

# CHOOSING WHICH BRAND TO RETAIN AFTER AN INTERNATIONAL MERGER OR ACQUISITION

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**Abstract:** - This is an exploratory and descriptive research on which brand should be retained after an international merger or acquisition. It begins with a brief background on what are mergers and acquisitions, their types and the reasons for their formation. The study aims at exploring the various ways in which a brand name can be chosen by a merged entity and the impact of such a decision taken.

In order to explore into the real-life applications of the theoretical knowledge certain examples have been taken of mergers that have taken place in the past. An attempt has been made to relate the success or failure of the merger with the branding decision taken by the merging companies and light has been shed upon why a particular type of brand name has been chosen by the merging entities.

Secondary data has been chosen to conduct the research. The research paper elaborates in detail about branding in mergers and acquisitions, the factors to be considered beforehand, the options available for choosing a brand and the reasons for choosing a particular brand.

Examples have been used to elaborate upon the real-life applications and the impact of choosing brand names on the mergers and acquisitions. Examples of successful as well as unsuccessful mergers have been picked up to be able to differentiate between the impact of a good and bad branding decision.

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## INTRODUCTION

Mergers and acquisitions also known as M&A basically refer to the consolidation of companies. These are business ideas where companies join hands to work together as a single organization for the benefit of both.

Mergers on one hand is mainly a consolidation of equals wherein two companies join hands to form one new organization. An acquisition on the other hand is a form where one organization is taken over or bought by another powerful organization, thus acquired by another.

Mergers and acquisitions are major aspects today's corporate world. Globalization and liberalization have opened the doors to a common playing field for all the organizations making the entire world an accessible market place. This led to a blast of new avenues and opportunities for the organizations. In order to cater to the huge market efficiently and effectively providing the products and services that satisfy the customers companies started joining hands and working together for mutual gains. This brought in the concept of mergers and acquisitions which are a common phenomenon today.

One major reason behind M&A being successful is the belief that two companies together create much more value when compared to both of them operating individually. Thus, Mergers and acquisitions help to fulfil the objectives of wealth maximization as well as customer satisfaction by tapping on opportunities.

### Types of Mergers and Acquisitions:

Primarily there are two types of mergers i.e. merger through absorption and the other being merger through consolidation.

In case of merger through absorption, one organization from the various merging organizations survives absorbing all other organizations. Thus, the absorbed companies lose their identity.

This however does not happen in the case of merger through consolidation wherein the companies come together to form a new organization with a stronger identity by combining the individual identities of the merging companies.

From an economic perspective there can be three types of mergers:

Horizontal mergers where two firms from the same industry come together to form a new organization

Vertical mergers where two companies operating at different levels in the value chain or at varying production stages join hands to form one organization

Conglomerate mergers where two organizations from unrelated industries come together

From a legal perspective the various types of mergers can be

Short form mergers Statutory mergers Subsidiary mergers Merger of equals

### Reasons for Mergers and Acquisitions:

There are a variety of reasons due to which companies enter into mergers or undertake acquisitions. The primary

reason remains the fulfillment of wealth or profit maximization objective and the objective of customer satisfaction. The other reasons are:

- To be able to improve company's performance and achieve a higher growth rate
- To be able to achieve benefits of economy of cost and scale
- To enter new markets to fulfil the purpose of expansion
- To be able to produce new products and achieve diversification
- To gain access to better technology and better-quality raw material
- To strengthen the market share and enhance goodwill
- Diversification of risk

### **OBJECTIVE**

This study has been undertaken with the objective of gaining knowledge about how branding and naming decisions are taken in case of mergers and acquisitions in International markets. The various factors to be considered while taking a decision regarding the naming of the new organization after the merger or acquisition and the various possible options for such branding. A major objective of the research is to analyze the importance of branding and the way to choose the best branding after an acquisition or merger. I research with the objective of knowing the impacts of the chosen name or brand on the success of the new organization

Mergers and acquisitions are a common phenomenon today and a major chunk of the MNCs that operate today are involved in mergers and acquisitions. In the era where customer perception matters the most, branding plays a pivotal role in the success of any organization. The brand name and image build an image in the eyes of the customer for the organization and decides the fate of the organization.

