

BEYOND THE DEAL

Why Brand Migration Makes Or Breaks M&A

Ogilvy Consulting

M&A is finally picking up, and this study will help executives unlock impact through their brands

M&A is experiencing a resurgence after a lengthy down period. Several factors contribute to this rebound: economic recovery post-pandemic, sector-specific growth, notably in technology, and increased private equity and corporate synergies.

With its extensive experience working with clients undertaking brand acquisitions and migrations, Ogilvy Consulting shares its learnings alongside a new quantitative research study among top executives who have gone through M&A, done in partnership with NewtonX, a trusted B2B market research provider.

Ogilvy + NewtonX[®]

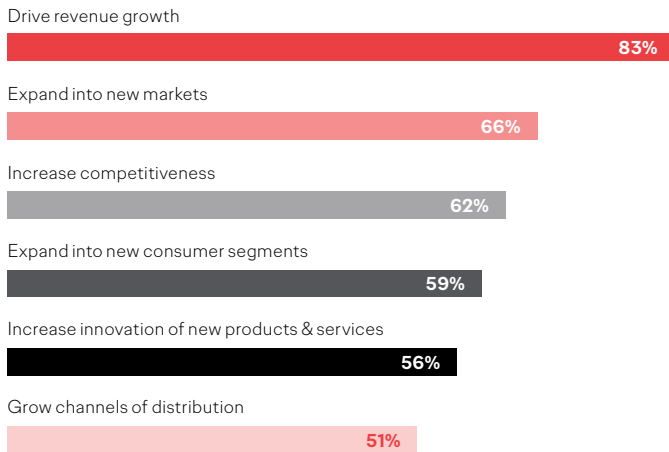
The study was conducted in May 2024 across the US and UK. The survey engaged 160 senior business leaders involved in brand acquisitions or migrations. Participants were selected based on their involvement in mergers or acquisitions within the past three years at companies with revenues exceeding \$500 million.

Within the survey we explored their rationale for M&A, strategies for the brand migration process, their challenges, results and overall satisfaction level - all contributing to the learnings in this report.

INTRODUCTION

M&A is an event equal parts exhilarating and complex for both sellers and buyers, and the role of brands is significant in maximizing the benefits of any acquisition. From our survey, M&A activity is most commonly driven by the need for revenue growth.

REPORTED PURPOSE OF MOST RECENT M&A ACTIVITY AMONG BUSINESS LEADERS:



Ogilvy Consulting-NewtonX Brand Migration Survey May, 2024
Question: Which of the following best describes the purpose of your most recent brand or business acquisition or merger? Please select all that apply.

However, there are many pitfalls along the way. According to multiple Harvard Business Review reports, 70%-90% of M&A transactions fail.

Our new study reveals another astonishing figure:

Only 70% of executives are very satisfied with their brand acquisition and migration processes.

The risk with M&A activity is too much buzz and focus on closing the deal and not enough on optimizing the integration phase. In this report, we suggest ways to address this blindspot to unlock more value from M&A.

Not enough focus on the post-deal

Our study reveals that most companies did not have brand migration processes, teams or external support during their most recent M&A.

COMPANY'S PROCESS DURING THE MOST RECENT BRAND ACQUISITION OR MERGER:

We had a dedicated brand migration team that managed it



We used our company migration process in place for all acquisitions



We did not have a system in place and defined a specific strategy for this acquisition

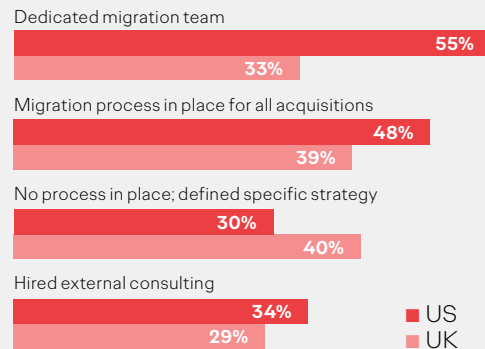


We hired an external consulting agency to support us



The problem is even more acute in the UK, where fewer processes and support mechanisms are typically in place compared to the US. Here, brand is often deprioritized until after the deal, meaning that key considerations for migration were not being accounted for.

In both cases, there is a significant lack of process and strategy given the scale of the undertaking.



