Brand Finance®

GReAT™ 2020

Brand Finance Global Rebrand and Architecture Tracker (GReAT™)

May 2020

Contents.

About Brand Finance.

Brand Finance is the world's leading independent brand valuation consultancy.

We bridge the gap between marketing and finance
Brand Finance was set up in 1996 with the aim of 'bridging the gap between marketing and finance'. For more than 20 years, we have helped companies and organisations of all types to connect their brands to the bottom line.

We quantify the financial value of brands
We put 5,000 of the world's biggest brands to the test every year. Ranking brands across all sectors and countries, we publish nearly 100 reports annually.

We offer a unique combination of expertise
Our teams have experience across a wide range of disciplines from marketing and market research, to brand strategy and visual identity, to tax and accounting.

We pride ourselves on technical credibility
Brand Finance is a chartered accountancy firm regulated by the Institute of Chartered Accountants in England and Wales, and the first brand valuation consultancy to join the International Valuation Standards Council.

Our experts helped craft the internationally recognised standards on Brand Valuation – ISO 10668 and Brand Evaluation – ISO 20671. Our methodology has been certified by global independent auditors – Austrian Standards – as compliant with both, and received the official approval of the Marketing Accountability Standards Board.

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Brand Finance Group.

Brand Dialogue

Brand Dialogue is a public relations agency developing communications strategies to create dialogue that drives brand value. Brand Dialogue has over 25 years of experience in delivering campaigns driven by research, measurement, and strategic thinking for a variety of clients, with a strong background in geographic branding, including supporting nation brands and brands with a geographical indication (GI). Brand Dialogue manages communications activities across Brand Finance Group's companies and network.

Brand Exchange

BRAND EXCHANGE®
WHERE BRANDS MEET FINANCE

Brand Exchange is a contemporary and exclusive members' club and events space nestled in the heart of the City of London. It was launched in 2015 to provide members with a private space to network and socialise. The club has since held several prestigious events and welcomed many key figures in the marketing and finance sectors as speakers. The membership brings together senior professionals from the world's strongest and most valuable brands.

VI360

VI360 is a brand identity management consultancy working for clients of all sizes on brand compliance, brand transition, and brand identity management. VI360 provide straightforward and practical brand management that results in tangible benefits for your business.

Foreword.

Alex Haigh
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Lorenzo Coruzzi
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As business models are upended and previously untouchable companies become cheap acquisition targets, the COVID-19 crisis will bring about many opportunities for growth through acquisitions and mergers.

In fact, most recessions lead to at least a first year heavy with restructuring M&A activity and those acquisitions are often more successful than in normal times. However, during this period the stakes are also higher and M&A teams need to take more care than usual to deliver value.

In order to help them, Brand Finance has conducted a study of the financial effects of rebrands following mergers and acquisitions on a global scale – the first such study of its size.

By looking at all of the public acquisitions in the world above $500m in deal size in the last five years, we identified the key trends from 3,000 acquisitions – which account for 80% of the total value of public acquisitions in the world – to determine how to make sure your next brand architecture change delivers value.

We found that about a fifth (21%) of acquisitions led to a change in name but that figure almost doubles for the biggest acquisitions (to 37%) as M&A teams seek out all the value gains they can.

Sectors also rebrand to different degrees with Pharma the most prolific rebranders in terms of numbers of acquisitions and Telecoms the biggest when also taking the value of the acquisitions rebranded.

Our analysis also identified rebranding creates an atmosphere of discipline that reduces risk of underperformance.

However, vanity and badly planned rebrands – particularly in the banking sector – reduce average returns for rebranded acquisitions slightly lower than unrebranded acquisitions overall.

This success rate depends significantly by sector, by business model, by the strength of the acquired brands, the suitability of the new brand and the execution of the brand transition. Therefore, in order to highlight the benefits and risks of brand transitions after acquisitions, our analysis contains many case studies – such as Enel, United Rentals and Oracle – to explore what makes a brand transition successful.

This report and its supportive online webinars are intended to:

1. Identify the key trends in rebranding after acquisitions;
2. Describe, using case studies and examples from our study, why some rebrands have added more value to businesses than others;
3. Explain, in practical terms, what brand strategy and M&A integration teams can do and what tools to use to decide whether to rebrand acquisitions and also to determine the best way of executing them if doing so.

