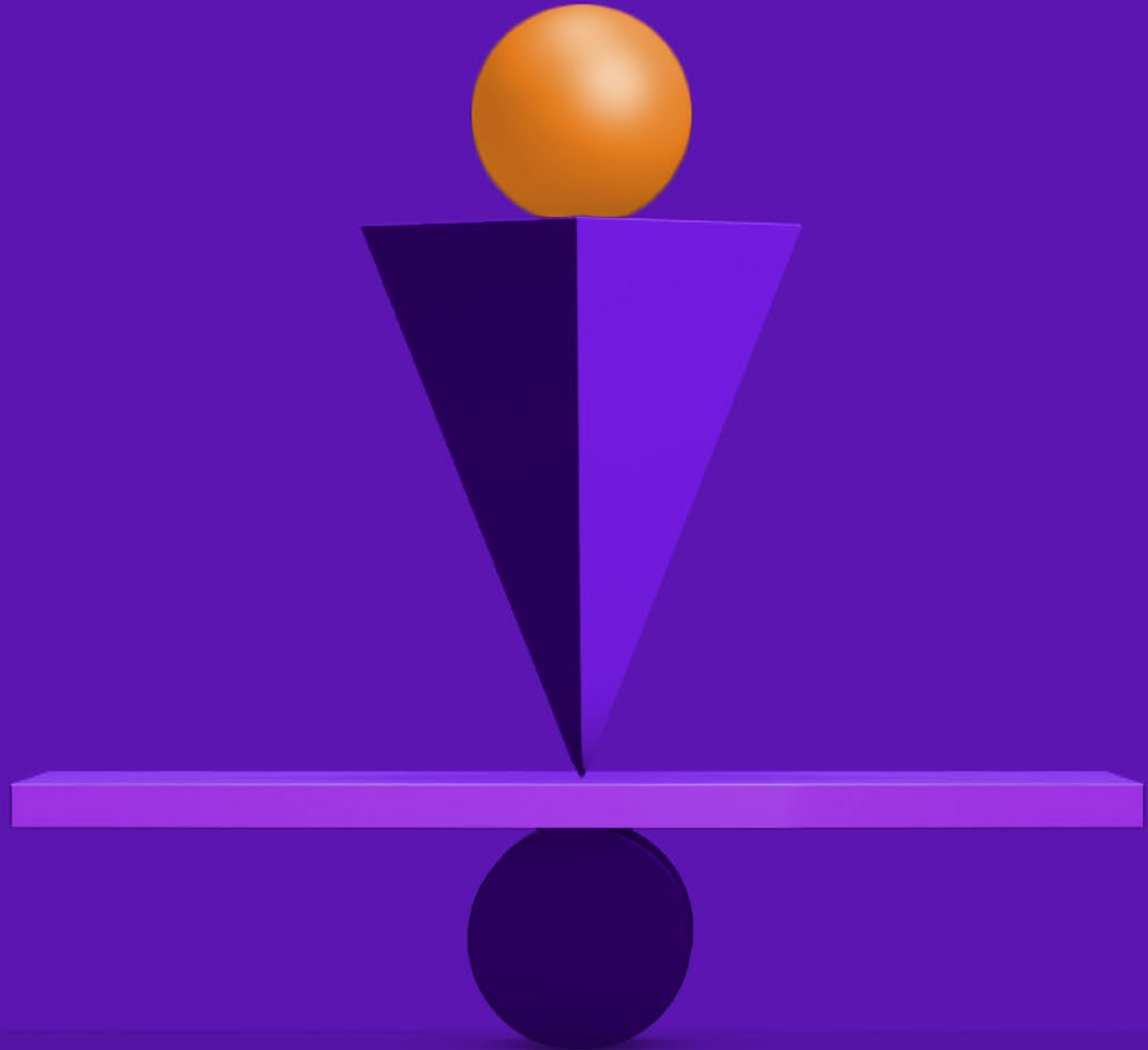
The Secret to M&A Success? It’s in the Brand.



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Introduction

Most mergers & acquisitions are destined to fail.

According to *Harvard Business Review,* "study after study puts the failure rate of mergers and acquisitions at somewhere between 70-90%." There are myriad reasons for these failures, from expected synergies that never transpire to poorly executed business integrations.

These deficiencies can place M&A success on shaky ground from the start, but even those without foundational cracks falter. Why? The lack of an effectively merged brand. In other words, branding can make or break M&As.

"Marketing plays a vital role in integration and deal success and should not be an afterthought," McKinsey researchers state, reflecting on experience and interviews with leading M&A executives. "Rather, marketing should lead the organization in developing fresh, compelling value propositions and setting the new organization's brand strategy. Marketers should then lead the delivery of the value proposition and its narrative to generate above-market growth."

Branding serves another critical role in M&A success: it can unify two divergent corporate cultures. Having two sides of an integration embrace each other moving forward may seem like a frivolous pursuit compared to other M&A activities, but ignoring it can cause a fatal blow to your efforts.

In one study, culture was found to be the cause of 30% of failed integrations.

“Culture has emerged as one of the dominant barriers to effective integrations,” Deloitte reports.[3] “In one study, culture was found to be the cause of 30% of failed integrations.” The challenge is that corporate culture is intangible, emotional, and stubbornly resilient. It takes expert branding efforts to steer two ships forward together without colliding.