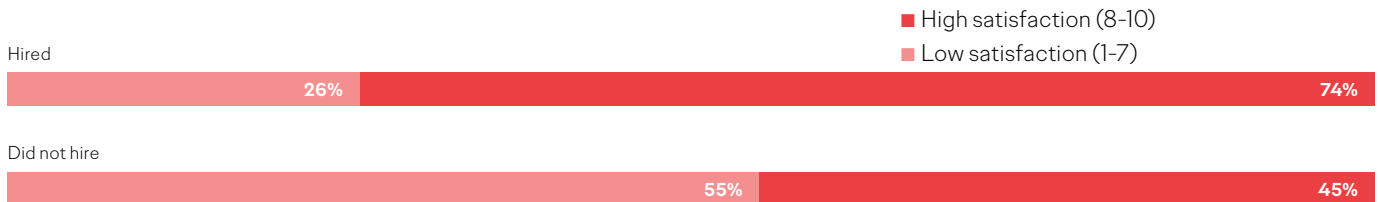
Ogilvy Consulting-NewtonX Brand Migration Survey May, 2024

Question: Which of the following most accurately describes your company's process during the most recent brand acquisition or merger? Select all that apply.

External firms bring knowledge, experience and objectivity to a process that is frequently very emotional

The study shows that hiring external support from companies that specialize in transformational change can contribute to the success of a migration process, not least through the objectivity that external expertise brings.

MIGRATION PROCESS SATISFACTION LEVEL FROM COMPANIES THAT HIRED VS. DID NOT HIRE EXTERNAL CONSULTING



Ogilvy Consulting-NewtonX Brand Migration Survey May, 2024
Questions: We hired an external consulting agency to support us.
What was your overall satisfaction with the brand acquisition or merger and migration process? (scale 1-10)

For instance, Workday frequently acquires companies to deliver on the evolving needs and trends in the enterprise technology space. The company's brand team is involved before closing a deal, and they have decision trees and guidelines in place to help make brand decisions. They manage change through a multifunctional team that includes leaders from the acquired brand. And in situations in which there is no alignment on the brand migration decision, they use external support to lead to solutions with higher value potential.

“Brand is taken very seriously at Workday. We know it is our most valuable asset, and it will help us to drive future growth.”

BETH MARTINEZ,
SR. BRAND DIRECTOR AT WORKDAY

Brand migration decisions can impact business results

M&A is a moment in which brands can add or subtract significant value

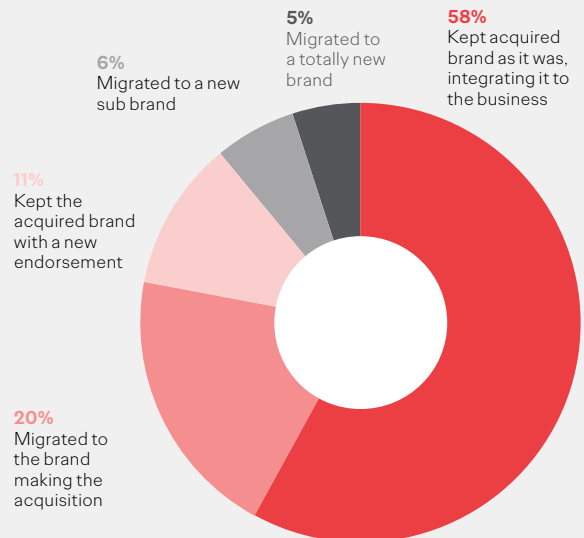
A strong brand is an asset that can align an organization. With a purpose and vision a brand can help drive engagement and create deeper customer relationships. Acquisitions have the power to become a catalyst for organizational growth, so deciding how to handle the acquired brand is critical.

Despite 68% of companies deciding on branding before or during closing, a sizable portion still grapple with their post-acquisition brand strategy.

Having a brand migration strategy is key, and strategies vary dependent on the circumstances of the brands involved.

BRAND MIGRATION STRATEGIES DEFINE IF AND HOW THE BRAND EVOLVES AFTER M&A

% of brand migration strategies, in which brands were integrated to the business:



Ogilvy Consulting-NewtonX Brand Migration Survey May, 2024
Question: Which of the following most accurately describes your company's brand migration strategy (i.e., how the brand name and identity changed) after the most recent acquisition or merger?

