A PLAN FOR THE BRAND

Seven steps to strengthen your brand during and after a merger or acquisition

by Laura Pasternak

Growth through acquisition. On one side of the scale, there's the fast track to increased market share, the promise of profits from synergy and streamlining, the portal to new markets and a broader product offering, the express lane for growth. On the other side, risks—some seen and some not, from financing to tax implications, from new competitors to culture clashes. By the time the big day comes, you will have covered every foreseeable detail like a bride before a wedding. Well, most likely every detail but one: your brand. And it's ironic, in fact, because brand is exactly what's hanging in the balance. And it's where you're most likely to fail.

A merger can be one of the most challenging transitions for an organization. Due diligence notwithstanding, studies done by Hay Group, McKinsey & Co. and Accenture, among others, have shown that between 50 and 80 percent of mergers fail to live up to shareholder expectations. Why? Some failures, of course, can be traced back to poor financial or strategic decisions. But in many cases, a merger's fate is determined by management's ability to effectively communicate the value of the transaction and to manage a fluid integration of cultures and brands.

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Somewhere along the path, these skilled and well-intentioned managers take an errant turn. They may fail to anticipate the challenges of integrating different corporate cultures. They may neglect the emotional connections between loyal customers and their brands. They may underestimate the impact of changes in product delivery or methods of customer engagement. Or they may be unclear in communicating the focus of the new entity or how redundancies will be handled when the staffs are merged.

As a result, employees become disengaged and lose morale. Turnover increases. Customers and suppliers become confused and lose confidence. Contracts are put on hold as clients "wait for the dust to settle." Social media channels, flooded with confusion, rumors and competitors' disinformation, all feed the fires of fear.

Unfortunately, many communicators have little or no experience navigating a merger or acquisition. While a small minority—those fortunate to have gained experience working for growth-through-acquisition companies like GE—may be able to develop a workable communication plan, the rest are as clueless as company outsiders. And this inexperience can have dangerous consequences.

Developing an effective strategy for managing your brand through a merger or acquisition requires as much time in the preplanning phase as it does during the M&A announcement and post-announcement stages. But the benefits of having a detailed communication plan far outweigh the investment, because any damage to the brand will have significant bottom-line consequences. So develop a plan. And as you do, consider each of the following seven steps.

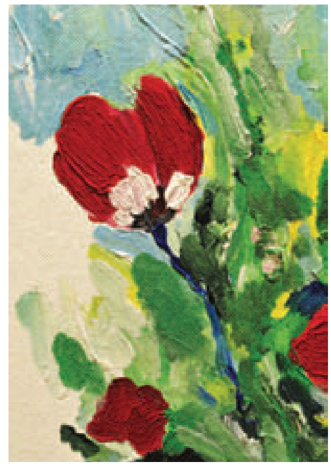
1. Get in the game early. It's important to understand the strategy from your CEO's perspective from the outset. Find a way to insert yourself into the process as soon as you catch wind of the change. As a key player in this transition, you have a responsibility to participate in the due diligence process—you are the voice of the customer, the champion of the brand. You are personally connected to the culture of the organization, and you have everything at stake.

Consider these questions: What are the goals and objectives of the merger? What drives brand equity for the potential target's brand, and for the acquiring brand? What potential synergies exist between the brands? Might this change increase market share, expand opportunities for cross-selling or reduce pressure from competition within the market? Will the two employee cultures blend seamlessly or clash, and what can you do about it? What about the corporate cultures? Is one company a family-owned business and the other a cut-throat, competitive environment? It's important, at this stage, to gather as much intelligence as you can. Evaluate the risks and the possible repercussions. Map out "what if" scenarios. Identify the key players in both organizations. And most important, be cognizant of your own internal limitations. Don't be afraid to reach out to appropriate people who may be able to help you succeed.

2. Do the research. Every organization is subject to biases. Sometimes they're justified. But usually they lead to a confused perception of customers, market spaces and even your brand. In times of transition, it's critical to develop a clearer understanding of your market's perceptions and values. How will customers perceive the change? How will it affect employees (within your organization and the new organization)? Who else will be affected by the change—for example, suppliers or channel partners? How will your industry react? What impact will this have on the competitive landscape? Where are your competitors most likely to attack? What level of confidence will your customers and other audiences have in the ability of the merged companies to achieve the results they desire? Know the value of your assets—listen to what customers and other stakeholders value in each organization.

3. Determine the most effective and appropriate brand strategy. There are four typical brand strategies that companies use during mergers and acquisitions. The first is to simply establish a sole-surviving corporate brand. This typically occurs when the acquiring brand is the market leader and the objective is to create a consolidated market position. This is common in the financial and banking industries, where the acquiring brand supersedes the acquired. Such was the case in the 2008 historic "marriage of two banks" in Germany, when Commerzbank acquired Dresdner Bank, positioning itself as No. 2 in German banking and an alternative to Deutsche Bank. Commerzbank quickly transitioned all branches to the Commerzbank name and established a consistent set of services, eliminating differences between former Dresdner Bank branches and their Commerzbank counterparts.