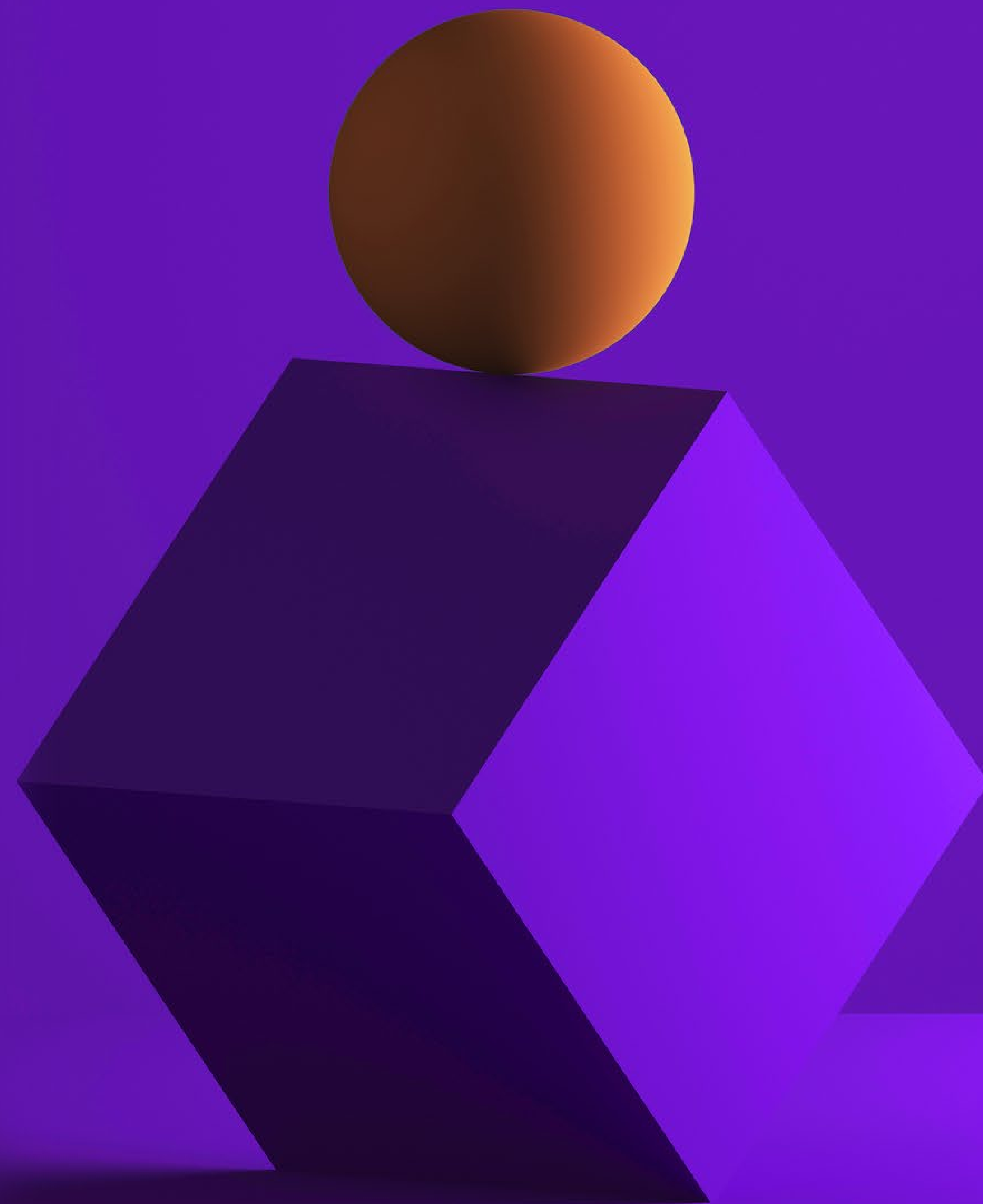
Despite the overwhelming evidence that branding—in all its many internal and external manifestations—is a driver of M&A success, a brand is not usually promoted or leveraged to provide unity, clarity, and solidarity during the transition.

Sometimes there is a lack of awareness of exactly what a brand is. Too many companies change the name of an acquired company, slap a new logo on a combined entity, or introduce a generic vision or purpose statement to the newly integrated workforce, and feel confident they’ve created a new, unified brand. But a brand is much more than a name, logo, or tagline. Your brand conveys the reason your business exists and how it intends to have an impact. It gives customers, employees, partners, and investors a reason to believe that the merged entity will benefit them.

Consider a client of ours, a global leader in payments technology, that had made more than 25 acquisitions on five continents without integrating its global hodgepodge of brands. By the time we were called in, top-line growth had failed to achieve the hoped-for momentum, shareholders were getting restless, and the CEO behind the acquisition strategy was replaced. The acquisitions were made to help forestall the threat of disruption from tech upstarts, with little attention paid to how the acquired companies would work together to drive growth. Our customer research revealed the company’s transitional brand messaging was off. The marketplace was eager for insights from our client about how they could transform payments from a cost of doing business into a driver of revenue growth—messages the company wasn’t communicating. Research among employees revealed that few outside the executive suite understood the company’s vision or their role in its future, particularly those from newly acquired organizations. A new global brand, activated through a multichannel outreach targeting customers, prospects, employees, and investors, quickly got the company back on track.

Leveraging the power of brand to unlock M&A success involves a multitude of steps, with many moving parts at each stage. To start, let’s look at seven imperatives.

01 Prioritize branding early on

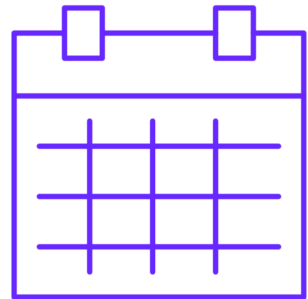


M&As don’t center around branding

They happen for market share growth, diversification, risk reduction, and other reasons. Hundreds of audience decisions are made, and sometimes months or even a year or more can pass after a deal is closed before branding is considered. But then, suddenly, questions arise. How do we “sell” this new combination? How do we get our employees on the same page? What’s our marketing strategy behind the revenue growth we envisioned? How do we cross-sell new offerings? By this time, if branding hasn’t been given a seat at the table, those questions go unanswered and the organization experiences the pain of not delivering on the promise of the combined entity.

Integration management companies, or IMOs, are typically brought in early on to help with the fundamental building blocks of a successful integration: merging systems, realigning compensation plans, identifying redundancies, and more. Many of the biggest consulting firms in the world, including McKinsey, PwC, and Deloitte, have IMO practices for this purpose. But did you know branding can work in tandem? A branding firm can (and should) be brought in to work in lockstep with the IMO—earlier in the process than most assume.

In our work with companies undergoing a merger or restructuring, we've identified best practices for ensuring that branding firms and IMOs work effectively together:

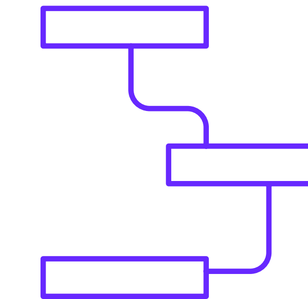


Meet early + often

There are inevitable overlaps between what the branding firm and IMO are expected to handle, so communication is key. Define exactly who is responsible for what and establish a clear line of sight into IMO workstreams and deliverables. Doing this will help you understand where overlaps can be avoided and ensure that the brand represents the emerging business, technology, and personnel strategies.