Brands are kept unchanged in 58% of the cases

For consumer packaged goods (CPG) companies like Mondelēz and The Coca-Cola Company, M&A is critical to diversify their portfolios, respond to evolving consumer preferences, and remain competitive in a market increasingly driven by health-conscious, environmentally aware, and digitally savvy consumers. Their most common strategy is to maintain the integrity of the brands they acquire, leaving them mostly unchanged.

In 2022, Mondelēz International made a significant move in the snack bar category with the acquisition of Clif Bar & Co. for approximately \$2.9 billion. The deal was aimed at bolstering their position in key consumer needs such as health, nutrition, and energy.



Similarly, The Coca-Cola Company has been consistently expanding its portfolio through acquisitions in the beverage space. The company retains the brands it acquires to strengthen its competitive presence, particularly as category lines blur and consumer demands become ever more specific.

A notable example is Coca-Cola's acquisition of BodyArmor, which enhanced its advanced hydration portfolio and helped narrow the competitive gap with PepsiCo's Gatorade.

In cases where brands are left unchanged, it is even more important to guarantee rigorous change management processes to effectively integrate teams, operations, and customer management.



Brands migrate to the acquiring brand in 20% of cases

In sectors like Technology, Finance, and B2B, it is common to see brands being acquired for their specialized capabilities or customer base, with the acquired brands often migrating under the acquirer's brand to enhance overall brand strength.



Google acquired the smart home company Nest Labs for \$3.2 billion in 2014. Initially, Nest products continued under their own branding. However, in 2018, Google began integrating Nest's software and brand into its "Google Home" ecosystem to solidify Google's position in the smart home market and streamline its product offerings.



Capital One acquired ING Direct's US business in 2012, making Capital One the largest direct bank in the US at the time. By 2014 it had fully integrated the online bank under the Capital One brand, a move that capitalized on Capital One's existing brand recognition while absorbing ING Direct's customer base.

In these migration cases, a best practice to keep the acquired brand team involved in the migration process, aligned with the future vision for the business, and internal champions of the change.

Brands change to a new identity in 22% of cases

For those brands that change to a new identity on acquisition, this result in an endorsement (11%), a sub-brand (6%) or a totally new brand (5%). New brands are typically created in cases

of mergers, with endorsement and sub-brand strategies chosen when there is need to balance autonomy and show a clear connection to the parent brand.



Endorsement example:
Salesforce acquired the workplace messaging platform Slack for \$27.7 billion in 2021. It quickly applied an endorsement approach to add Salesforce's enterprise credibility to Slack and signal a connection to — and integration with — the broader Salesforce ecosystem.



Sub-brand example:
Workday acquired Adaptive Insights in 2018 for around \$1.55 billion and used a sub-brand strategy to add 'Adaptive Planning' to its portfolio. As a leader in cloud-based planning software, Adaptive Insights helped Workday extend its brand equity beyond its core HR solutions by integrating financial planning and analysis tools.



New identity example:
Stellantis was formed in 2021 when Fiat Chrysler Automobiles (FCA) and Peugeot S.A. (Groupe PSA) merged. The merger combined two companies with fourteen brands and is using its combined resources to develop new technologies for autonomous driving, new energy vehicles and other innovations. The name Stellantis comes from the Latin verb stello, which means "to brighten with stars".

