Optimizing Your Merger & Acquisition Brand Strategy

Driving organizational success through brand integration.

brandigo

Why do most M&A initiatives ignore brand strategy?

The crux of any M&A project is bringing multiple parties together for a common goal, all of which will have their own existing views and values. The challenge is to be able to move quickly enough in order to take advantage of the new opportunities the merger has created, as well as satisfying the demands of existing customers, while at the same time bringing together two or more organizations that were, until recently, distinctly separate operations.

Integral to getting all of the above right is creating a single vision, brand and purpose, and successfully communicating this to the new post-merger entity. Yet as we see time and again, for most M&A activities this is the part that most company directors believe they can set aside for later. Crazy when you think about what's at stake or what can potentially be gained!

Here's the rub: according to research led by Harvard University's Clayton Christensen, up to 90% of M&As fail to live up to their planned potential. What gives?

While each case is different, there are common themes surrounding why - more often than not—M&As don't produce value. Most often, the culprit is shortsightedness—focusing too narrowly, and often unrealistically, on cost savings and financial synergies. The classic "spreadsheet" approach to inorganic growth.

The biggest reason most mergers fail is because most mergers focus on the financials and fail to pay closer attention to actually integrating the two organizations. Proper integration comes on multiple fronts, including people, culture, technologies, processes, vision and encompassing it all: brand strategy and architecture.

Post M&A, brand strategy is an opportunity, not a chore

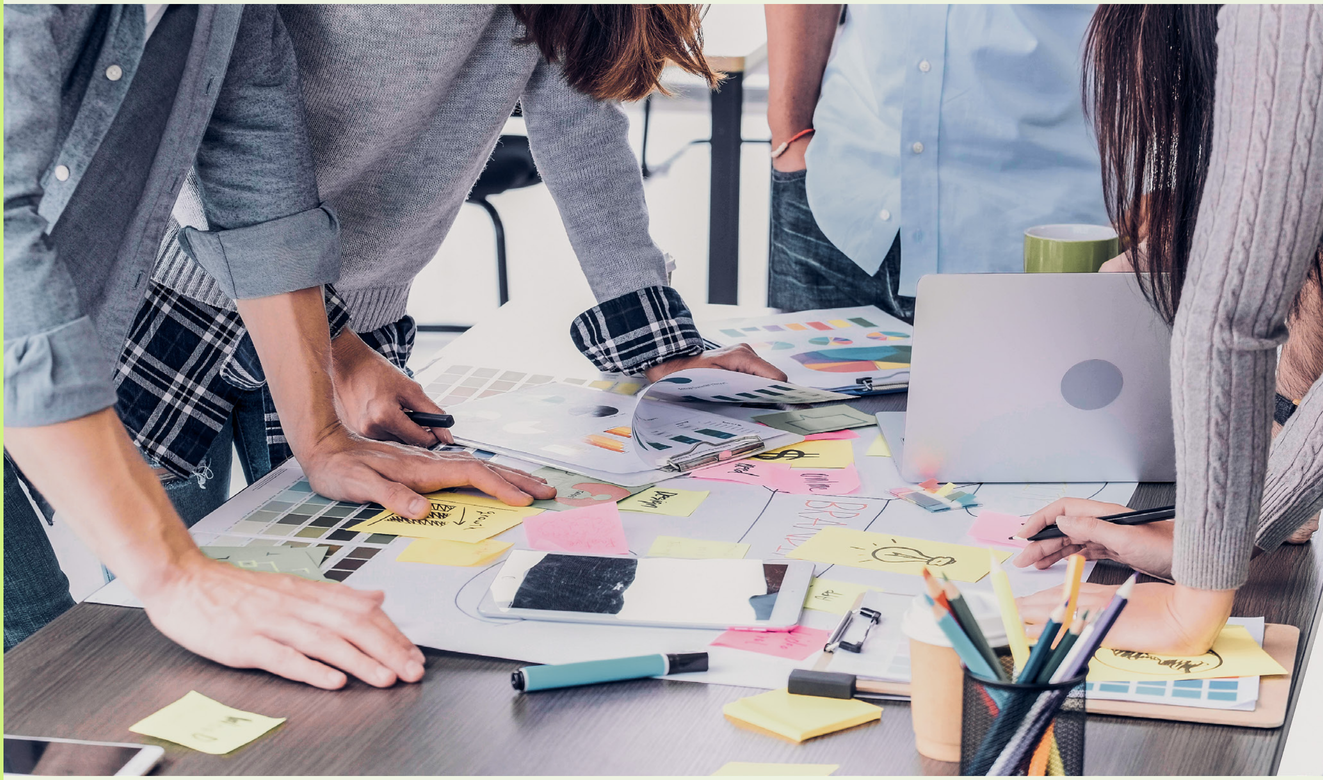
Our experience working with many post-M&A companies is that the integration of brands and the building of a forward-looking, strategic brand architecture is one of the key components that most often gets punted for later, and usually for all the wrong reasons.