Gather information

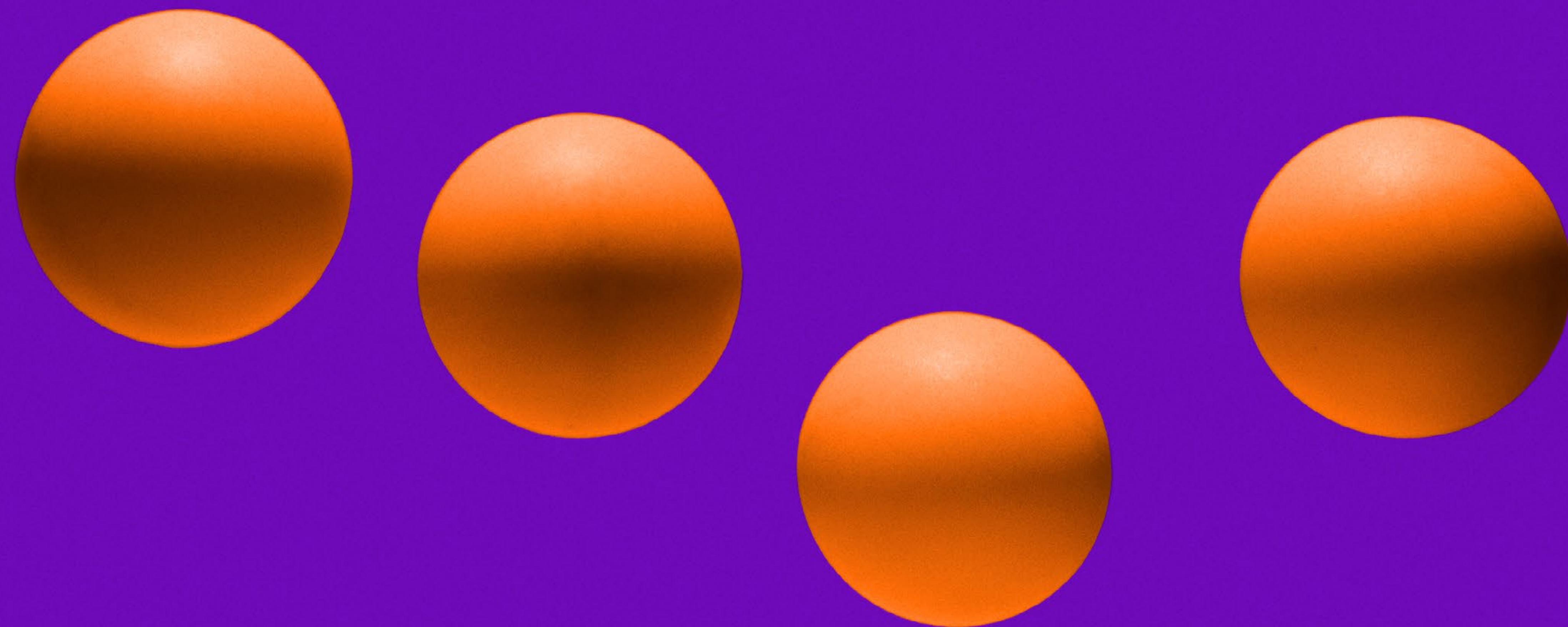
Coordinate information-gathering between marketing, the IMO, and the external branding agency, if one has been retained. The branding firm will almost certainly want to conduct research among the employees and customers of the two organizations to find areas of commonality and areas of difference. This information, as noted earlier, is vital to developing the new brand. But the IMO may want to conduct research of its own. At a time of great change, the last thing you want to do is bombard employees or customers with surveys. This can signal uncertainty and lack of coordination. One survey, with input from the IMO and branding firm, is often the best solution.



Sync up project management

People and processes need to work seamlessly. Ideally, the branding firm and IMO will identify one person to serve as the single point of contact for the other. They should establish regular check-ins for smooth progress—once a week at least during peak activity. But people are only part of the equation. Every branding agency has its own project management tool. So do IMOs. Integration works best when the two organizations deploy one tool that can be shared across the organizations, giving everyone full visibility into progress and potential roadblocks.

02 Consider market attitudes



Research, not guesswork

Successfully creating a new brand following a merger or acquisition requires answering several key questions. Should one brand take precedence over the other? Is the deal more likely to be optimized by creating a "NewCo" rather than elevating and leading with one side of the deal? Which elements of both brands should be carried forward into the new brand, and which should be jettisoned? What are the equities and positive associations carried by each corporate and product brand in the deal? Has the competitive landscape shifted as a result of the combination, and how will decision drivers among prospects change in light of this potential shift?

Addressing these and other questions cannot be done through guesswork. The stakes are too high to risk getting it wrong, and it is all but guaranteed that those leading the merger or acquisition will come to the table with biased opinions. Instead, it's important to let research guide the way. The customers of both entities will have established ideas of what each company does best and may even have expectations for what the combination means for them.

These perceptions need to be assessed before developing a new brand strategy. Another benefit of investing in customer research during M&A activity: you'll establish a benchmark that you can use to assess how well the combination is meeting customer needs in the future.

In the case of an acquisition, or when a smaller company merges with a much larger one, it's tempting to adopt a "to the victor belong the spoils" attitude by simply forcing the acquired or smaller company under the brand of the acquiring or larger company.

A study published in *Harvard Business Review* found that combinations that assimilated under one of the legacy brands post-merger underperformed market expectations by 18%, while those that created a new brand outperformed market expectations by 3%.

If you were wondering, companies that made no change to either brand underperformed by 25%!

A successful outcome often relies on doing the critical work of assessing marketplace perceptions and then creating a brand that carries forward the best of both organizations and aligns with market expectations.

When we were called in to brand a major investment firm following a series of mergers, we undertook extensive market research, both qualitative and quantitative, to gauge the equity in the parent brand as well as the portfolio of brands that came with their slew of acquisitions. Given the prominence of the acquiring company, it would have been all too easy to simply impose its brand on the acquisitions. But while the parent and subsidiaries served essentially the same types of clients—institutional investors like pension funds and endowments—their expectations of each of the entities were quite different. The parent company had a long legacy dating back many decades; it was known for the strong values that characterized Wall Street when even the largest firms were partnerships. Many of the acquired companies were known for innovation and pushing the risk-return envelope. The new brand reconciled these seemingly incompatible perceptions by framing innovation and risk-taking within the context of enduring (and reassuring) values. Failure to reconcile the brands would have risked alienating a significant portion of the firm's client base. Our brand offered explicit guidelines for describing cutting-edge solutions as outgrowths of long-standing values like customer-focus and transparency. Even the visual brand juxtaposed innovation and values; dynamic, full-color photography of end markets represented innovation, while black-and-white, photo-journalistic portraits of the firm's people represented enduring values.

