success of corporate blending relies upon your ability to bring together two strong personalities each with its own values, priorities and cultures into one cohesive family that instills confidence in your employees and trust in your customers.

REMEMBERING THE CUSTOMERS

When two companies become one, it's tempting to focus on the tactics and cost of the deal. While the financial implications of the union may make complete sense, how the new entity is presented to the public may have greater implications on the long-term success of the relationship. According to Ken Fenyo, associate partner at the branding consultancy Prophet, there is a direct correlation between successful mergers and acquisitions and the focused consideration of the end user by the M&A team.

In an M&A rebranding environment, marketers need to keep their customers at the forefront of their thinking as they create the new public persona. The new corporate brand needs to foster excitement in your audience, bolster their confidence, explain how they will benefit and make them feel like part of the new family. Your customers' initial response to the recreated corporate structure is a valuable indicator of whether you are going to be one of the two in ten deals that succeed or one of the eight in ten that fail.

One of the most effective strategies for ensuring a confident message to your audience is to be sure your post-merge image is clear in the eyes of your employees. For a rebranding effort to succeed long-term it must be thoroughly conveyed internally. Consistent communication to your employees about who you are now as a company will calm their nerves, decreasing the threat of a mass exodus of valuable talent, and create a stable narrative for your customers. When your employees feel confident in the future of the new structure, they will communicate that conviction to the marketplace.

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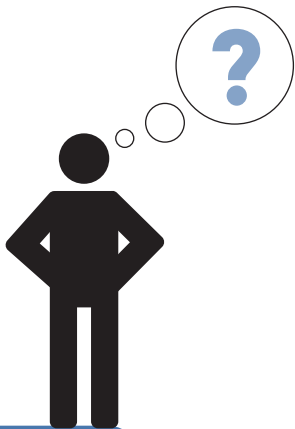


THE RELEVANCE OF BRAND MANAGEMENT

The early implementation of strict brand management could be the difference between success and failure for your new corporate family. Underestimating its importance after any sort of corporate restructure can lead to dire results. In her report *Successful Branding for Merger and Acquisitions*, Laura Pasternak, president of MarketPoint, LLC, lists the following consequences of putting brand management on the back burner.

- Brands are managed inconsistently resulting in loss of brand equity
- Management and staff send mixed messages, creating confusion in the marketplace
- Corporate image/brand loses value in the marketplace
- Employee morale decreases and turnover increases
- Customers lose confidence and defect
- Competitors entice your best customers to leave
- Shareholder price plummets

According to Pasternak, early brand management will result in a stronger, more focused post-merger organization.



“...blended corporate families can beat the odds and enjoy a long and fruitful life together.”

ASKING THE RIGHT QUESTIONS

Knowing who and what you are after a corporate union is essential to success. Before this discovery can be made, however, you need to understand the nuances of each pre-merge entity. Defining the legacy equity of each brand will provide a clearer vision for the stronger core competencies of the new corporate structure. In order to effectively rebrand the combined companies, a few key questions need to be objectively considered.

- 1 What is the pre-merge value of each individual brand?
- 2 What level of brand recognition does each brand own?
- 3 What strengths does each brand offer?
- 4 What liabilities does each brand bring to the relationship?
- 5 What will be gained or lost by rebranding?

There is more to this exercise than simply identifying and combining the strengths of each individual brand under one roof. In order to achieve true congruity, B2B marketers must be ready to shed whatever is unnecessary to the goals of the new brand, even if it is painful. Effective brand management will help customers feel as though the new joint structure offers them a better, but not necessarily bigger, solution than they had before.

In his report *Corporate Branding in the Wake of Acquisitions*, Ken DeLor, president of DeLor Group, Louisville, KY, explains it this way:

“ The more diverse a company becomes, the harder it is for the market to understand what it does. Companies must be able to explain their array of products and divisions in a way that makes sense to the marketplace. Branding helps bundle these products and unique selling points in visual and verbal ways to show that what may appear diverse is actually complementary.”