The brand decision is both rational and emotional

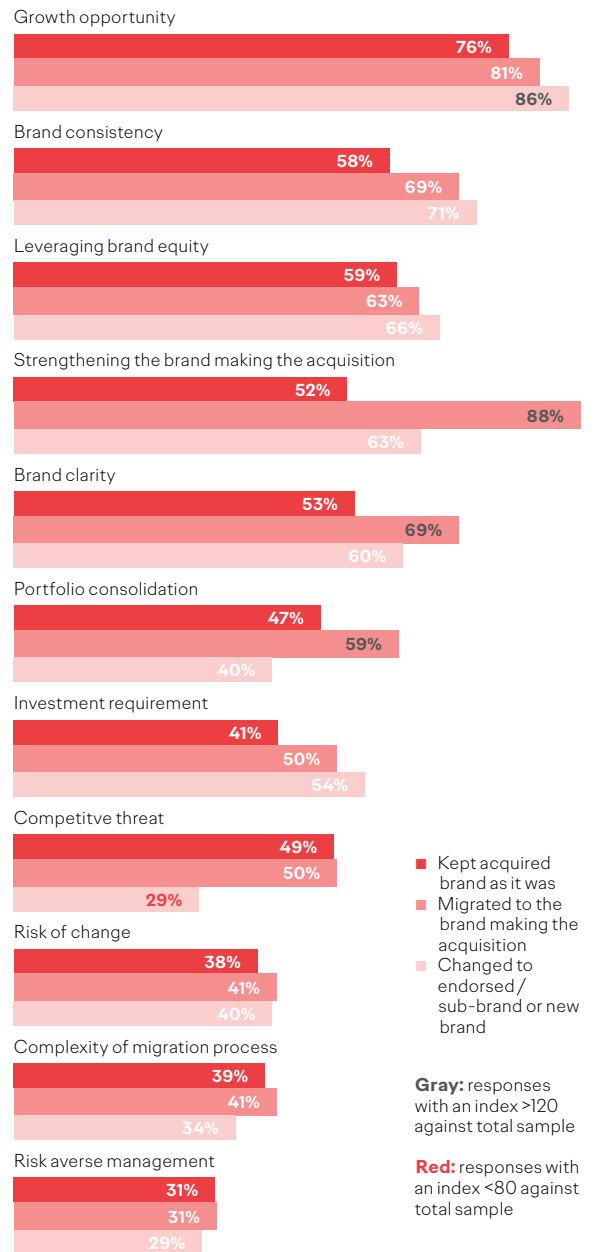
Our study quantifies the factors influencing brand migration decisions, and reveals that most factors are similar across different types of branding decisions, whether keeping the acquired brand, migrating to the acquiring brand, changing to endorsement, sub-branding or developing a new brand. However, there are some important differences for each brand strategy.

As seen in the Google and Capital One examples, brands are often migrated to the acquirer's brand when the goal is to strengthen the parent company's brand, enhance clarity, and consolidate the overall portfolio.

Cases where a new identity is created— whether as a sub-brand, endorsement, or entirely new brand— are primarily driven by opportunities for growth.

While many rational factors play a role, brand decisions are also often deeply emotional, due to each brand's unique history and the relationship that founders, employees and customers have with it.

FACTORS INFLUENCING THE BRAND MIGRATION DECISION BY TYPE OF BRAND MIGRATION³



Ogilvy Consulting-NewtonX Brand Migration Survey May, 2024
Question: How much did each of the following influence your brand migration decision?

Different brand strategies can lead to different results

M&A is disruptive, and to maximize value - and the chances of a successful migration - it is important for customers to believe in the benefits of the merger or acquisition. Here brand plays a critical role, galvanizing employees and demonstrating commitment to the business ambition.

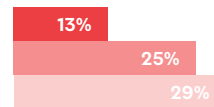
While change is commonly perceived as a challenge among employees and customers, both appear to have more positive reactions and increased engagement when changes are made to the acquired brand (endorsed, sub-brand or new brand).

This demonstrates that investing in a brand migration and owning the moment of change can have a positive impact at the point of transition.

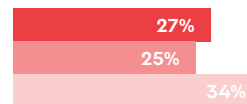
IMPACT BY MIGRATION STRATEGY

- Kept acquired brand as it was
- Migrated to the brand
- Changed to endorsed / sub-brand or new brand