03 Widen your perspective

From transaction to value proposition

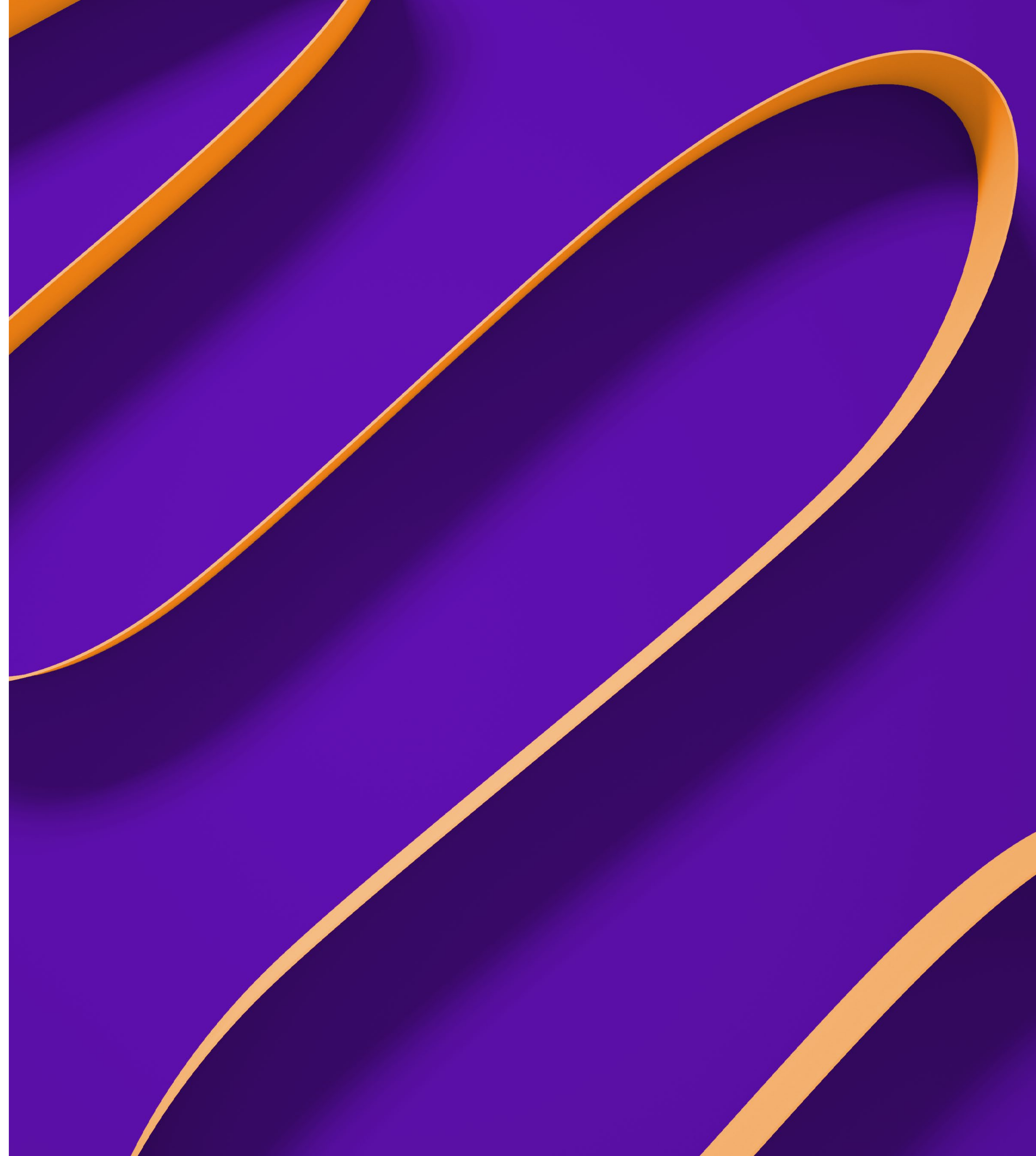
Several years ago, we created a new brand for two merging professional services firms, both with national reputations. The transaction made perfect sense from a financial perspective: the two firms were long-time rivals with very similar service offerings. By combining, they could grow their share and also achieve significant economies of scale. It was exciting news! But the firms' clients weren't interested in the entity's newfound profitability. Our research revealed that they were keen to know how the merger benefited them and, just as importantly, they wanted reassurance that the combination would not result in higher fees or a diminution of service.

Customers want to know how the transaction will add value to their relationship with the merging company.

Employees of both firms were also concerned that the merger would result in layoffs. The need here, as in virtually all M&A transactions, was clear: to translate the financial and strategic rationale of a transaction into a compelling story and clear benefits for customers and employees.

In boardrooms, the idea that “bigger is better” can have a hypnotic allure. But for customers and other key audiences, this isn’t always the case. They worry that their individual relevance will be diminished, that the company will focus on cost-cutting rather than enhancements to its offerings or its customer experience. This concern is especially acute when a company is acquired by a private equity firm. Will the new owner emphasize short-term profitability at the expense of longer-term investments in innovation and customer service?

When a division is spun off from its parent, the same imperative applies. Customers of the division, and its employees, aren’t interested in the financial rationale for the spin-off; they want to know how it will add value to their relationship with this “new” company and with its brand.



04 Name the entity strategically

The name game

A brand is much more than a name but determining what to call a merged entity is a critical step in the branding process. Will one name move forward, while the other is retired? Will a completely new name be developed? Will one company become a subsidiary, retaining its legacy name, even though a single brand will unite the two organizations under one overarching positioning and narrative?

Are the names of the merging entities equally well known? Or does one company stand out?

Unify both brand entities under the better-known name

When one name is significantly better known than the other, the decision may be straightforward: unify both entities under the better-known name and sunset the lesser-known name. This was the situation faced by a client in the promotional products business that had recently acquired six smaller, regional players. All six companies adopted the parent name, although the new brand incorporated positive attributes from the subsidiaries, based on our research.

