Five Considerations for Managing Brands in M&As

In a merger or acquisition, brands sometimes become one, but often remain separate. How should leaders decide which way to go?

A key and emerging imperative in brand management is brand portfolio management in scenarios involving mergers and acquisitions. Global organisations are increasingly looking at growing via acquisitions in target markets or by selling-off non-core businesses to strategically focus on core areas of growth. Procter & Gamble is in the midst of one such massive brand consolidation programme, wherein it intends to divest more than 100 brands from its portfolio by the end of 2015. The other avenues for growth are mergers, wherein organisations are increasingly looking at partnering with one another to garner market share, take on competition more effectively and expand their global footprint. Think about the recently announced proposed merger between Kraft and Heinz.

Managing an expanded or significantly altered portfolio of brands in an M&A scenario has direct implications on brand portfolio management, as they still need to evolve simultaneously or come together. Making the decision is not easy, but based on my experience the key factors that need to be considered are:

How to assimilate?

Brands acquired via direct acquisitions need to be assimilated into the existing portfolio in a manner that does not disturb the existing relationships between portfolio brands at different levels of the brand architecture. Acquired brands need to be aligned with the relationship that exists between the corporate brand, product brands and any sub-brands. This requires a strategic relook at names of acquired brands and existing and intended brand positioning in the portfolio.

Keep competing brands?

In many instances, corporate acquisitions result in brand portfolios with brands that compete with each other in the same category, or even in a specific segment. Decisions around integrating them into the portfolio and brand architecture can be two-fold: slowly phase out one of the directly competing brands and let the bigger brand take over existing assets or allow both brands to operate as they have always with strong endorsement from the corporate brand. In scenarios where there is no corporate brand endorsement, the decision on brand architecture alignment rests on factors like strength of independent brands, co-branding avenues etc.

Phase out your acquired brand?

Quite commonly in acquisitions, the acquiring company phases out brands of the acquired company over a period of time. The whole process may take place over three phases: both brands co-exist, the brand to be phased out starts getting endorsed by the stronger brand and finally, the stronger brand replaces the phased out brand completely. Microsoft's acquisition of Nokia's global mobile phone business adopted a phasing out strategy of the Nokia corporate brand endorsement.

What to do with a divested brand?

From the seller's perspective, an acquisition means that the brand portfolio has been rationalised. From a brand architecture point of view, it means realigning the corporate brand, product brands and any sub-brands into a new framework that represents the relationships accurately. Most sell-off decisions are driven by poor performance and non-core businesses but many sell-off decisions can potentially have a strong impact on the equity of the corporate brand (for example, Nokia selling of its mobile phone business to Microsoft, or Ericsson deciding to discontinue mobile phones products).

Manage a portfolio?

Mergers, in contrast to direct acquisitions, present a different set of challenges. Depending on terms of agreement and majority-minority stakeholder status, the merged entity needs to take decisions on rationalising the expanded brand portfolio. In these circumstances, the decisions around rationalisation are complex. Brands coming from different stables that are direct competitors need to be treated carefully and a brand strategy needs to be adopted going forward. In many instances, the merged entity has a new brand name, which in turn changes the way the corporate brand will endorse brands in the portfolio (in 1999, French pharmaceutical major Rhône-Poulenc S.A. merged with the German corporation Hoechst Marion Roussel to form "Aventis").

When two brands collide

Mergers and acquisitions have significantly changed operating models and structures of organisations. These strategic changes have significantly impacted brand management processes. Because mergers and acquisitions are primarily the result of endeavours to identify and unlock growth opportunities, it is crucial that the vehicles of growth, namely brands, are managed efficiently in the whole process.

The evolution of the portfolio and the associated brand architecture in mergers and acquisitions scenarios can take a significant amount of time to stabilise. This is driven by the fact that acquired brands take a long time to get fully integrated into existing business structures of acquiring organisations. Hence, having a long-term lens is critical.

To achieve efficiency and position the portfolio for future growth, national and international branding strategies should focus on creating sustainable, coherent, clearly defined and actionable brand architecture for the portfolio. This acts as a navigation map for brand portfolio management and for brand custodians to manage the portfolio in a manner that leads to sustainable, medium and long-term growth path.

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