Numbers Only Tell Part of the Story in M&A

What is the Role of a Brand in Mergers and Acquisitions

How do you know if the company/product you are acquiring has a healthy brand?

What do customers and prospects actually think of the brand?

How will the brand integrate into my portfolio?

What do you have to invest in the brand post transaction?

Of course the financials are critical in an evaluation and The role of a brand in M&A is multifaceted and can significantly impact the transaction's success and can *accelerate value creation*. ***Remember, a logo is not a brand.*** A brand encompasses the reputation, perception, and value associated with that company in the minds of customers, employees, and stakeholders. Here are some critical aspects of the role of a brand in M&A:

1. **Brand Due Diligence:** Brand due diligence complements traditional due diligence – it is critical to understand the brand health of the company/product(s) you are acquiring. It can uncover hidden opportunities and issues. This includes evaluating its brand strength, weaknesses, market position, and any potential liabilities or risks associated with the brand. What are the customer perceptions? Is it well managed? What is the status of the trademarks? Most importantly, what will you need to invest in the brand(s) post-transaction?

2. **Brand Equity and Value**: One of the most critical considerations in M&A is the brand's equity and value. A strong and well-recognized brand can add significant value to the acquiring company. This brand value is often considered an intangible asset on the balance sheet, and its preservation or enhancement is crucial.

3. **Customer Loyalty**: A strong brand often comes with a loyal customer base. During an acquisition, assessing how the merger will affect customer loyalty is essential. If customers have a solid attachment to the brand, changes should be carefully managed to avoid alienating them. Communication with existing and target company customers is vital (see below).

4. **Brand Dilution or Erosion**: Mergers can sometimes dilute or erode the value of one or both brands involved. This can happen if the acquiring company fails to preserve the unique attributes that made the brand successful in the first place.

5. **Legal and Regulatory Considerations:** Certain industries and jurisdictions have specific regulations related to branding in M&A. Navigating these legal and regulatory requirements carefully is crucial to ensure compliance. This may include naming, multi-country trademark registrations, legal straplines, translations, cultural sensitivity, and language testing.

SightCast is a brand strategy and M&A advisor. We work with companies and advisors to evaluate brands through brand due diligence, assist in brand integration, optimize brand portfolios, and prepare brands for divestitures, carve-outs and exits.

David Wisnom III is an innovative brand strategist, author and M&A advisor with over 25 years of experience in creating, building and revitalizing brands - from startups to Fortune 50. David held executive roles with the two largest global brand strategy and design firms, worked as an M&A advisor with Securieon Group, and was the first Global Brand Strategist for M&A at Intel Corporation.

To learn more about our advisory services and the customized M&A brand playbooks, please contact David Wisnom III at 650.255.5559 or wisnom@sightcastinc.com

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The Role of a Brand in Mergers and Acquisitions - cont'd.

6. **Employee Morale and Retention:** Employees of both the acquiring and target companies may be concerned about how the merger will impact their job security and work environment. The brand plays a role in shaping employee morale. A well-considered M&A strategy should include plans for managing and maintaining employee loyalty and engagement during integration.

7. **Integration and Harmonization:** A vital element of the brand strategy is the brand migration strategy - the roadmap. What is the new brand architecture - where does it fit in an existing brand portfolio? How well does it integrate with existing brands? Will the acquired brand need an interim legal strap-line? How long should it take to sunset the brand?

8. **Communications and Public Perception:** Managing communication during and after an M&A is vital. It's essential to convey a clear and consistent message to customers, partners, investors, and the public about the rationale behind the merger and how it will benefit them. Mishandling communication can lead to confusion and damage the brand's reputation.

9. **Brand Strategy:** A comprehensive brand strategy will create the data-informed rationale about whether to keep brand(s), rebrand or create a new brand. The brand strategy aligns with and supports the business strategy's overall strategic goals. It provides a roadmap for a streamlined integration - accelerating value creation.

10. **Brand Strategy Playbook for M&A:** A brand strategy playbook is explicitly developed for M&A transactions, acquisitions, carveouts, and divestitures. This framework includes conducting brand due diligence and developing a brand strategy - positioning, naming, brand architecture, identity, an integration roadmap, and other brand management tools.

In summary, the role of a brand in mergers and acquisitions is substantial. A well-thought-out brand strategy is essential to maximize the value of the transaction, ensure a smooth integration process, and maintain or enhance the brand's reputation and equity throughout the M&A process. ***Most importantly, to accelerate value creation***.

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