Establish new holding company name

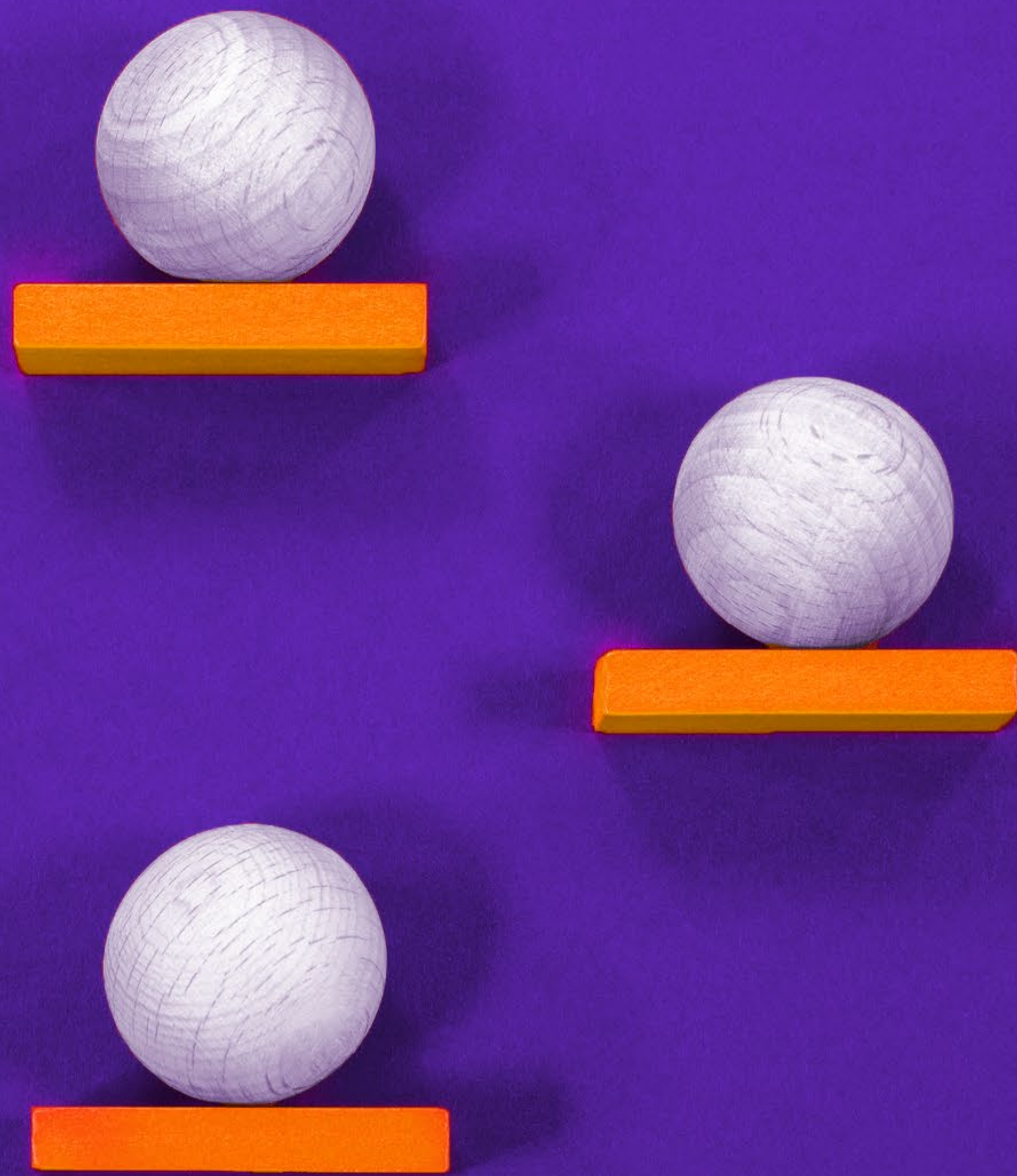
A different situation involved two merging companies in the healthcare claims processing space. Our research showed that they were equally well known, and that a name change would cause some confusion in the marketplace, given that they served adjacent but not identical segments of the market. In this instance, we recommended that they establish a new holding company with a completely new name, with the two merging companies retaining their own names. Because part of the rationale of the merger was to promote cross-selling across the merging entities, it was important that they both adhere to a single, unifying brand, with the holding company leading the way, even though they will carry forward two legacy names.

Combine company names

For the merger of two specialty chemicals companies, both leaders in the industry, we learned through research that both names were equally well known, and in fact most purchasers of their products were very familiar with both companies.

The solution here was to combine the names. The key point to remember when considering a naming strategy is what signal the decision sends to the marketplace and to employees. At its most simple, a completely new name, when executed strategically and effectively, communicates that the transaction is intended to shake things up and be a sign of change, not just a "change in sign." Consolidating under one legacy name lets audiences know that any material changes to the portfolio, service, or brand experiences will occur in the framework of continuity; think United and Continental. Combining two names into one provides reassurance that the transaction is a merger of equals, which can be very reassuring to customers and employees alike; think PriceWaterhouseCoopers, now PwC.