Employees reacted very positively to the brand acquisition



Customers reacted very positively to the brand acquisition



Increase in engagement & interactions with customers



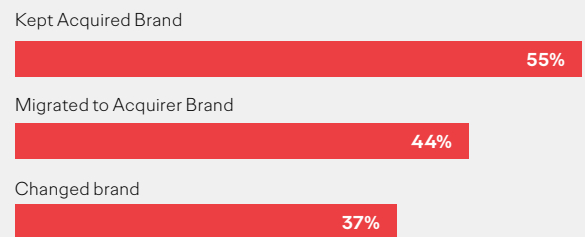
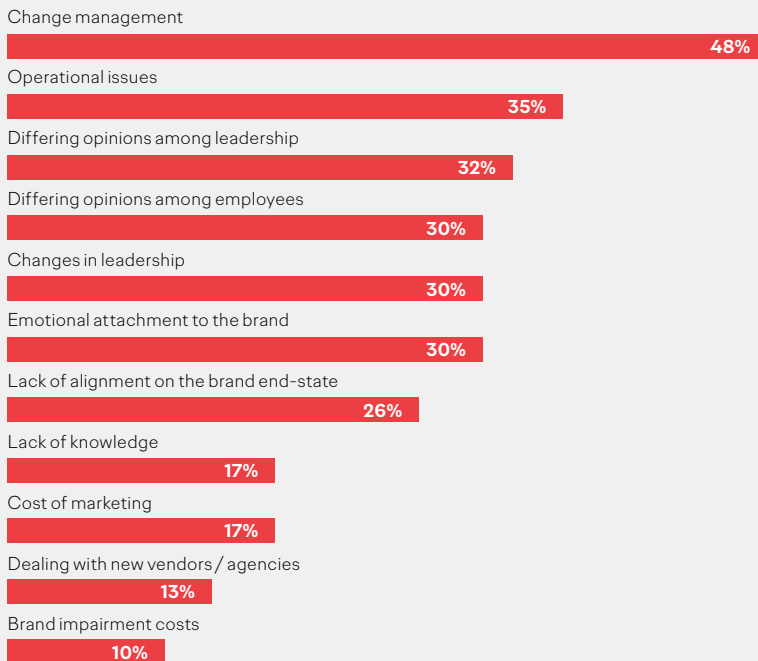
Ogilvy Consulting-NewtonX Brand Migration Survey May, 2024
Question: In the months following the acquisition or merger, have you noticed increase / decrease / stability on the following?

Investing in people and change management are critical for success

When it comes to challenges during brand migration, our study shows that change management is the primary challenge. This is even more true in the UK where differing employee opinions and changes in leadership are generally more challenging.

Change management is the #1 challenge and is even more significant for businesses that kept the acquired brand

CHALLENGES DURING BRAND MIGRATION



Humans by nature are protective of their legacies, customers and brands. When a brand is introduced to a new ecosystem without clear direction on roles, blending the cultures is more difficult and we often see territorial behavior.

Ogilvy Consulting-NewtonX Brand Migration Survey May, 2024
 Question: How much did each of the following cause a challenge during the brand migration process?

Leaders know they need to manage change, but it is not easy

PEOPLE ARE CENTRAL TO TRANSFORMATION; WITHOUT PROPER CHANGE MANAGEMENT, M&A IS SET UP TO FAIL

92% of companies had a change management process in place after a merger or acquisition

89% of leaders said change management is important during the M&A process

But only 58% said their change management process was effective

WHAT WORKED WELL DURING THE BRAND MIGRATION PROCESS

Collaboration across our teams and acquired company team

72%

Executive alignment and direction

70%

Brand migration team integrating business and brand management

55%

Brand migration procedures in place

46%

Fast migration decision

37%

Outside support

30%

Ogilvy Consulting-NewtonX Brand Migration Survey May, 2024
Questions: Did you have a change management process in place through the acquisition or merger? How important is it to have a change management process in place during M&A? How effective do you believe it was? What worked well during the brand migration process?

No two M&As are the same, and a cookie-cutter approach can rarely be applied. A critical part of the migration is to manage the commitment curve of employees in order to design the right experiences and strengthen customer relationships.

In our experience, emotional attachment to brands and founders can hinder the effectiveness of the change management process. Therefore, investing in collaboration, alignment, and clear communication is crucial.