Our intention is for this study to be the first of many focussed on brand transitions after acquisitions. We will be expanding the study over the next months and years to identify many new topics like: how to overcome accounting issues for acquired brands post rebrand; how do the trends differ in recessions; and how partial rebrands and refreshes differ in performance to full name changes. We welcome any other challenges and requests.

Please join us by reading the report or attending or listening to the online webinar and engage in the discussion about how to make one of the most important decisions in a M&A deal smoothly and successfully.

Contributors.

How to use the Brand Finance GReaT™ Database.

The decision to rebrand is one of the most important decisions to make during and following an acquisition or merger. However, given that information on marketing and brand investments are more easily available than information on financial return overall, it is also one often taken with a view principally to save costs – through merging brand and marketing functions – rather than reviewing revenue and therefore return with similar clarity.

The database we have created is designed specifically to provide **all relevant market-based information** needed to make the decision. It will be regularly updated and includes information on:

+ **Sector-related factors** influencing propensity to transition brands
+ **Geographic profiling** of target and acquirer country and trends
+ **Company-specific case studies** of reasons for (or not) transitioning acquired brands such as:
    - Target geography,
    - Strategic rationale,
    - Size of deal,
    - Type of deal,
    - Number of acquisitions made by company
    - Timeline for brand transition if implemented.
    - Effect on customer perceptions of rebrands
    - Effect on share price, profit and other financial return

Our study, and its database, gives CEOs, corporate strategists, M&A advisors and their supporting marketing and brand strategy teams a clear, quantitative analysis of what to expect from a decision to or to not rebrand.

It provides clarity on what makes brand transitions successful and how to maximise value, and should be helpful at each stage:

+ **Pre-deal:** when deciding whether an acquiree brand will work or an acquired brand can stretch to other parts of the business;
+ **During the brand transition:** determining how to maintain and improve consideration and loyalty while reducing cost; or
+ **Post-deal:** mitigating risks and maintaining and growing any initial benefits.

Pre-Deal

+ How much is the brand impacting the subject business?
+ How would the brand fit into our existing or potential portfolio of services/businesses?
+ What is our position on re-branding and/or roll-out to other parts of the business?
+ Do our business cultures fit?

Brand Transition

+ What will happen to customer acquisition and rentention from a change in brand, marketing or service?
+ What can we realistically expect from marketing synergies?
+ What are the likely costs and timing of re-branding?
+ What trademark management or licensing issues need to be considered?

Post-Deal

+ How can we retain or increase customer consideration and loyalty in the event of a re-brand?
+ How will we ensure brand compliance and miltigate brand-related risks going forwards?
+ How will we measure and monitor the brand going forward?

Our Approach

We selected the universe from all reported mergers and acquisitions around the world from the Bloomberg database. As our first step, we downloaded all acquisitions completed between 1st January 2014 and 31st December 2018.

Upon reviewing the spread of acquisition size, we identified that acquisitions over $500m in deal size constituted 80% of global deal volume. We also concluded that the performance of deals over that size would have a noticeable impact on the subsequent combined business' returns. We therefore decided to review the performance of those – approximately 3,500 – mergers and acquisitions.

Subsequently, we classified each company (acquirer and acquired) involved in each deal into industries corresponding with Brand Finance's industry classification as follows:

+ Aerospace & Defence
+ Airlines
+ Apparel, Watches & Jewellery
+ Automobiles
+ Banking
+ Chemicals
+ Commercial Services
+ Drinks
+ Engineering & Construction
+ Food
+ Healthcare
+ Household Products
+ Insurance
+ Internet & Software
+ Leisure, Tourism & Gambling
+ Logistics
+ Media
+ Mining, Iron & Steel
+ Oil & Gas
+ Pharma
+ Real Estate
+ Retail & Food Retail
+ Technology & IT
+ Telecoms
+ Utilities

Criteria for Exclusion

One-by-one, our team of analysts reviewed each acquisition. By doing so and in order to create a population of acquired companies which could theoretically be rebranded, we removed:

+ Acquisitions which were of unbranded property (like apartment buildings or oil pipelines)
+ Acquisitions of partial considerations where the acquired company was already under effective control.

Review of Rebrands

Following that and in order to determine which acquisitions had been rebranded, we checked whether:

+ The original brand had changed (either a complete rebrand or an addition to or change of the name)
+ For any acquisitions where the brand was no longer in use, the date at which the rebrand was announced.