An alternative strategy is to transition the brands, over time, to one dominant brand, harvesting equity from the acquired brand. This was the path chosen by Sprint/Nextel and by AT&T/Cingular. It's a logical choice when both brands have significant market equity (though one is usually dominant), because it allows consumers sufficient time to transfer their loyalty to the new brand. In time, the dominant brand survives. But the slower transition facilitates greater retention of customers.



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The third brand strategy is to fuse the two brands together or to interchange them. This may be a wise choice when both brands have strong market reach, reputation and equity—or when the brands dominate different geographical markets. Examples include the 1998 merger of Price Waterhouse with Coopers & Lybrand to become PricewaterhouseCoopers, and the 2002 merger of Glaxo Wellcome with SmithKline Beecham to form GlaxoSmithKline. However, there are potential risks associated with mixed messages to employees and employees' loyalty to their legacy brands.

Finally, when neither brand has significant equity, there may be greater advantages to creating a new brand for the joint entity. With this strategy, companies have the opportunity to reinvent and reposition themselves as a result of the transition. This was the case with Verizon Communications Inc., which emerged from the merger of Bell Atlantic and GTE.

Whatever your path, it is important to choose your strategy before the transition begins. This will help inform how much time you will have to make the transition, and identify the risks and opportunities associated with either making a clean break or phasing out one brand over time.

4. Establish a detailed M&A communication plan for navigating the integration process. Your brand transition requires a comprehensive and well-planned rollout. Which audiences will need to be addressed, and in what order? What messages must be communicated to each stakeholder group? Will government regulations for your industry affect when and how you release information? How will the message be communicated? How will you measure feedback and reaction to the transition (in real time or at what intervals)? How will you address potential changes in brand loyalty? What steps will you take to maintain brand equity? And when your plan is in place, look throughout your organization (and outside it) and assign the most qualified individuals responsibility for each part of the plan. Pull them all together as a team, and identify what resources they will need to successfully execute the plan.

5. Recognize the value of getting all employees on board. Be clear with people from the beginning about the nature of the transaction. Will the merger be one of equals, or will there be consolidation and elimination of functions and divisions? Transparency is critical at this stage of the game. If you can, engage employees from both organizations in the integration planning. Help them adopt the brand strategy and understand the role they play. How can they help build or enhance the brand through this transition period? Establish brand guidelines that go beyond the obvious visual elements of brand and that address brand behavior. And identify brand champions within the organization to help with post-transaction integration. These champions will play a critical role in ensuring your message is heard.

In the 1998 Daimler-Benz AG merger with Chrysler, the chairmen of both companies told a London news conference that they had "agreed to combine their businesses in a 'merger of equals'" and would together act as co-chairmen for the combined entity. But in reality, Daimler called the shots. Infighting over decision making created tension. The two cultures collided—in aspects from business practices to management styles. Even the *International Herald Tribune* wrote, "DaimlerChrysler is pretty much run by Daimler executives…. Chrysler managers complain that they are lame ducks." Mismanaged expectations led to distrust and eventually the company's financial downfall, and the loss of nearly half its value.

6. Communicate an integrated message to staff, clients and the public. By this point, you've constructed a solid communication plan, and you're well equipped to take advantage of this once-in-a-lifetime opportunity. A merger or acquisition provides both organizations a chance to recommit to their brand promise, and leverage the visibility and momentum that come with the transition. But beware: You will need to appoint well-qualified representatives to act as official spokespersons and equip them with targeted messages that reinforce the brand. This is your "15 minutes of fame"—use it to clearly articulate the value of the merger, and you will build equity. Squander it, and you will erode your brand.

7. Never stop assessing and managing your brand. Let's face facts. You're never done managing your brand. So don't relax just because the new brand has been accepted in the market. Your brands have both a heritage and a history your markets won't quickly forget. More important, your new company is building a brand—good or bad—with every customer interaction. As a result, your brand is constantly changing. Establish a means for monitoring and assessing your brand, both internally and externally. Conduct periodic perception studies with both customers and employees. Identify existing points of customer engagement that provide opportunities to learn about their experience. Instill a culture among your staff of sharing feedback—both positive and negative. Aggressively seek out gaps in your performance or delivery on your brand promise. Resolve to make changes.

Through this experience, you'll have proven yourself an invaluable member of your organization's senior leadership team. You'll have won the confidence of your CEO and the respect of your peers. And you'll have established organization-wide sensitivity to the importance of managing your brand.

What's more, you'll have earned membership in an elite group of professional communicators: those who have braved the storms of mergers and acquisitions and learned to sail calmly into that turbulent wind. •

will a merger be part of your company's growth strategy this year?

According to research from the mergers and acquisitions intelligence firm Mergermarket:

- Global M&A activity in 2011 totaled US$2.18 trillion, up 2.5 percent over the previous year.
- 2011 was the busiest year for cross-border M&As since 2008, accounting for 41.5 percent of global M&A activity.

about the author

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