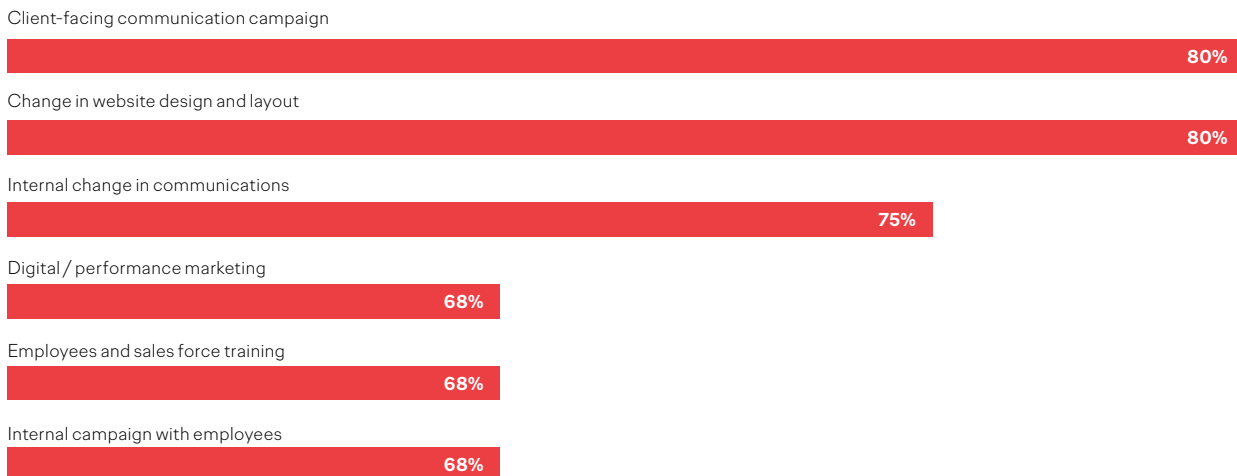
Investing in the migration will help engage hearts and minds

It is easy to get caught up in the short-term buzz of the M&A deal, but without a sustained brand investment the momentum gained can rapidly dissipate.

Sixty percent of the companies surveyed spent over \$5MM on marketing post-migration, an

investment deemed critical to signal change and commitment. While initiatives vary, from our study client-facing communication campaigns, websites and internal communications are prioritized to help assure, guide and engage stakeholders post-M&A.

PRIORITIZED INITIATIVES IMPLEMENTED AS PART OF RE-BRANDING / MARKETING POST-ACQUISITION OR MERGER



Ogilvy Consulting-NewtonX Brand Migration Survey May, 2024
Question: Which of the following initiatives were implemented as part of re-branding / marketing post-acquisition or merger?

Less than 10% of executives who went through acquisition and migration processes are very satisfied. And the right brand migration strategy can lead businesses to a strong upside, whereas the wrong strategy or pushing decisions to the future, can dilute value.

There is a need for a mindset shift

FROM:

Approaching M&A with only the “transaction” in mind, focusing on short-term value gain

TO:

Viewing it as a holistic transformation with brand, people and processes at the core to unlock value

1 THE POST-DEAL PERIOD DEMANDS MORE FOCUS AND PROFESSIONALISM (PROCEDURES, BRAND TEAM, OUTSIDE SUPPORT, ETC.)

2 THE BRAND MIGRATION DECISION SHOULD BE CASE-BY-CASE AND CAN IMPACT RESULTS WITH CUSTOMERS AND EMPLOYEES

3 CHANGE MANAGEMENT IS THE #1 CHALLENGE AFTER AN M&A DEAL; ONLY 58% SAID IT WAS EFFECTIVE

4 INVESTMENT IN COMMUNICATION WITH CLIENTS AND EMPLOYEES IS CRITICAL FOR SUCCESS



5 A HOLISTIC TRANSFORMATION INVOLVES AN UNDERSTANDING OF BUSINESS, BRANDS, OFFERINGS, EMPLOYEES AND CUSTOMERS

A path forward

Starting the process before the deal closes is essential to lowering the failure rate. For most M&As, news coverage tapers over six months; the only way to unlock value is to continue strengthening the brand, client relationships and the internal teams that will deliver results. It requires a disciplined path forward.

Dimensions of the path forward:

Uncover and plan



Excite and embed



Learn and improve

Surface Barriers to understand Surface Barriers to understand cultures and points of friction. Operational issues and functional integration will consume resources.

Do Your Due Diligence by assessing brand equities across a range of metrics to avoid emotional brand decisions. Kicking the can down the road creates future problems.

Lean into Experts by bringing in third parties to reinforce neutrality, apply proven expertise and establish a cadence that keeps integration on track.

Launch and Excite by staying close to customers and galvanizing employees and partners. Celebrate the new and respectfully retire legacies.