Analysis Outputs

Proportion of Deals: This analysis allowed us to analyse the proportion of deals that result in any type of principal name change.

Brand Transition Speed: The analysis also identified the speed with which companies begin to rebrand acquisitions by sector and deal size.

Relative Share Returns: Having separated deals by sector and between those which have been branded and unbranded, we reviewed share price growth for the combined businesses.

To understand relative returns and avoid as many time/market-based differences in performance as possible, we decided to base relative performance on variance from market returns for each deal separately.

Market returns were determined by reviewing daily returns at a sector level across an average of the S&P 500.

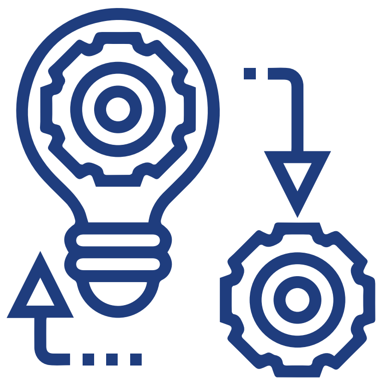
For rebranded deals, we compared share price growth one year after announcement of rebrand with returns for companies in the sector for that 365-day period.

For un-rebranded deals, we compared share price growth one year after deal completion with returns for companies in the sector for that 365-day period.

From this analysis, we were able to identify the relative variance of share price growth returns between rebranded and unrebranded acquisitions by sector.

Proportion of Deals

Brand Transition Speed



Relative Share Returns

How to use the Brand Finance GReAT™ Database.

Full Rebrand to New Brand

Full Rebrand to Parent Brand

Dual Brand

Why Do Acquirers Rebrand Acquisitions?

The typical commercial factors contributing to why companies might want or need to rebrand include:

- **Acquirer brand stronger than acquired brand:** the acquirer might own a brand that will stimulate demand more effectively than the current brand.
- **Acquirer brand weaker than acquired brand in an important market:** particularly for partial name changes, the acquirer may want to transfer the awareness and strength of a sub-brand to its own brand in a target market.
- **Super-divisional (e.g. regional) marketing strategy:** regional advertising and publicity such as an Olympic sponsorship may make it more effective and efficient to have a single brand for many markets.
- **Organisational change and integration:** the acquirer wants to make sweeping changes to the acquisition – in particular to integrate teams closely – and wants to signal that to employees and other stakeholders.
- **Changes to the company's offer:** showing an improved or modernised service based on the new expertise and capabilities of the acquirer to customers. This may have the added benefit of highlighting the acquirer's other products and stimulating cross-selling.
- **Saving costs:** multiple acquisitions in similar industries can mean that similar products and services are sold and marketed under different brands, increasing complexity and duplicating marketing, branding and management costs. Rebrands can be effective at eliminating or at least reducing those extra costs.
- **Regulatory and contractual demands:** where divisions of a company are sold and the original brand is still being used in part of the original company, it may be legally necessary to change brands to avoid confusion.

However, acquisitions are often not rebranded. The reasons for this include:

- **Strong acquired brand:** In many cases purchasing the brand was the purpose of the deal and is essential for maintaining value of the acquisition. This is the reason why industries with strong locally focussed brands like consumer-packaged goods tend to have much lower rates of rebranding.
- **Disruption:** big changes to brands can indicate big changes to service or the company's way of working which can damage customer and employee loyalty.
- **Cultural Differences:** strong internal loyalty for the original brand and big differences in culture between the acquiree and acquired can make execution more difficult and costly.
- **Accounting Complexities:** rebranding may require the write-down of the purchased brand value which will reduce first-year accounting profits despite not affecting real performance.
- **Planned Divestments:** the acquirer may want to sell parts of the acquisition and selling them is easier if the next acquirer does not also have to rebrand.
- **Cost and complexity of change:** rebranding can take a large amount of management time and thinking. Since outcomes are often uncertain, sticking with the status quo is often preferred.

Understanding these conflicting rationales help us read the data, understand the guiding brand strategies for the observed acquisitions and decipher trends by sector and deal size.

To Rebrand or Not To Rebrand? 2020 Trends.

In most modern acquisitions some consideration is made to the acquired brands and subtle changes are almost always made to integrate the new businesses visually – at least internally and often externally.