05 Align brand throughout the portfolio



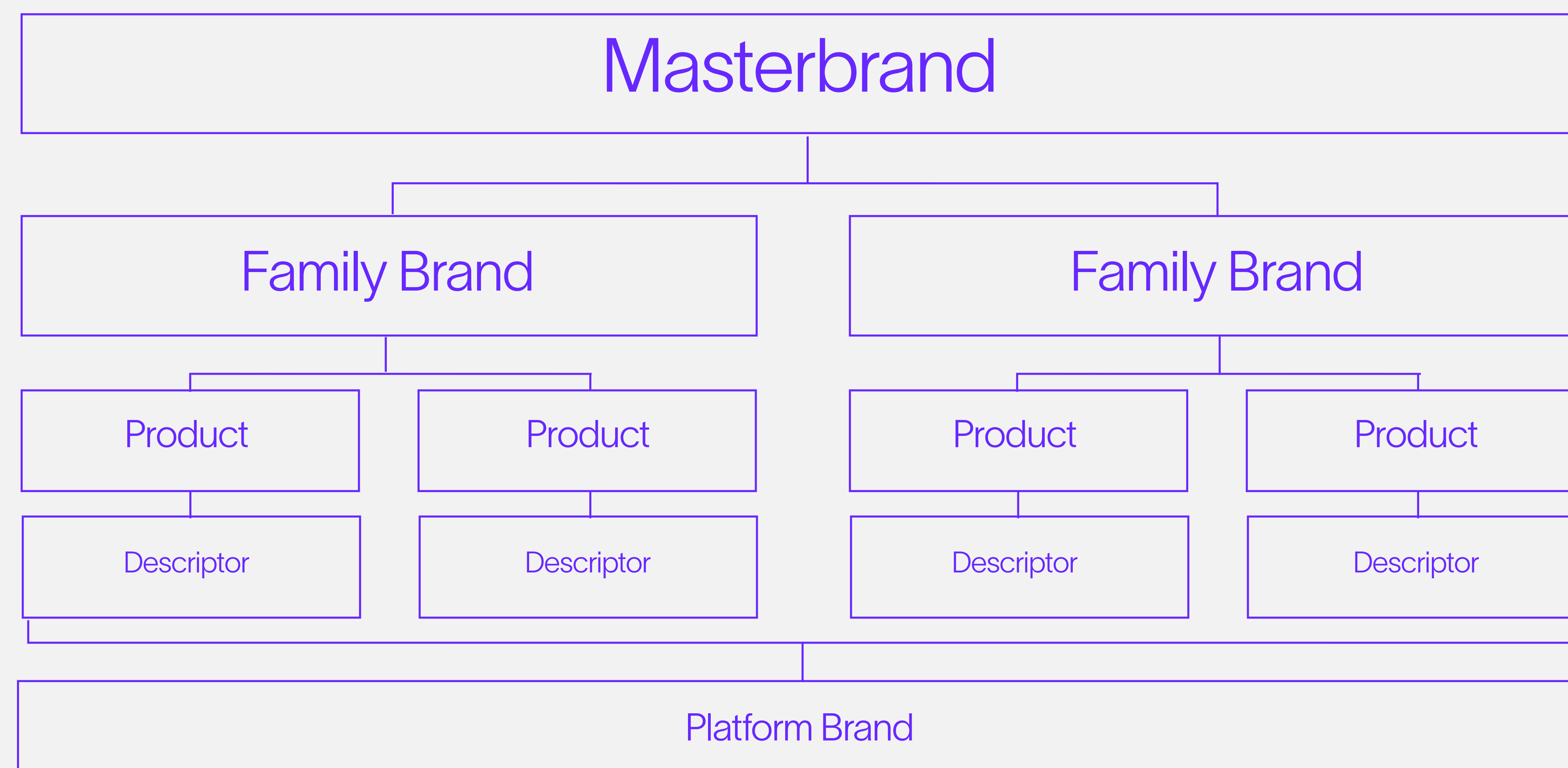
Dig deeper

Once the corporate name and brand are in place, it's time to look a level or two (or three) deeper at products and services, essentially extending what's called the brand architecture to encompass each of the combined company's offerings. Many mergers or acquisitions result in overlapping offerings with their own distinct names. When this is the case, synergies will only be achieved by combining offerings under a single name.

How brand architecture fits in

Brand architecture is strategy that organizes brands to help customers access solutions and understand the capabilities of an organization, while allowing the company to shape how it's perceived in the marketplace. It includes solidifying the identity, positioning, and name of the brand and how they connect (or not).

The merging chemicals companies referenced earlier had several product categories that directly overlapped. It didn't make sense to continue to go to market with two different product names for what were essentially identical products. When one product had a significantly larger market share, it made sense to retain the name of the dominant product and discard the other.



But in several cases, the overlapping products had identical market shares. For these situations, we conducted market research to determine which products had more positive "equity"—i.e., which ones were more closely associated with attributes like quality, cost-effectiveness, and sustainability. The names with more equity were retained.

One advantage of this research-based approach is that it tends to take emotion out of the decision-making process. People at a company are often deeply attached to brand names and reluctant to give them up; data can offer the "ammunition" needed to persuade them to do what's best for the company overall.

Even when there are no overlapping solutions, there may be a proliferation of sub-brands and/or two very different types of brand architecture. Again, this can stand in the way of achieving synergies, particularly when it comes to selling across the two organizations or developing new products or services.

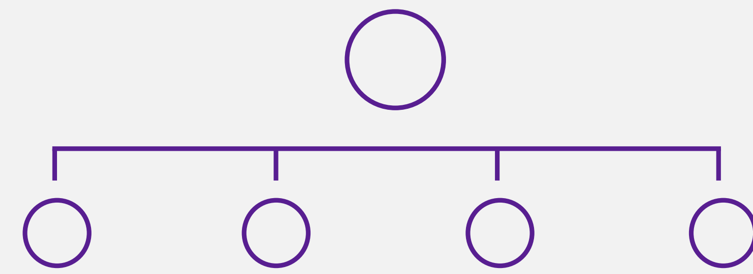
This was the case with two merging healthcare claims processing companies. One company had adopted a streamlined masterbrand approach in which all of its services were descriptively identified. The other was more of a house of brands, with distinct brand names for each offering. Maintaining these two different approaches would have been awkward at best, since a key goal of the merger was to offer solutions from both companies to clients. In this instance, we facilitated a workshop to bring product teams together to work out how best to align the two approaches. Ultimately, it was decided to move forward with the streamlined approach, with all solutions identified descriptively. However, the sunsetting of the branded names was gradual, to eliminate the possibility of marketplace confusion.

The three brand architecture models

1 Masterbrand

Single brand focus

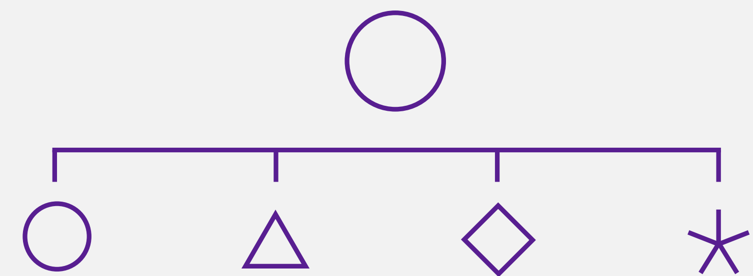
- Builds equity into the masterbrand
- Creates strong visual and verbal linkage between the masterbrand and portfolio
- Lowers investment cost into managing one primary brand



2 Hybrid

Parent brand supported by strong sub-brands

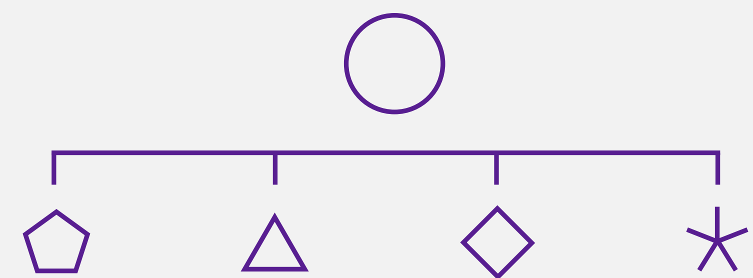
- Drives equity into the sub-brands from a masterbrand endorsement and/or connection
- Fosters engagement with legacy and new brands
- Can facilitate cross-selling between the brands



3 House of brands

Stand-alone sub-brands with no link to parent brand

- Builds equity into a collection of brands
- Enables each brand to have unique look and feel relationships with different audiences
- Mitigates risk by spreading equity across a diverse range of categories and industries



