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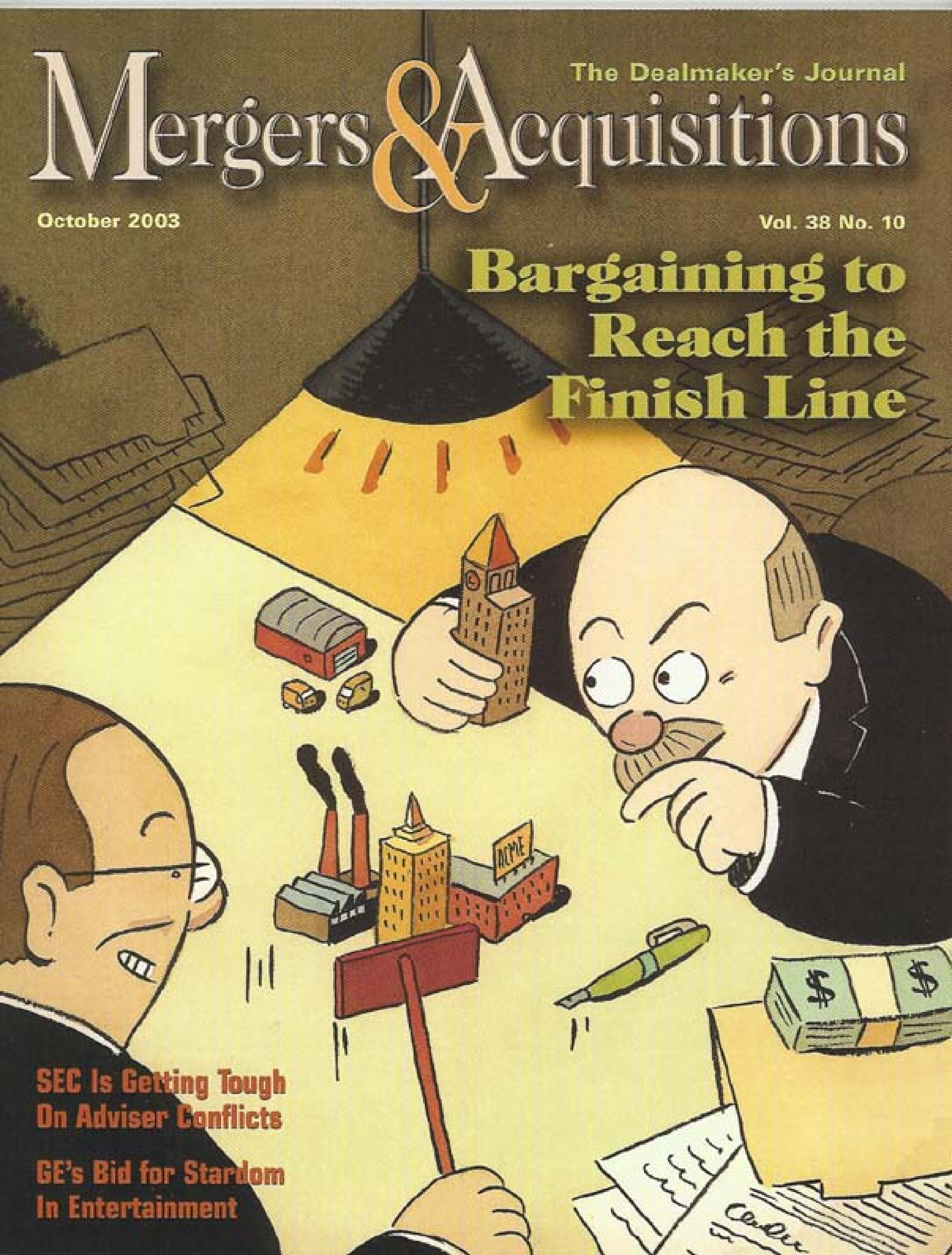