When a merger or an acquisition takes place, the parties involved lay huge focus on the financial and operational feasibility of such collaboration. Among other important factors considered when deciding upon a merger it is possible that the companies do not lay enough focus on the branding decision and might end up facing troubles later on. For those that do lay focus on the branding decision the type of naming or branding to be taken up might lead to difference of opinion between the parties and hence a disagreement.

Thus, the primary objective of the research conducted is to study how to choose a brand for the organization after a merger or acquisition takes place and the various important

decisions and impacts associated with it. A number of examples have been taken up to seek and ensure clarity about the same.

### **RESEARCH METHODOLOGY**

The research has been undertaken with the help of various well-established sources of secondary information that provide us with crucial information with respect to branding in case of M&A, the various ways it can be done, the best way to do it and the impacts of the decision.

In order to study the branding in mergers and acquisitions certain ways have been described that can be chosen to decide upon a brand and the situations in which a particular way is favorable have been discussed. A few examples of branding in case of successful and unsuccessful mergers have been taken including Disney and Pixar, Tata Corus, Verizon Communications, United and Continental Airlines, Daimler and Chrysler and Air India and Indian Airlines.

### **BRANDING IN MERGERS AND ACQUISITIONS**

As time passes by, an organization grows gaining experience and learning from experiences, it tends to make changes in its structure and products in order to expand and diversify. This includes branching into new sectors, attracting new customers and also integrating with other businesses.

Mergers and acquisitions have various benefits and are undertaken for the mutual benefit of the including parties however undertaking a merger is not as easy as it sounds.

Mergers are complex and complicated transitions which primarily focus on aligning the equity and financing in a business, altering perceptions and migrating customers from one segment to another. Mergers require precision and attending to the minutest details, it is so because a failure of a merger destroys not just one but might lead to a loss or potential death of all the parties involved in merger.

Mergers come up with a lot of things to focus on like the financials and operations involved, the technological and the Human resources. It is easy to get caught up in these things and as a

result a lot of companies don't really know how to go about merging with focus on brands. However, laying proper focus on branding is essential for the success of any merged company. the companies that brand together, stand together.

### **CHOOSING WHICH BRAND TO RETAIN AFTER A MERGER OR ACQUISITION**

When M&A takes place, there are various naming issues that might crop up. Once the technicalities involved in the merger are complete, one needs to focus on the proper brand name for the new entity. Incase of acquisition it is a common phenomenon that the acquiring company gets to keep the

name. However, choosing a brand name for the new entity should be more about the customer perception of the brand, which brand has a stronger standing in the customer's mind and goodwill in the market instead of the two companies merging.

The following are the major choices which can be considered while choosing which brand to retain after a merger:

**Option 1: Keep Both names or stay the same**

The most conservative way to handle mergers and acquisitions is perhaps to keep the brand names of both the companies. This refers to a merger wherein the marketplace and the customers continue to see both the brand names as separate brand names to maintain their individual brand value. However, this does not indicate independent operations of the merged organizations. This is a suggested method in case both the merging organizations have very differentiated personalities in the marketplace.

A great example in this case would be of Proctor and Gamble. P&G has a variety of brands and products acquired by it. All these products although linked under one organization by the means of their operations enjoy their separate identities and brand names in the market place.

**Option 2: Creating a Fusion**

This is perhaps creating a brand name from the brand names of the merging brands. It includes auditing the identity of each company and finding the different points where companies can form a link. Fusion is the most popular method in case of branding of mergers and works best for the organizations from the same industry (horizontal mergers), thus having similar brand visions. Fusion can be in terms of mixing of names, or mixing of logos or any combination of the two.

For example, in the case of Phillips and Conoco merger the name of the company was ConocoPhillips however they came up with a brand-new logo. Thus, the names of both the organizations remained but the logo changed.