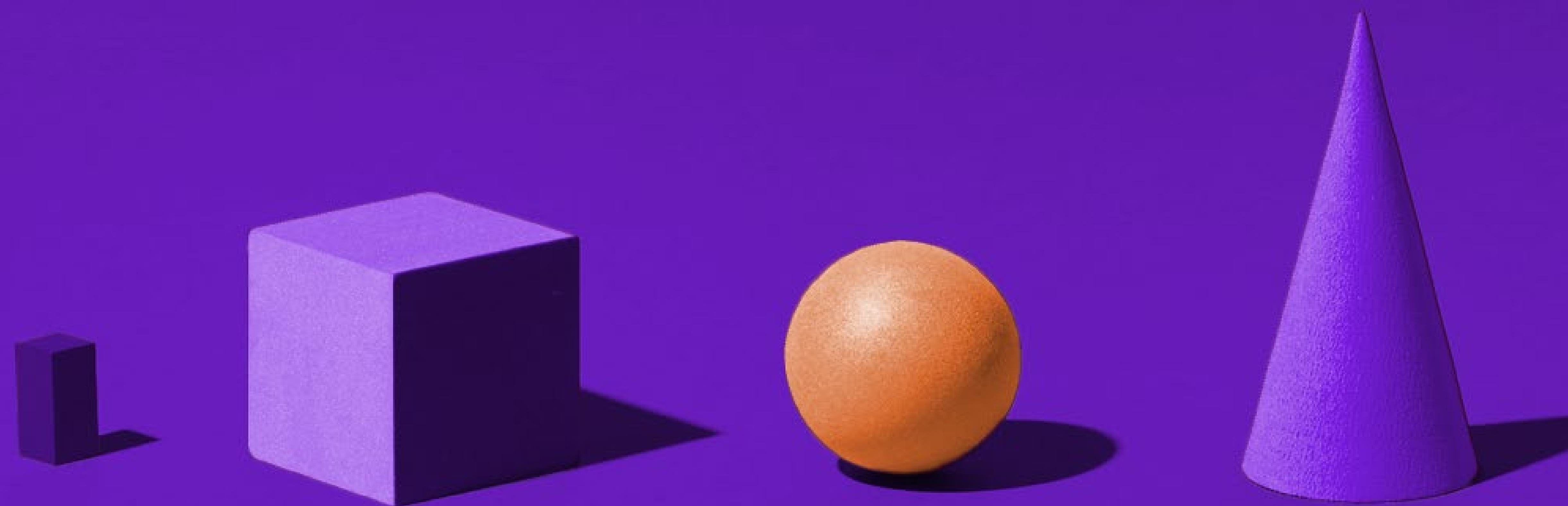
A Masterbrand approach isn't always the right one for a newly merged company. For example, one of the merging entities might have a subsidiary that carries a reputational risk. "Inoculating" the parent company from this risk might require maintaining a separate brand for the subsidiary, which would lead to a house of brands architecture, or a Hybrid model. But no matter which approach is adopted at the outset of a combination, brand architecture is a subject that should be revisited over time to ensure that it continues to work for the entire organization.

Once the important—and often fraught—decisions are made, we always recommend establishing a set of guidelines for naming new solutions, whether acquired or developed in-house. This maintains consistency over time and avoids "brand creep," the tendency of individual units of large organizations to "go rogue" and develop clever names for their products and services.

One important element of naming guides is a set of strategic evaluation criteria that helps to determine if a new or acquired product merits its own name, identity, and/or positioning, or should be folded under the Masterbrand. The criteria typically incorporate such elements as relative market share, reputation risk of closely associating products, and cross-selling potential.

An effective set of strategic criteria should also include direction on migration strategy—for example, whether to immediately sunset a name or phase it out gradually.

06 Recruit everyone to the same team



Ignore culture at your peril

Every company's culture is as unique as the company itself, so mergers and acquisitions always involve combining two distinct cultures. A powerful new brand can help bring together different workforces, mindsets, and cultures, uniting employees around a common value proposition and purpose.

Brands, and B2B brands in particular, are built from the inside out, which means that transforming your employees into willing and enthusiastic ambassadors of the combined new brand from the outset will make it that much easier to convince external audiences and deliver compelling brand experiences that reflect the power and value of the new entity.

We rebranded a global consulting firm that had acquired a large digital marketing agency. The acquisition was a bold, high stakes move. To justify this bet-the-company acquisition, the two legacy entities would have to successfully sell their offerings to the client base of the other. Yet the cultures of the two companies were so distinct as to suggest different species. One culture was hierarchical, analytical, and deliberative, the other free-wheeling, creative, impulsive. Brand research revealed a significant "Us vs. Them" attitude among employees of both legacy firms.

Begin with a cultural diagnosis of both firms to find the overlaps ... and the friction.

To align them and help our client get the most value out of the transaction, we brought representatives of both organizations together for guided workshops that focused on areas of commonality. Together, we discovered cultural attributes from both entities that the combined organization could adopt for the unified corporate culture. The result was a mission/vision/values platform carefully aligned with the new brand that laid the foundation for successful collaboration across businesses.

In integrating two cultures undergoing a merger, the first step is to diagnose both cultures:

- How does work get done at both entities?
- Is decision making centralized or decentralized?
- Are the cultures consensus-driven or top-down?
- How are people held accountable, individually or by teams?

Once these and other key culture determinants are understood, priorities can be set for the integration. The newly combined entity should define behaviors that will maximize the value of the merger.

A new strategic foundation will let everyone across the combined organization know where the company is going and what specific behaviors and attributes will help it get there. Identifying influential leaders who can act as change agents and training them in how to model the desired culture and communicate what it stands for can be highly effective in integrating a unified culture.

Finally, success metrics should be created to measure progress and signal any needed course correction.

Features of an "Us vs. Them" Divide in Combining Organizations

How Company A describes itself

- Work hard play hard
- A big extended family
- A lot of autonomy
- More entrepreneurial
- Flatter organization
- People empowered to make decisions

How Company B describes Company A

- Very top-down
- More command and control
- Too much autonomy
- Lack of partnership within the organization
- Lack of process and guidelines