Our study is interested in real name changes – where the brand that is acquired is no longer what it was when it was bought. This may include: the adoption of a brand owned by the acquirer; the adoption of a new name; or the change of a brand to a jointly named brand using elements of the old.

However, we do not include endorsements, where for practical purposesthe brand is the same as it was before.

Using these criteria, we find that 21% of large (above $500m) acquisitions are rebranded while 79% are left unrebranded. Although the benefits can often be large, the act of rebranding is a complex and costly endeavour and the process needs to be carefully planned and executed. As a result, most acquisitions are left as they are.

However, we found that likelihood to rebrand are heavily influenced by deal size with almost two fifths (37%) of the largest acquisitions rebranded.

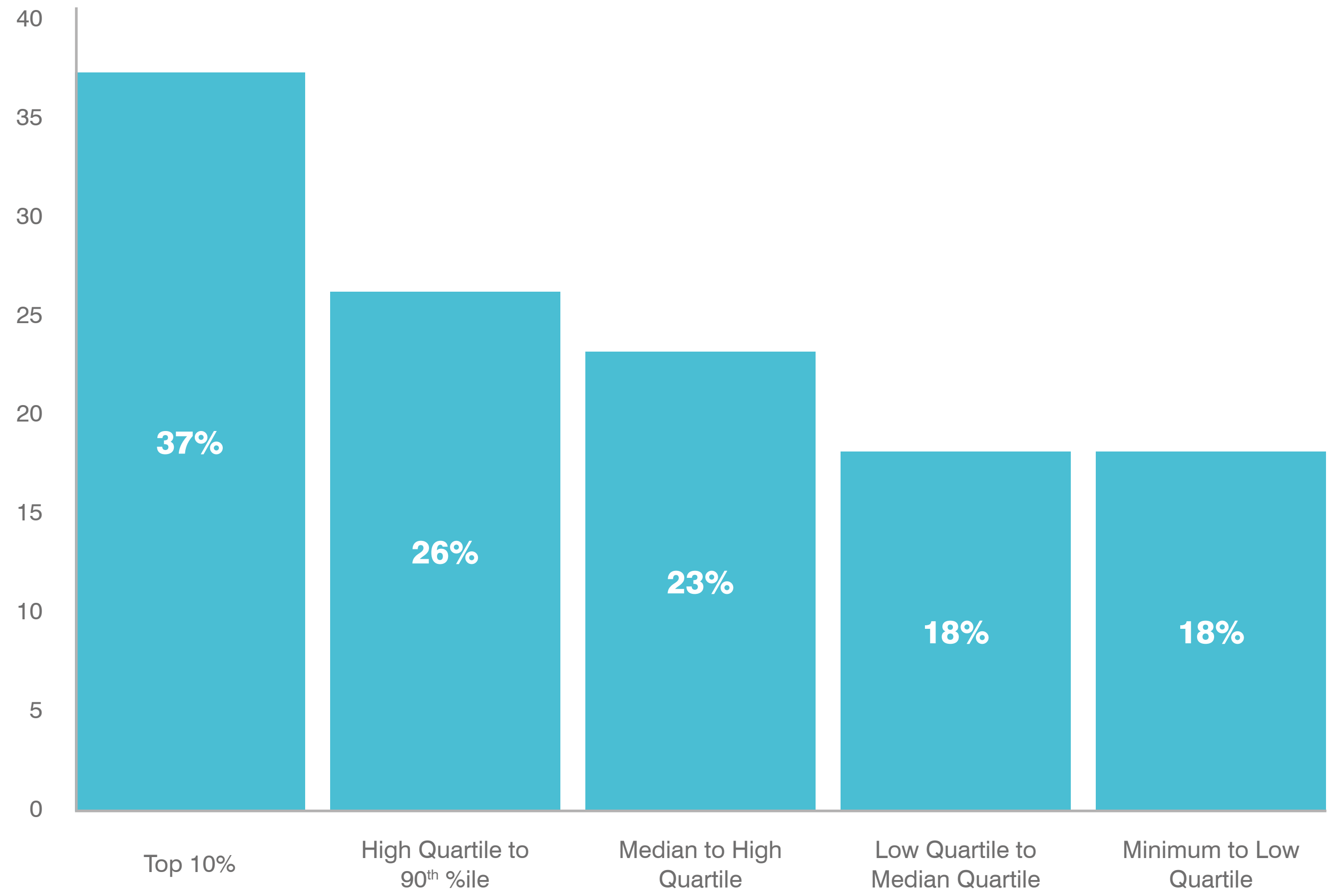
Acquisitions of very large businesses tend to be very well researched and every avenue for value generation decided on which helps to explain this trend.