**Option 3: The Stronger partner**

Under this option, the partner with the stronger brand image or consumer perception gets to keep the brand name and the other partner loses its identity post the merger. This mostly happens in case where a company with strong

financial position and market standing acquires another brand

**Option 4: The new name**

Under this option of branding the organizations merging give up their individual identities to form a new brand identity and come up with an entirely different brand. This works best for the companies seeking a significant transformation

For example: Bell Atlantic and GTE merged to create a new company known as Verizon.

**REASONS FOR CHOSING ONE OPTION OF BRANDING OVER THE OTHER**

**Reasons for keeping names of both organizations post-merger:**

- To ensure easy cultural integration in the early period of the merger or the migration period so as to avoid differences between the organizations and both organizations being able to maintain their divergent cultures. This happened in the case of Morgan Stanley Dean Whitter. Both names were kept during the initial phase however later on Morgan Stanley survived as the brand name.
- To retain the well-established customer acceptance. This happens mostly in case when both the merging organizations have an equally strong brand image in the market place and losing any one name might lead to a loss of customer acceptance. This happened in the case of Lyondell and Basell wherein US based Lyondell and Europe based Basell catered to distinct markets and thus formed LyondellBasell.
- To assert industry dominance by leveraging from the strength of both the powerful brands. This takes place in case both the companies belong to the same industry and thus are able to wipe out competition by merging. The merger of GE's NBC brand and Vivendi's Universal Entertainment created NBC Universal resulting in establishing a powerful position in the multinational media market.

**Reasons for choosing the name of one partner over the other**

- Company acquiring the other might want its name to prevail owing to the financial strength

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- To eliminate reputational baggage that might be associated with one of the names. This is when one of the merging companies provides valuable assets but has a tainted image, the new entity preferably abandons the tainted name. This happened when Dow
- Chemicals acquired Union Carbide. Union Carbide's name was abandoned owing to the scandal it was involved in.
- Inability of the merging companies to keep both the names owing to legal reasons can also lead to choosing the name of one partner. This happened when TD Bank acquired Commerce National. Due to legal reasons the merged organization could not retain both the names and thus the acquired bank was renamed as TD Bank.
- Customer perception should be the first and foremost factor to be considered while deciding upon the branding of the newly merged entity. A research must be conducted about the kind of market that is to be targeted by the new company and thus should be included in deciding about the brand name.
- Engagement and inspiration of employees should be considered well. Lack of cultural integration can be one of the primary reasons for the failure of any merger. A good branding strategy with a well thought about brand helps to unite the workforces by establishing a distinct set of values and integrate cultures and mindsets within the organizations. Transformation of employees of the new entity and filling them with enthusiasm can make it much easier to take the brand in the market and make it a success.
- The merged company should have its originality and its own story, thus the sole purpose for the merger should not be to make money but to deliver real value to the target market with a good brand purpose. A well-built story and a clearly outlined purpose can help to not only retain the existing customers but also in attracting new customers.
- Refining Image: A merger gives an opportunity to start afresh and to work upon the past failures and mistakes. Thus, an attractive brand, a better logo and a change in colors or shades can have a great impact on how customers see the new brand. Customers often remember a company on the basis of its look and feel. Thus, the branding strategy of the merger should include plenty of information about the change to be brought about in the image.

**Reasons for choosing an entirely new name of the merged company**

- To signal a new position in the market or a changed business direction. Sandoz and Ciba Geigy after the merger renamed the organization as Novartis to establish its position as a life brand rather than a pharmaceutical and chemical company.
- To transform its image and distant itself from a controversy or tainted reputation. This was the case when Aegerion, that had suffered a scandal around insolvency and controversial CEO merged with QLT. They renamed the organization as Novilion.
- To cover a broader Geographic Footprint as happened in the case of merger of Bell Telephone Company (Pennsylvania) and New Jersey Bell, the new organization was named Verizon.

**POINTS TO BE KEPT IN MIND WHILE CHOOSING A BRAND NAME FOR THE ORGANIZATION**

- It is important to know about the strengths, weaknesses, history, cultures, and markets catered to by the merging companies before deciding upon the branding. Thus, it is essential to get a 360-degree view of the situation at hand. Knowing both brands in depth helps to identify the shared perception, similarities and differences to be considered while deciding the brand.