Bargaining to Reach the Finish Line

SEC Is Getting Tough On Adviser Conflicts

GE's Bid for Stardom In Entertainment

The Care and Feeding of Acquired Brands

By Donatella Giacometti

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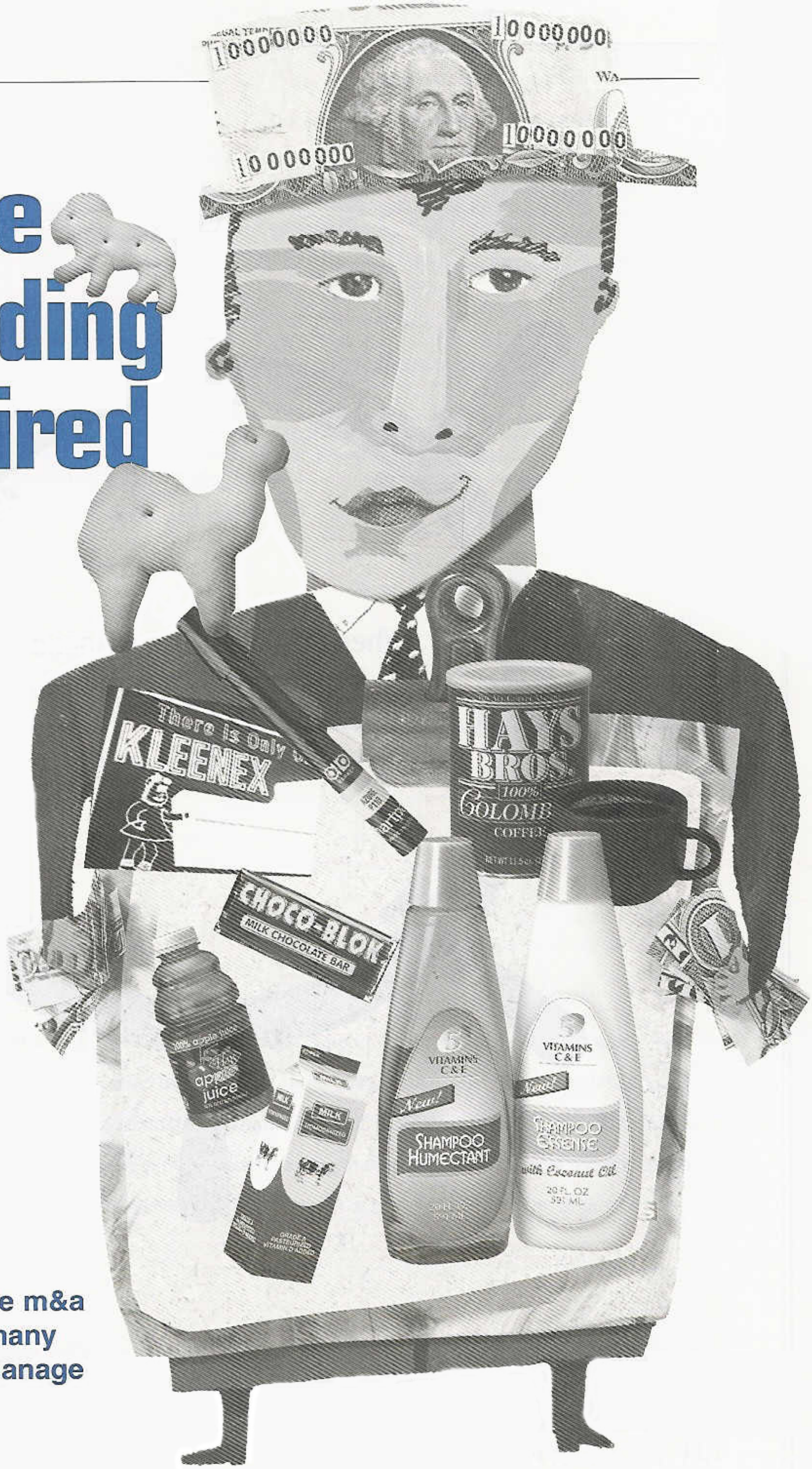
Brands cost a lot in the m&a market. Why then do many acquirers neglect to manage them the right way?



What is a corporate brand? Why is its value important to an acquiring company?

We define corporate brand as an equation: Truth + Claims + Performance = Corporate Brand.

- Truth represents irrefutable facts.
- Claims represent self-professed benefits.
- Performance represents competitive achievements.

Because of recent revisions in accounting rules by the FASB, brand value factors more strongly into the dealmaking process. Goodwill acquired in a deal, including intangible assets such as brand equity, is now measured and accounted for like a tangible asset. This gives corporate and product brands a recognized value in a transaction and may influence the total value of a company beyond the net asset value in a merger or acquisition.

For example, **UBS AG** phased out the business division brand of UBS PaineWebber, which was created by the Swiss bank's acquisition of investment banker PaineWebber. The value of the PaineWebber brand was quantified by UBS's non-cash net write-down of $699 million in the fourth quarter of 2002.