Companies are very protective of their brands, and while negotiations are happening the tough brand discussion (beyond "what are we going to call the new organization?") rarely gets addressed up front. It's thought that this will naturally work itself out over time. Marketing will sort it out.

But what really happens is nothing. Companies end up with a confusing mix of brands and product lines that make little sense internally, and even less so to their customers. This is true even years after the M&A. We call these amalgamated messes "brand goulashes."

The period just after the M&A presents an unprecedented gift to the leadership of the company. It's a time to make changes—and take on the tough challenges. If decisions—such as what the new brand portfolio of products and services will look like are not made at this initial stage - they most likely will not be made later either and it will get exponentially harder. And an ideal reason for making the changes fades away.

This, in turn, saps the company of clarity and simplification and allows "brand tribalism" to take over the culture.



There is a better, data-conscious way of doing things

Your new combination of corporate brand and product/service level brands need to work together in a way that tells your new, and complete story. Every time an acquisition happens, the company's narrative changes. It's a perfect time to revisit the corporate brand narrative so that it is truly differentiated, simple, and clear. Your employees need this badly and the market wants to understand who you are becoming.

But 2021 also presents an additional, heightened challenge to M&A brand strategy: the changing and evolving needs of your market due to the impacts of reevaluating almost everything brought on by the global pandemic.

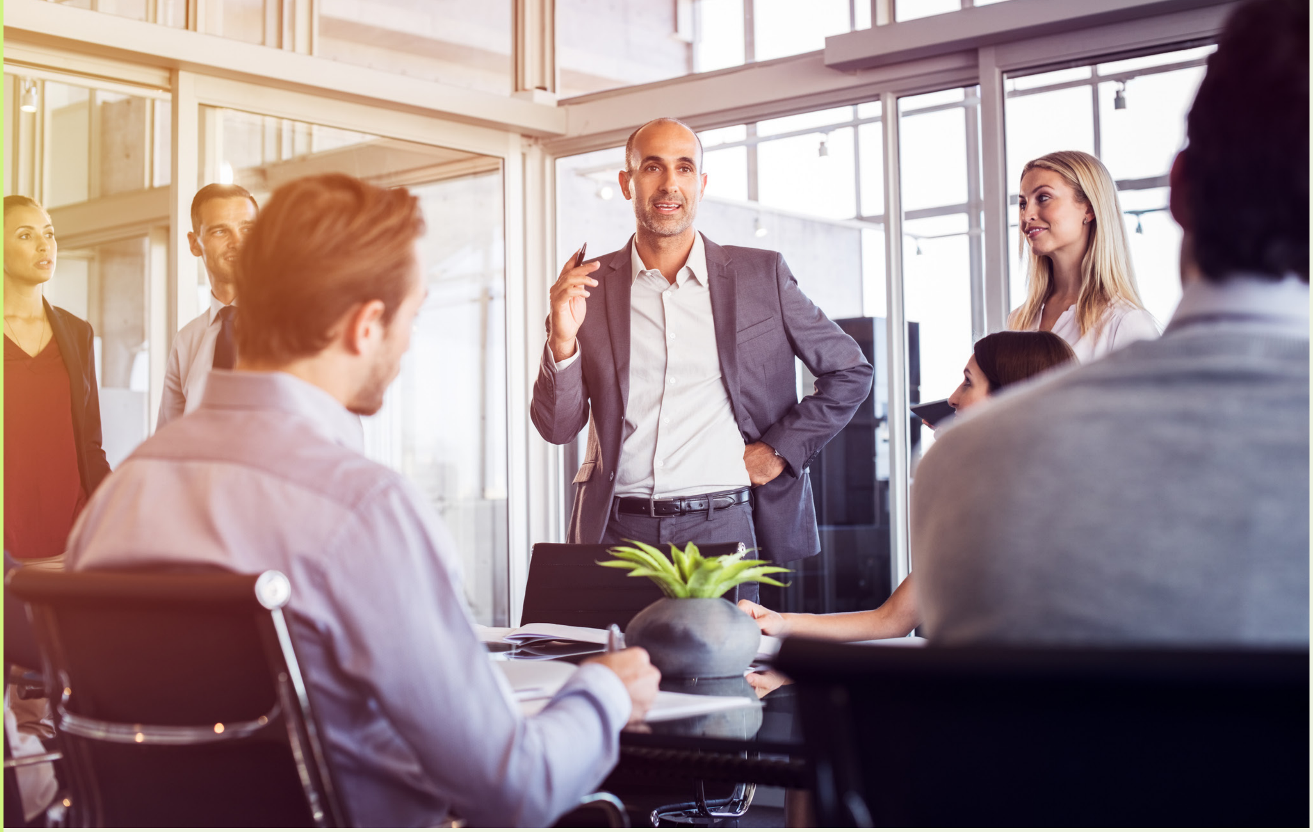
Before you can determine what the best brand architecture strategy will be, you need to get inside the evolving mindsets of your customers. Companies frequently make the mistake of not taking a more data-influenced approach to understanding the real equity that corporate brands hold and rely too much on internal points of view. In an M&A situation, this immediately sets up two entrenched camps of thought, with the acquirer usually calling the shots leaving a bunch of confusion, disillusionment and hard feelings in the wake.