However, there is no inherent reason why large companies are likely to perform better after a rebrand than smaller ones. In fact, given their size and (therefore) the strength of their brands – in many cases larger acquisitions could be worse options for rebrand.

What that suggests, therefore, is that acquirers of smaller companies are leaving potential value gains on the table by not exploring opportunities to refresh and rebrand post-acquisition.

As a result of larger acquisitions being more likely to be rebranded, the proportion of the total value of acquisitions rebranded is markedly higher than the proportion of the total number. In fact, 31% of the total value of acquisitions is rebranded according to our data.

Percentage of Rebrand per Deal Size by Number



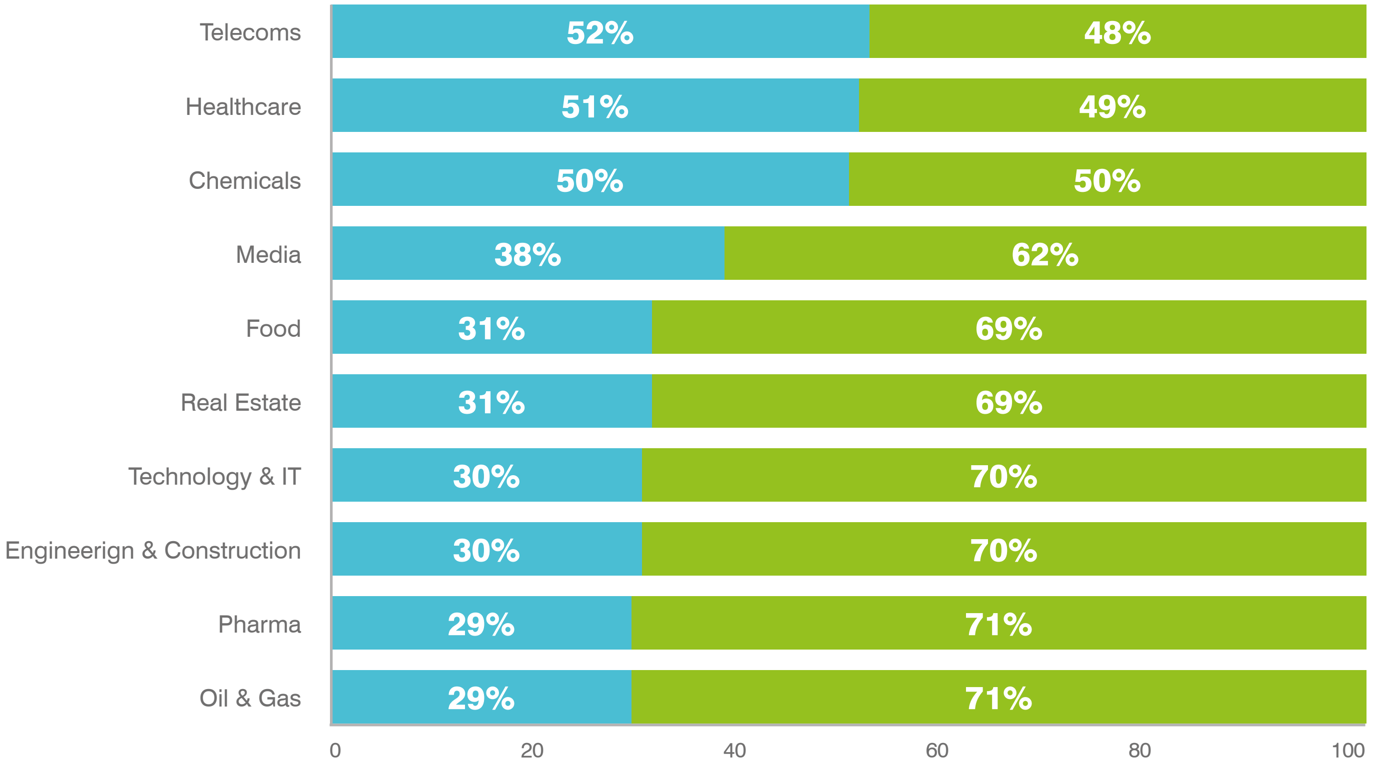
Overall Rebrand Rate (Number of Acquisitions)