In addition to significantly adding to the market value of a company, a strong corporate brand serves to accomplish desired business objectives for the deal. It is a fundamental asset for reaching post-closing financial goals by attracting and retaining customers, employees, and investors.

To help you maximize and protect your company's corporate brand equity during m&a negotiations, we will present corporate brand basics that senior executives and dealmakers need to know about but often ignore.

The Brand as a Cornerstone of the Deal

"I'm too busy to think about my brand."

You cannot afford to be too busy. If you hear yourself saying these words during an m&a deal, you definitely need to rethink the role your corporate brand plays in your overall business goals.

During any merger or acquisition, management surely has considered the strategic rationale and financial disciplines involved in the deal. But the most competitive management team also has taken the time to examine how the corporate brand contributes to the success of the deal.

To fully leverage the intangible asset of the corporate brand, it is vital to incorporate brand marketing in the dealmaking process from day one.

The following are a few of the necessary elements in an effective m&a corporate brand strategy:

Executive Vision of the Brand

With thousands of crucial decisions to be made during an m&a deal, it is easy for the brand marketing plan to slip through the cracks. The highest levels of management, members of the board, legal counsel, and other key decisionmakers must come to an agreement on the company's brand objectives before the final negotiations take place. Executives and professionals at this level must become actively engaged to maximize the opportunities inherent in effective corporate brand integration.

You need to establish an executive forum to focus on the corporate brand. With top-level participation, the discovery, analysis, and action surrounding the brand will receive priority recognition throughout the dealmaking process.

Chief Brand Officer

To ensure the success of the corporate brand program, it is essential to appoint a brand integration manager early in the m&a process. This person, designated the chief brand officer (CBO), focuses solely on the brand strategy as it relates to the business and financial goals of the executive team. Designating brand management as a top-level function is the first step in building a corporate brand that will increase market value.

The CBO is responsible for realizing the full potential of the corporate vision set by the CEO. This effort encompasses multiple marketing and communications disciplines, such as investor relations, public relations, advertising, and community affairs. The CBO serves to integrate and streamline these resources into a single, more effective brand communications team. As a result, each line of communication will properly represent and promote a unified corporate brand.

During deal negotiations, the CBO should analyze influential factors such as:

- Existing brand equity of the transaction partners;
- Characteristics to be leveraged in the combined corporate brand;
- Areas for brand strategy improvement; and
- Relationships between business objectives and the corporate brand.

Often the results of this exercise lead to adjustments in the content and emphasis of corporate messages and the formulation of a corporate brand strategy going forward.

Combination of Existing Brands

When two or more established brands enter into a deal, a new brand ultimately will be formed. There are multiple strategies for integrating existing brands and forming new brands following a deal.

New Corporate Brand

As a result of business combinations, many companies develop a new corporate brand. Gasoline brand BP is a good example of this strategy. Following a series of acquisitions, including Amoco, ARCO, and Burmah Castrol, the company formed a new identity. Its name began as **British Petroleum PLC**, then became **BP Amoco PLC**, and is now simply **BP PLC**. The company uses branding to communicate its commitment to reduced emissions and increase its social responsibility through the advertising slogan "Beyond Petroleum."

Business Divisions

In some cases, an acquired company becomes a business division or wholly owned subsidiary of the acquirer and retains its corporate brand. This strategy is used to benefit from the name recognition and reputation of the acquired company. For example, when UBS acquired PaineWebber in 2001, the UBS PaineWebber business division to handle North American investment banking was formed. The company credits the strength of the PaineWebber name for raising the visibility of UBS in the United States.

UBS in 2002 announced plans to retire its business division brands, including UBS PaineWebber, and to begin operating under the unified global brand UBS as of mid-2003. The company implemented a simplified brand strategy, and believes the name UBS best represents its global position in the world of finance.

One Corporate Brand, Multiple Product Brands

PepsiCo Inc. is a prime example of a company that has been able to maintain a strong corporate brand as the umbrella over many of the world's best-known product brands. PepsiCo was formed in 1965 with the merger of Pepsi-Cola and Frito-Lay. The company has continued to grow through acquisitions, including **Quaker Oats Co.** in 2001.