**EXAMPLES  
DISNEY AND PIXAR**

Disney and Pixar have been considered as one of the most successful mergers of all times. It brought together two worlds of family fun and entertainment. The merger took place on May 5th of 2006 when Disney acquired shares worth 7.4 billion dollars and made Pixar a Disney subsidiary. Prior to the merger the two organizations had an exclusive agreement to work with each other for some time, although they faced some issues but the issues were professionally resolved.

In the merger even though Disney acquired 100% shares of Pixar and made it a wholly owned subsidiary yet it did not try to dilute Pixar's image or competency on the other hand it actually leveraged from Pixar's technological and creative strengths to enhance the creative capability rather than keeping a strict control on Pixar.

The companies agreed to keep the production units of both the entities separate. Pixar had its animation studio located in California with Pixar's sign intact even after the merger. Furthermore, as per the plan of merger Disney agreed to keep the human resource policies of Pixar intact. Disney kept the motivation and loyalty of Pixar's employees high in order to retain employees even after the merger and thus making the merger a success.

The brands established after the merger came under the name of the new entity Disney-Pixar (Cars being the first such product). Pixar being small organization benefitted from the Disney brand name and its marketing abilities and Disney on the other hand gained through the technological and creative capabilities of Pixar (Mickey Mouse brand found a completely new way to increase its market share and expand its reach).

By maintaining the Pixar name and logo along with adding Disney in the mix, the companies as a merged entity were able to achieve a higher level of growth. Thus, it was a win win opportunity for both.

The financial results post the merger proved the success of the much talked about merger. The Disney-Pixar merger generated 4.1 billion dollars of box office revenue in a short span of 5 year immediately after the merger compared to the 3.2 billion in the preceding 9 years. Thus, it turned out to be a successful integration and the brand naming (keeping both the names) played a huge role in its success.

#### **NATIONWIDE BANK AND BANK OF AMERICA**

NationsBank of charlotte acquired the bank of America in October 1998 after the bank of America lent a huge sum to DE Shaw and could not recover it due to the huge losses faced by DE Shaw. NationsBank paid 62 billion dollars of its stock to merge with bank of America, thus creating the largest US bank in terms of assets of about 524.72 billion dollars. This was regarded as the second largest takeover in corporate history.

There were a variety of reasons behind this mega merger. Bank of America is a big, old and successful bank. A major reason for the merger was the need to establish an even bigger international banking network. The new entity was named as the Bank of America even though it was in a way acquired by the Nations Bank, this happened because as per some research it was visible that many foreign countries thought Nations Bank sounded like their own federal or

government backed bank and thus could be confused with other entities. Also bank of America made more sense as the primary operations took place in America. Thus, the merged entity was named the bank of America with its head quarters located in north California. Overall it turned out to be a successful merger. The thoughtful decision regarding the branding helped to a great extent in achieving the objective of establishing a bigger international network of banking partners, thus leading to success.

#### **AIR INDIA AND INDIAN AIRLINES**

Air India Limited and Indian Airlines Limited merged in 2007. The new entity came under the National Aviation Company of India Limited and is called Air India. The merger was initiated to make profits and gain high market share for the airline by increasing the number of carriers and reducing the costs. However, immediately after the merger took place the disastrous effects started taking shape and the merged organization faced huge amount of losses until 2013.

There were several reasons for the losses including the different personalities of the two organizations, the unrest among the staff and failure of the human resource management. HR issues like compensation, lack of career progression, promotion issues and strikes made a difficult situation in the early years. However, the merger survived rising gradually and witnessing profits after 2013. A major credit therein can be given to the branding of the merged entity as Air India. The naming helped as Air India is and has been an international brand with about 18% of the international market share, Indian airlines on the other hand was a domestic brand not known outside India. Thus, the name air India helped to attract customers in the international aviation sector contributing to profits. Thus, branding played a major role in reviving the merged entity.