Invest and Support
Treat your brand as an asset and recognize that it needs adequate resources to perform as a growth vehicle

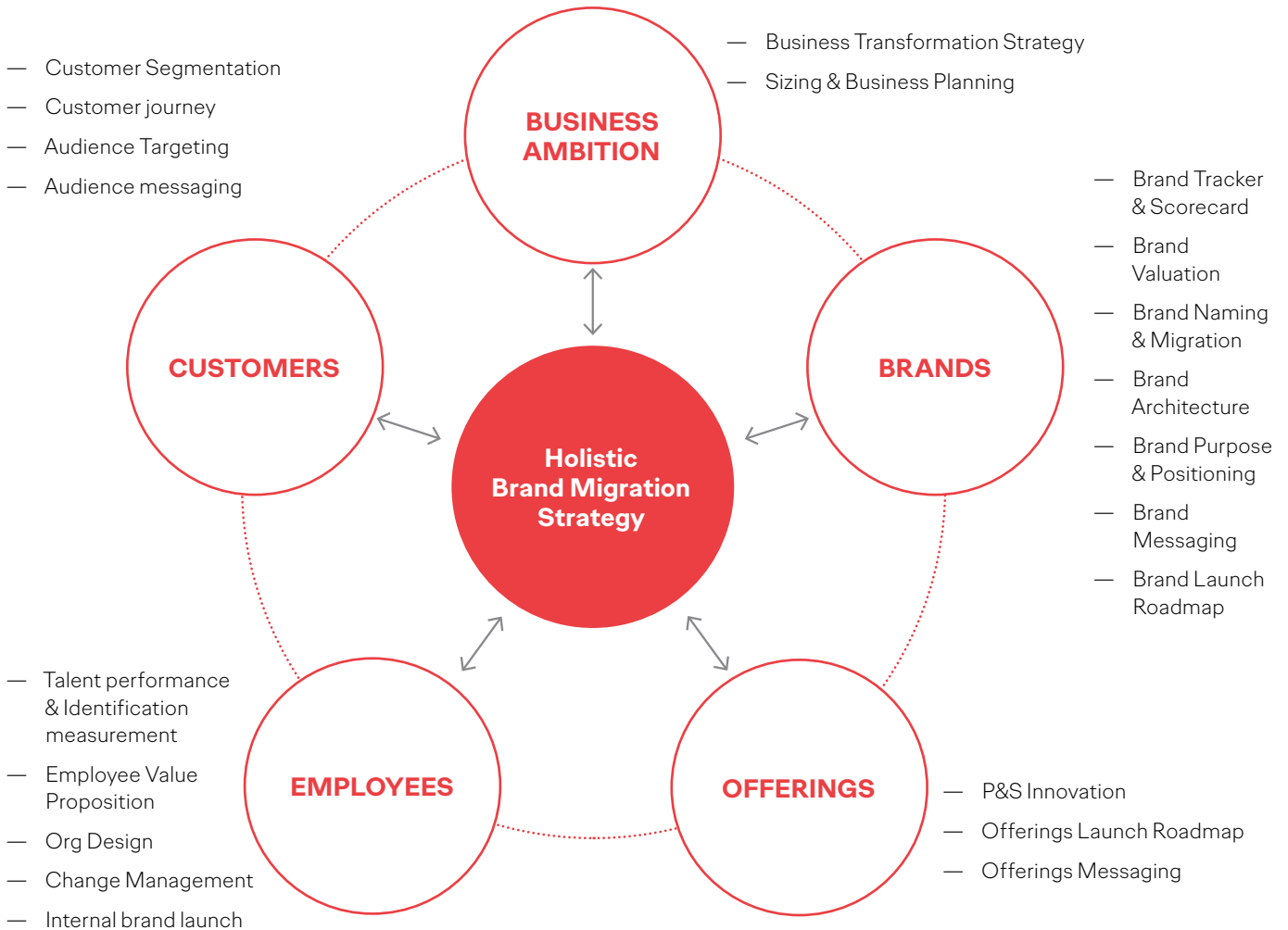
Transform and Lead
Embrace change, question the status quo, and build around the future of the category

Measure and Act
Measure key drivers and attributes that strengthen brand while helping client-facing teams better deliver on customer needs

Codify and Iterate
Learn from the process and journey to codify, iterate and prepare for future acquisitions.

How we can support

Below are some of the ways Ogilvy Consulting support clients maximize the value of their M&A through a Holistic Brand Migration Strategy.



ABOUT US

Ogilvy Consulting

We help design growth answers for businesses and brands by unlocking insights for short- and long-term impact — with an unusual combination of rigor and creativity.

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