●	Rebranded	21%
●	Unrebranded	79%

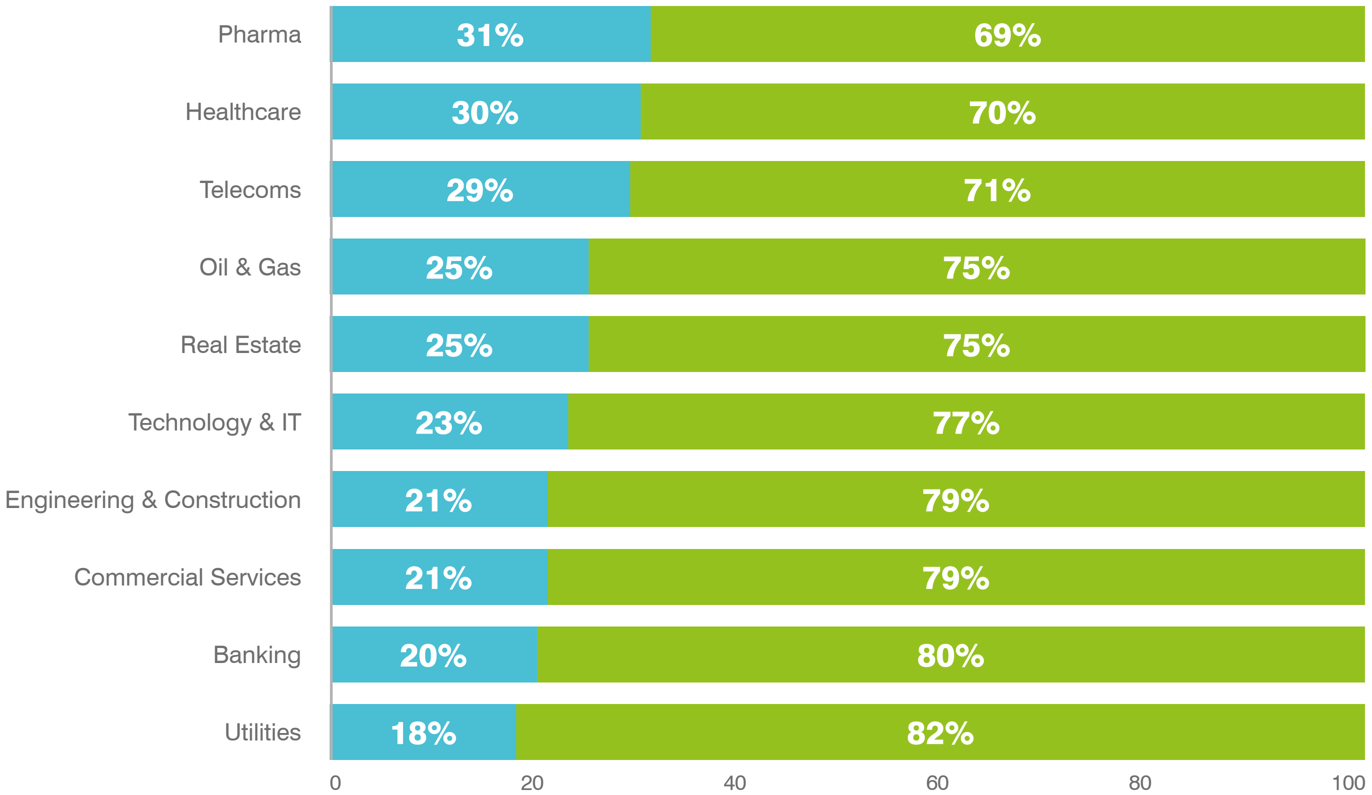
Overall Rebrand Rate (Value of Acquisitions)

●	Rebranded	31%
●	Unrebranded	69%

Percentage of Rebrands per Sector of Acquirer (Value of Acquisitions)



Percentage of Rebrands per Sector of Acquirer (Number of Acquisitions)



To Rebrand or Not To Rebrand? 2020 Trends.

Sectors

The second factor which strongly influences likelihood to rebrand is sector. Some sectors are far more likely to rebrand than others and for different reasons.