Throughout 37 years of m&a activity, PepsiCo has maintained and continued to build a unified corporate brand. The stock is traded under the name PepsiCo with the ticker symbol PEP on the New York Stock Exchange. The corporate culture — including the PepsiCo Foundation, community involvement, and a commitment to diversity — are all a part of the PepsiCo brand legacy. PepsiCo has become a global leader in the beverage and snack foods industries with major product brands, including Pepsi, Frito-Lay, Tropicana, Quaker, and Gatorade, among hundreds of others. These consumer brands sell under their well-known names and maintain retail share-of-mind and market.

"Because change is certain in the m&a process, the stabilizing effect of the corporate brand can contribute significantly to the outcome of the deal."

Preserve Brand Equity

Integrity? Quality? Innovation? Whatever your corporate brand stands for, preserving the best of your past and present establishes the foundation that will ensure brand stability for the future.

Careful market research and a survey of your constituents will identify the attributes and emotional associations that may be carried forward in the postacquisition corporate brand.

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Brand Legacy

Every brand has its own history. Dynamic leadership, industry milestones, outstanding achievements, and even world events may all be highlights of the corporate brand legacy.

You need to recognize and leverage your company's important historical moments as they contribute to the corporate brand today and to your vision for the future.

During an m&a deal, the brand histories of the companies involved ultimately will meld to form a new corporate brand legacy. This will become an integral part of the communications of the combined company.

Get the Workforce Behind the Brand

The m&a process often causes friction in the workplace. Your human resources are a fundamental asset that must be retained to preserve premier performance.

During and after the deal, there is tremendous uncertainty among employees about the direction of the resulting organization. Members of the workforce know that change is inevitable and wonder whether their jobs will remain.

In international deals with cross-cultural concerns, in cases of redundancy and downsizing, and in any organizational change that can be perceived as negative, the corporate brand can play a major role in minimizing friction and helping the workforce feel secure. A strong corporate brand can provide employees with a sense of stability, pride, and future opportunity.

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A changing organization with a changing mission needs to reinforce that the values in the corporate brand are consistent with those of its workforce. The new brand message must be effectively articulated. Satisfied employees are an intellectual resource and can serve as ambassadors of the new corporate brand messages.

Corporate Vocabulary

A changing corporate brand calls for a refreshed corporate vocabulary. The vocabulary you select is one of the most visible expressions of your brand. It is a glossary of visual, vocal, and text elements that make up your corporate brand identity.

The change in corporate vocabulary may be subtle or substantial. The resulting words and visuals will be used to create marketing elements such as a company description, also known as the "elevator speech," as well as the name, logo, tagline, printed materials, news releases, advertising campaigns, and websites. The new corporate vocabulary will be used to announce the deal and drive all future communications.

Once the corporate brand messages have been established, they must be presented simultaneously with the new corporate brand vocabulary. Both the timing and the coordination of delivery are critical to maintaining consistency and integrity.

The Brand Impact on Opinion Leaders

Everyone has an opinion. Most companies communicate their corporate brand messages to diverse audiences, including customers, employees, investors, financial analysts, and the media. Though opinion groups vary, corporate messages must be consistent. Unified corporate messages ultimately lead to a universally shared viewpoint.

In the current media environment, business news is like sports reporting and the CEO is the star athlete. The media have a compounding effect on the dissemination of corporate brand messages surrounding an m&a deal. The media are 24-hour sources of information. Their thirst for business information is never fully quenched.

How can you effectively manage your messages given this reality? Before, during, and after a deal, a company must anticipate difficult questions and prepare responses that are accurate and concise. With multiple opinion groups accessing the media simultaneously, corporate messages must be streamlined to appeal to a broad audience.

Drive Market Value

Can you afford to wait two or three generations to build a familiar and trusted corporate brand? Not likely. While many companies have generational loyalty on their side, many more are leveraging the corporate brand to efficiently increase market share.

The marketplace is fast-moving and constantly changing. Public markets are impatient and today's customer base is mobile and global. These dynamics require a company to aggressively and rapidly achieve successful business performance. Following a merger, the resulting corporate brand also needs to be deployed quickly and with confidence.

The key is to take a systematic approach to the entire corporate branding process. Recognize it as an integral part of your dealmaking agenda. Assign your brand integration manager early. Establish the appropriate channels of executive communication for this critical function. Carefully craft your publicity, advertising, and promotion to ensure an appropriate return on your investment in these essential areas.

The attention you pay to your corporate brand today may provide substantial rewards in m&a negotiations and in long-term corporate performance.

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