CREATING A NEW ARCHITECTURE

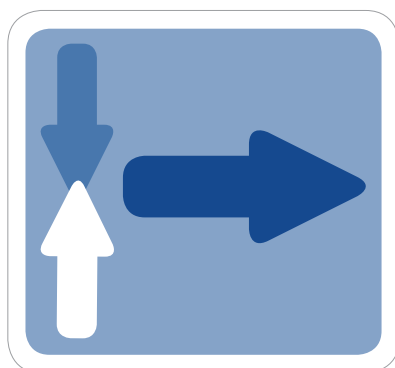
Once the pre-merger brand equity has been accurately assessed the tactics for the new brand architecture become clearer. Keeping in mind the goals for the new brand as well as the benefit to the end user, merging companies must discern between four unique rebranding strategies, each effective in a distinct set of circumstances.



JOINT BRAND

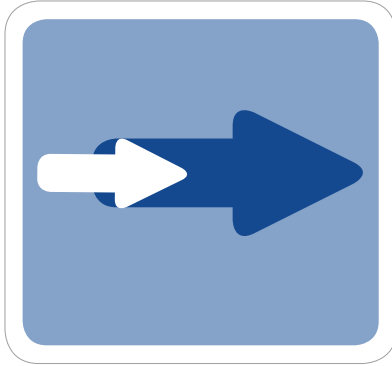
This strategy is effective when two strong, but complementary companies come together, each with significant brand recognition and customer loyalty. While some unnecessary elements of each brand may need to be shed in order to present a consolidated new entity, the basic tenets of the pre-merge brands, visual as well as verbal, must remain obvious in order to protect existing brand assets.

This brand strategy involves nuance. The primary message to the customer is $1+1=3$. All the strengths of the pre-merge brands still exist, but the total post-merge solution is even more beneficial to them. The challenge of this approach comes in the mingling of diverse cultures. This must be robustly defined in the early stages of brand management and clearly communicated internally as well as externally as the new brand rolls out or customers and employees will lose faith quickly.



NEW BRAND

The new brand strategy is often a brave move, but it can be highly effective when two peers come together, neither entity offering outstanding brand equity or significant brand recognition. This tactic is about the strengths of one entity shoring up the pitfalls of the other in order to produce one comprehensive enterprise that meets the needs of the audience. The primary branding objective is to present a completely new identity that focuses on one single vision in order to execute one primary strategy.



ABSORBED BRAND

This brand strategy is most effective when a lesser company with isolated assets is joined with a stronger company offering significant brand equity. This scenario is often the result of an acquisition based on the need for technology, to eliminate competition or to gain marketshare. In most cases, very little brand equity of the lesser company survives the merge. The stronger brand takes over in full creating a more powerful offering for the end user. The resulting brand message focuses on newly acquired features and benefits that are now a part of the established, trusted brand.



DIVISIONAL BRAND

This is perhaps the most elusive of the rebranding strategies, but it has its place if the true pre-merge equity is accurately understood. A divisional brand strategy is highly effective when a smaller company with valuable but focused brand equity comes together with a much larger entity with significant but unrelated brand equity. In this scenario it is foolish to jettison the smaller brand and lose its legitimate footing with its target audience. The most effective strategy is to rebrand the smaller company as a division of the larger. The message here focuses on the retention of the brand offering, but it is now backed by the strength and stability of the larger corporation.

FINAL THOUGHTS

A post-merger or -acquisition environment can be unsettling for everyone involved, particularly if questions about the new brand structure are left unanswered. However, the early implementation of strict brand management combined with a strategy of clear, consistent communication can quickly restore calm and bolster confidence. By focusing on the new brand architecture as it relates to your customers and your employees, blended corporate families can beat the odds and enjoy a long and fruitful life together.

ABOUT THE BASIS GROUP

Founded in 2000, The Basis Group, Longmont, Colorado, is a marketing and brand development agency servicing the high-tech, business-to-business market. TBG has developed a proprietary branding methodology that begins by objectively defining key branding factors that act as the foundation for all organizational branding activities. TBG has successfully served such organizations as CVS/Caremark, IRM, Digital Globe, Genesys Conferencing, CS Stars, TrapTek and Premiere Systems.

CONTACT TBG

For more information on ideas such as thought leadership and branding in today's marketplace, feel free to contact Chad Nelson directly at cnelson@thebasisgroup.com or 720.494.9281.