Pharmaceuticals

According to proportion of the number acquisitions branded, pharmaceuticals come out on top. This is generally a result of two trends.

The first is high rates of acquisitions of small pharmaceutical companies with promising drug trials in order to commercialise them – such as Allergan's acquisition of Naurex to buy its promising mental health programme.

Superior marketing and client networks of the larger players lend themselves to the trend to rebrand for this reason. Also, since there are often positive reputational benefits from new drug development, rebranding can help wider business performance through association.

The second is acquisitions of strategic divestments of competitors (such as the sale of Novartis Animal Health to Eli Lily). These often necessitate rebranding to avoid confusion with the original seller.

These trends, however, also mean that – unlike most other sectors – rebranded acquisitions are not markedly largely than unrebranded acquisitions. As a result, the proportion of value rebranded per sector is 29% and the lowest of the 10 most acquisitive sectors.

Telecoms

Telecoms stands out in ranking of number and size of acquisitions rebranded. 29% of the number of acquisitions are rebranded and a majority 52% of value is rebranded in the sector.

Telecoms brands generally have commodity-like service offering. Rebranding can remove the need to find specific niches for brands in a market where there are no real ones.

They also need to project international and national connectivity and often invest in regional sponsorship and marketing, providing a strong benefit of a single brand within a market and even internationally.

Finally, they tend to have centralised brand-marketing functions – rather than product or division-based teams as we see in consumer-packaged goods for example. As a result, it is much easier to find and cut duplicated costs.

STC's rebranding of VIVA in Kuwait and the strong trend of Middle Eastern telecoms companies creating single regional brands as they acquire small, low strength regional brands shows all these trends in action.

However, the industry also has many strong brands that mean rebranding is not always the best option. BT's reluctance to rebrand EE in the UK highlight how customers' loyalty to strong local brands can sometimes work against the removal of local brands.

Telecoms companies also often buy infrastructure or services brands that work for the parent brands competitors. Rebranding in those instances, is often a bad idea.

Healthcare

The Healthcare sector – principally in the USA – has been flush with cash and acquiring strongly in recent years. It is also the one of the most prolific sectors for rebranding its acquisitions.

High profits and available cash make the decision to rebrand easier for firms, but the sector also lends itself to rebranding. Healthcare and pharmaceutical benefit management companies offer a large number of loosely linked services to a small number of business and governmental customers. A single brand integrating all these services helps companies to cross-sell to those customers.

The integration of Catamaran into UnitedHealth Group's Optum brand and Covidien into Medtronic show how, in healthcare, acquisitions are often a means to broaden the core offer rather than take advantage of strong brands.

Banking

The biggest sector in the world by value, Banking is also a major sector for rebranding.

Many of the trends in telecoms are true for banks too. For example, some services can be reasonably simple and comparable between banks and the strength and stability of a national or international brand can help attract some clients. Brand and marketing functions are also generally centralised and cost savings between brands easily found. HSBC's success as the World's Local Bank played to this fact.

However, many customers have a close relationship with their bank brands and are very risk-averse when they see changes to them. Sudden, unexplained changes can often seriously and negatively affect customer loyalty.

Technology & IT
The Technology and IT sector has had the largest number and highest total value of acquisitions in the last five years. However, perhaps surprisingly given the size and value of the biggest Tech brands, the rate of rebranding is not particularly high.

Tech acquisitions are littered with well-known brand names well thought of by customers - the list includes WhatsApp, iZettle, WebMD, McAfee and LinkedIn for example. Rationales for these deals tend to be access to customers and their data as well as the technology underpinning the company. Changing the brand is often seen as too unsettling to customers to be worth considering – especially given recent worries about data privacy and the reputation of acquirers.

These brands are often well understood by customers since they usually refer to a specific set of services and benefits that are less easy to explain and differentiate when rolled in to the parent brand.

That being said, many tech companies do rebrand and whether they do depends ultimately on their strategy. As we will see, Oracle for example has recently believed strongly in rebranding its acquisitions so as to broaden the core suite of services for its clients.

Companies

Our database has many thousands of acquisitions. However, in order to decipher some core business-specific factors influencing likelihood to rebrand, we have taken the companies that have rebranded the most acquisitions in our study. The resulting companies offer insight into a mixture of sectors.