#### **UNITED AIRLINES AND CONTINENTAL AIRLINES**

The merger of United Airlines and Continental Airlines took place in May of 2010 when they introduced the new corporate branding. The merged entity decided to keep the name of the stronger of the merging companies i.e. United and decided to create a fusion of logo. Hence in the logo the current continental airlines colors were combined with the United Airlines name representing the merged entity. This helped to gain on the stronger presence of United Airlines but at the same time did not lead into complete loss of the identity of continental airlines owing to the fusion in the logo. Thus, brand value of both the merging companies were

retained encouraging customers and making the merger a success. The United's new CEO Jeff Smisek who earlier served as the Continental's Chairman, helped to design the new logo in the continental graphics integrating the essence of both the entities. The tulip logo of United was

changed with the continental globe logo on all the aircrafts as well as advertisements displaying the merger.

### **TATA CORUS**

In October 2006, Corus group accepted the TATA offer 8.1 billion US dollars for the acquisition. Corus became a part of TATA steel group in 2007. It was a surprise acquisition as TATA steel was a smaller organization at that point of time and incurred huge amount of expenses to undertake the deal. TATA did not do away with the Corus identity since it was a huge name and had significant brand value. Thus, it named the subsidiary as TATA Corus combining the brand value of the two. Initially the merger benefitted the companies as the new entity turned out to be the 5th largest in the steel industry where TATA ranked in the thirties prior to the merger.

However lately the merger has not been doing well owing to the stagnancy in the steel industry and people dumping assets in the steel industry. Thus, a previously successful merger now might be leading to a setback.

### **VERIZON**

Verizon Communications established in New York was incorporated in June of 2000 as a result of the merger of Bell Atlantic Corporation and GTE corporation. Prior to the merger, GTE was one of the largest companies in the telecommunications industry. It served more than 35 million access lines through kits subsidiaries operating in US, Canada and the Dominican Republic. GTE was a leading wireless operator in the U.S., with more than 7.1 million wireless customers and the opportunity to serve 72.5 million potential wireless customers. Bell Atlantic was even larger than GTE, with 1999 revenues of more than \$33 billion. It served 43 million access lines, including 22 million households and more than 2 million business customers. It also managed one of the world's largest and most successful wireless companies, with 7.7 million Bell Atlantic Mobile customers in the U.S. and international wireless investments in Latin America, Europe and the Pacific Rim. Bell Atlantic's Directory Services was the world's largest publisher of directory information, including operations in Europe.

The merged entity came up with a new name in order to establish a new position in the telecommunications industry distinct from their individual identities earlier. Thus, they came up with a new name. Although coming up with a new name is a risky business, Verizon has done fairly well globally in the telecommunications sector.

### **DAIMLER CHRYSLER**

The merger between Mercedes Benz manufacturer Daimler Benz and Chrysler (a US auto maker) took place in 1998 for 37 billion dollars. The new entity thereafter was named DaimlerChryslerAG. The name of the new entity was such to represent the two merging organizations as equals and to cherish their individual identities. The main motive behind the

merger was to create a trans – Atlantic car making powerhouse in order to dominate the automobile markets. However, the identities of the two organizations did not match and they faced disputes. It was claimed that Chrysler did not match with the Benz automobile style and thus this led to failure of the merger. By 2007, Daimler sold Chrysler to Cerberus Capital Management Firm, which specializes in restructuring troubled companies, for a mere \$7 billion.

### **CONCLUSION**

The study undertaken brings out the following conclusion. Mergers and acquisitions are a common part of today's international business world and branding plays a very important role in the success or failure of the merger. There are a number of ways in which a brand can be chosen. The merging companies can keep the names of both the merging companies or create a fusion. They can also choose the name of one strong partner or go for an entirely new name with a different entity altogether. Each of these options have their own benefits and a different option is chosen for every organization depending upon the type of the merger, the type of companies merging and various other factors. There are also a number of factors that should be considered well in advance before the branding takes place for an effective branding

At last certain examples shed light on how various brands have been chosen by various merging companies and how they turned out to be successful and unsuccessful. The role of branding in the success or failure of the mergers has also been studied. On one hand Disney and Pixar, NationsBank and Bank of America and United Airlines and Continental Airlines represent the success stories. On the other hand, Daimler and Chrysler and Air India and Indian Airlines represent the difficulties and failures.

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