How Company B describes itself

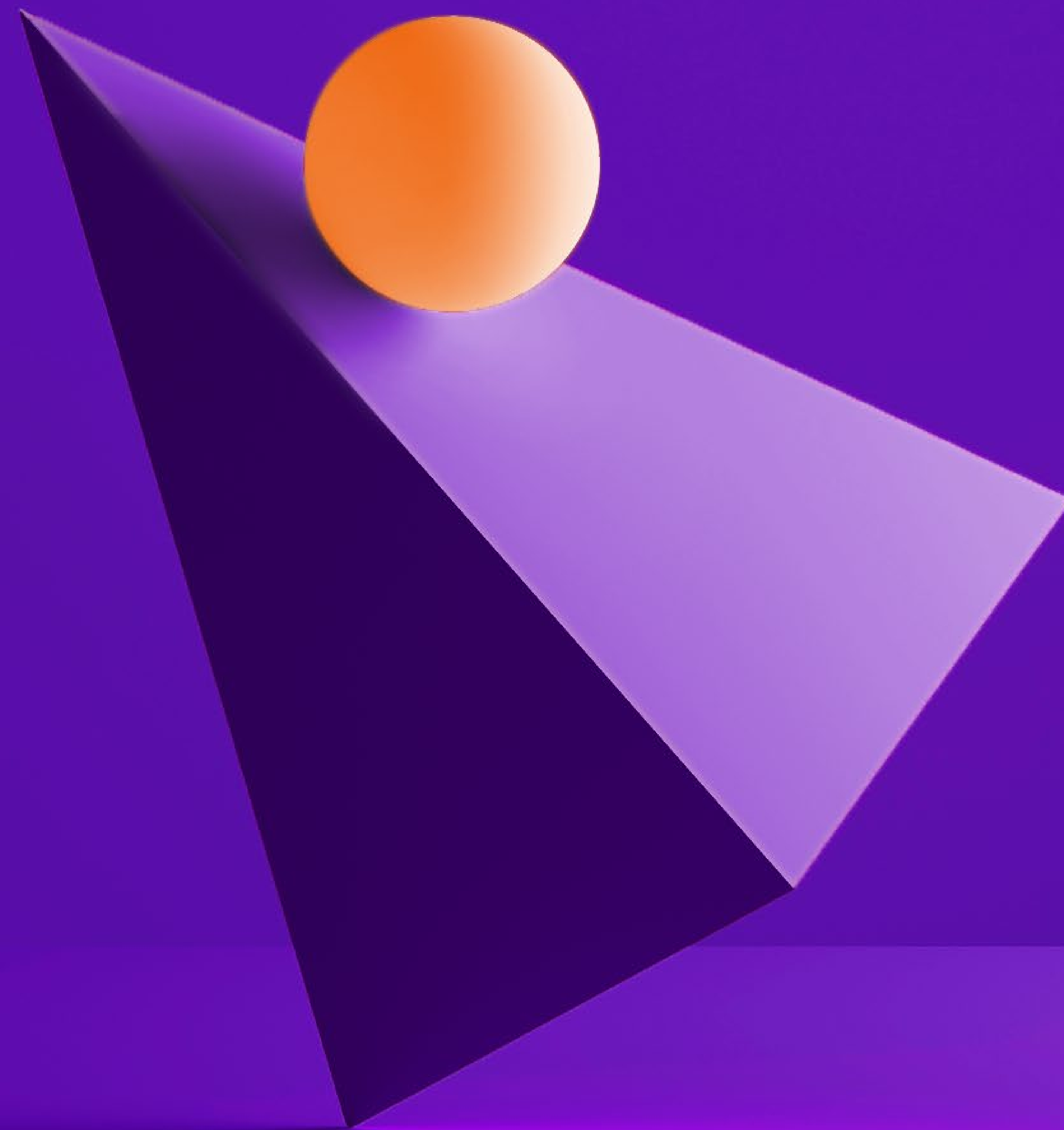
- A very collaborative culture
- Decentralized decision-making
- Empowering organization
- Young, dynamic, engaging
- Freedom to try new things

How Company A describes Company B

- A meeting culture
- Decisions by committee
- Inflexible
- Lack of "personal touch"
- Desire to be innovative and hip

In interviews with senior executives of two merging healthcare companies, an "Us vs. Them" attitude signaled the need for a brand that could bring both sides together.

07 Time it right



Planning the launch

Working on the brand early in the M&A process is, as discussed, essential. But launching a brand on day one isn't always warranted or even feasible. The brand and marketing teams from both companies need to carefully understand and plan for all the work involved and the strategic implications of "flipping the switch" versus implementing the brand gradually.

That said, introducing certain high-level brand elements—including the name, the story, and the visual identity—is ideally done at the time the deal closes. Employees and the marketplace expect this, and delaying it for too long sends a message of indecision and, worse, integration issues.

Brand launch events for employees can rally everyone behind the combination at a time of maximum interest (and maximum anxiety). The range of channels to launch the brand externally is extensive. But at a minimum, creating a new website for the combined entity (even a temporary "holding" site) or reskinning existing sites to showcase the new brand is generally a good idea.

Implementation should begin with segmenting and prioritizing audiences to create a launch and rollout cadence. Which constituents are most vital to the success of the new brand? To the merger itself? Who needs to know what, and when?

In rolling out a new brand post-M&A, confusion is the enemy of success.

Success also depends on carefully assigning roles to determine who within the combining entities is responsible for oversight, materials production, and program management. In almost every instance, multiple external agencies will need to be carefully coordinated, including not only the branding firm but public relations and investor relations agencies.

In planning an implementation strategy, three overarching issues need to be addressed:

1: Touchpoints affected by the change

From signage to media strategy, develop a comprehensive inventory of every internal and external item that will need to be refined or replaced.

2: Touchpoint conversion prioritization

Once the inventory is complete, develop a triage system that highlights exactly which items will get priority attention.

3: Timing and sequencing of touchpoint conversion

Finally, create a time-phased rollout plan for every affected touchpoint.

A successful implementation strategy lays out key milestones well in advance, including critical decision points, socialization goals, and launch events. Roles and responsibilities should be clearly delineated early in the process. And of course, a complete cost analysis will need to be developed.

Clarity is critical when launching a new brand post-M&A—as confusion can derail progress. Often, an incremental approach to launching the full brand experience is best. But no matter what approach is taken, keep everyone informed, educated, and excited.

Our payments technology client with 25 acquisitions under its belt had an installed product base of millions of devices, each with a legacy logo. The rollout of the new, unified corporate brand was thus executed gradually, with constant customer communication to keep them in the loop.

There’s nothing wrong with letting a client know that you’re on a journey and in welcoming them to follow that journey. This often provides a great opportunity to engage with your customers and get them excited about what is to come.

Make brand a priority

Done right, launching a new brand following a major transaction can be a catalyst for value creation. The sooner your customers and your employees experience the newly combined brand—and the more they feel heard and embraced in the process—the better your chances of beating the odds and emerging successful.

Jump on the process early and take the time to understand what the marketplace and employees are thinking so you can make decisions based on information, not guesswork. The resulting brand could become one of the most significant and valuable outcomes of the transaction.

Endnotes

1. hbr.org/2011/03/the-big-idea-the-new-ma-playbook
2. https://www.mckinsey.com/business-functions/m-and-a/our-insights/integrating-marketing-and-brand-in-ma-the-way-to-superior-growth
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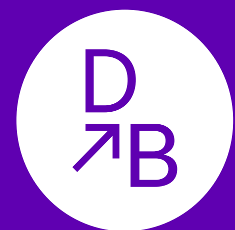

About DeSantis Breindel

DeSantis Breindel is the leading B2B branding agency in NYC. We work with leaders, founders and investors taking that next big leap—merging or acquiring, spinning off or going public, entering a new category or redefining the one you're in. At these game-changing moments, we partner to build brands that drive enduring value—value born of deeper connections with your clients and your prospects, the people in your boardroom and your breakroom—so you can leap further than you ever thought possible.

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