By taking the first 90 days of the M&A to conduct deep dive brand market research, you can determine exactly what the perceptions, awareness and intent-to-buy levels are for all of the brands in the new portfolio.

Additionally, you can determine if the target persona's reasons for choosing one brand over another—the associated Value Drivers—are changing. Assumed Value Drivers, from our experience, are almost always created by internal teams based on their experience or third-party analysts' reports. As a result, companies find themselves off the mark when these assumptions get translated into marketing and sales messaging.

M&As further complicate this matter. In a study of over 220 marketing leaders conducted by Brandigo, 72% stated they have no or only limited confidence that their organization understands the unique and changing pain points of their target audience.

Add all of this together, and you can see why many M&As from a brand perspective just don't deliver.



Five steps to seize the M&A advantage

So, what's the best-practices-approach to getting the brand M&A right? Below are steps that will lead you in the right direction.

1. Take an outside-in approach.

After an M&A, emotions are high and brand tribes form overnight. To help bring a more scientific and data-conscious approach to tough brand strategy divisions, conduct quantitative research with target buyers. This will tell you which brands in the portfolio have the strongest equity and highest levels of intent to buy and will give you the data you need to do the necessary culling of brands right out of the gate.

2. Focus on simplicity.

The objective of brand strategy and brand architecture is to create clarity and simplicity to the company's assets. Creating a structure that is simple will ensure that it will scale with the organization, while bringing the clarity that everyone desires, both internally and externally. Data and insights will help this tremendously—while also helping to soothe internal brand tribal sore spots. One of the biggest mistakes companies can make is having too many brands without a strategic rationale for them all to exist.

3. Create a new corporate brand-level story.

How is your corporate brand differentiated in a meaningful way? Why should anyone choose you in relation to your competitive alternatives? Even if the acquisition was relatively minor, chances are it should have an impact on your corporate brand narrative. When you look across your portfolio of products and services (or swim lanes or divisions), does it tell a cohesive story? Or are they siloed? This should be part of your corporate brand narrative.

4. Seize the window of opportunity to create brand clarity at the product/services level.

The time of the M&A presents an unheralded opportunity to make tough decisions that, if not made then, only get tougher and more disruptive as the two companies settle into their new existence. Consider all of the brands that each company has, whether they are product or service brands or both. Draw out a logical structure for them that goes beyond just pushing the two organizations together. Which brands should make the transition? Which should not? Which should be downgraded from brand status altogether? This discussion will help drive the bigger conversation around the future business model of the combined companies. Clean up your brand architecture now.

5. Do not underestimate the impact that brand strategy has on company culture.

Research shows that the tribal mentality that happens post M&A is a serious reason why they don't produce the value that was hoped. Use your brand strategy as a way to drive a new unified culture and break down the inevitable walls that will arise. Internally, brands can do one of two things: create separate camps or bring teams together. You know which one you want.

5 STEPS TO SEIZE THE M&A ADVANTAGE

- Take an outside-in approach.
- Focus on simplicity.
- Create a new corporate brand-level story.
- Seize the window of opportunity to create brand clarity at the product/services level.
- Do not underestimate the impact that brand strategy has on company culture.

Brand strategy demands rigor, research, and imagination. Anything less is no strategy at all.

Most marketing fails because agencies and in-house teams don't invest in understanding the authentic desires of customers. So the expensive messaging and content they produce runs wild with irrelevance, often damaging a brand's health.

Brandigo's data-conscious approach to brand strategy solves this problem. Brands all over the globe are now seeing their business success accelerate thanks to the services we offer.
Our services include:

- Brand Strategy Research (Brand Health, Value Drivers, Messaging Prioritization, Audience Needs Assessment, Concept Validation, Persona Development Studies)
- Organizational Vision, Mission, and Values Development
- Brand Positioning and Value Proposition Development
- Brand Architecture
- Comprehensive Messaging Platform Creation
- Employer Brand / Employee Engagement / Strategy Fluency
- Go-to-Market and Creative Execution

Some of the brands we've partnered with include:

To find out more about Brandigo's data-conscious approach to brand strategy, and to see the impact it has had on our clients' businesses, you can download our M&A Brand Strategy Roadmap, and insightful resources by visiting our website:

www.brandigo.com

Or get in touch via email at:

Chris Langathianos, Global Vice President of Brand Strategy
chrisl@brandigo.com

Steven Proud, Global Marketing Director
sproud@brandigo.com

brandigo