United Rentals, Enel and Atos are profiled in other parts of this report so we have focused on Oracle and Roche in this section. Both large acquirers that have both rebranded and unrebranded acquisitions in their portfolio.

Oracle
In general Oracle has focussed on a single-branded strategy, quickly rebranding its acquisitions. However, it has not adopted a one-size-fits-all approach and has left one acquisition out of its rebranding plans in its process.

Two acquisitions – Ravello systems and Textura – were fully rolled into the Oracle brand and integrated with its services. It captured their clients and service offerings but did away with their relatively weak brands.

Three acquisitions – Micros, Aconex and NetSuite – were only partially rebranded. The Oracle master brand was attached to these product brands, which were already commercially successful businesses and reasonably well-known and thought of.

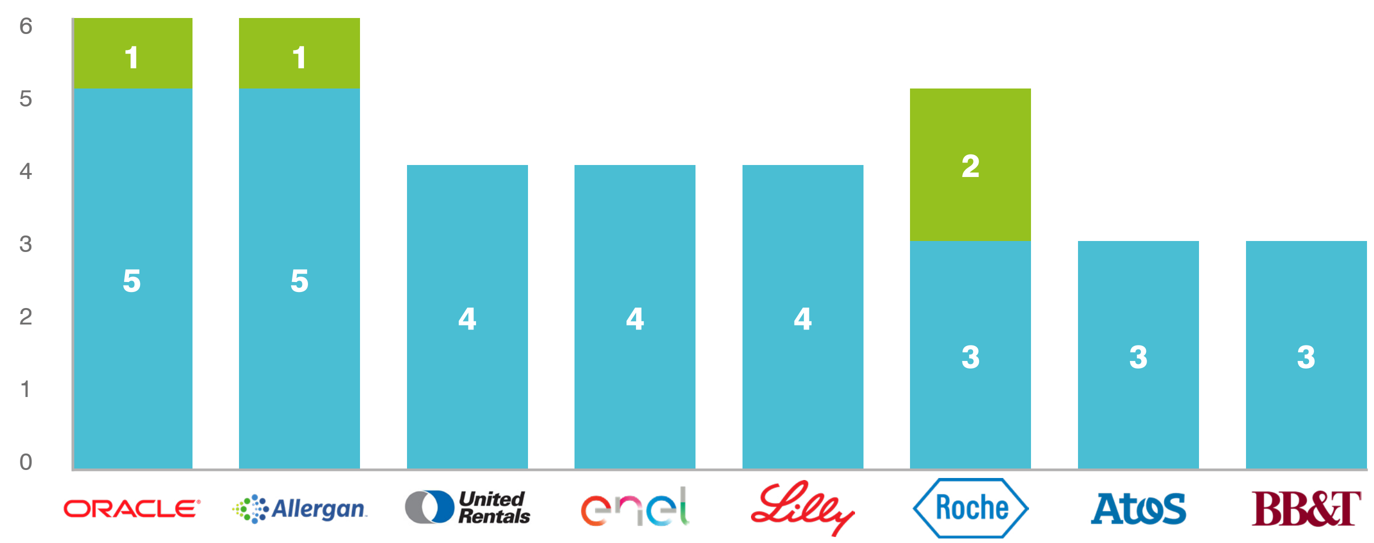
Adding the Oracle brand signified the acquisition and explains to clients of the connectivity with Oracle's broader services. However, maintaining the original brand helps reassure that there will be continuity of service and the quality and distinctiveness associated with them.

Opower, the distinctive customer care focussed software-as-a-service brand with a Utilities specialisation, was maintained and was therefore the only one of six major acquisitions Oracle left unbranded. Oracle evidently identified the strength of its brand and the continuity needed in customer care. Now, the brand is used across the customer care division of Oracle's utilities specialism.

Roche
As with Oracle, Roche is a useful example of a flexible rebranding strategy. Over the period, Roche acquired Ignyta, Intermune and Seragon which were all rebranded. The core purpose of these acquisitions were promising drugs rather than the brand of the acquisition so once the other assets were integrated in to the business, the brands were retired.

However, Flatiron, a medical technology company, and Foundation Medicine, a molecular insights company, both had their own clients and partners and commanded strong brands in their fields. They were therefore left unrebranded.

Most Rebranded Acquisitions



Rebranded

Unrebranded

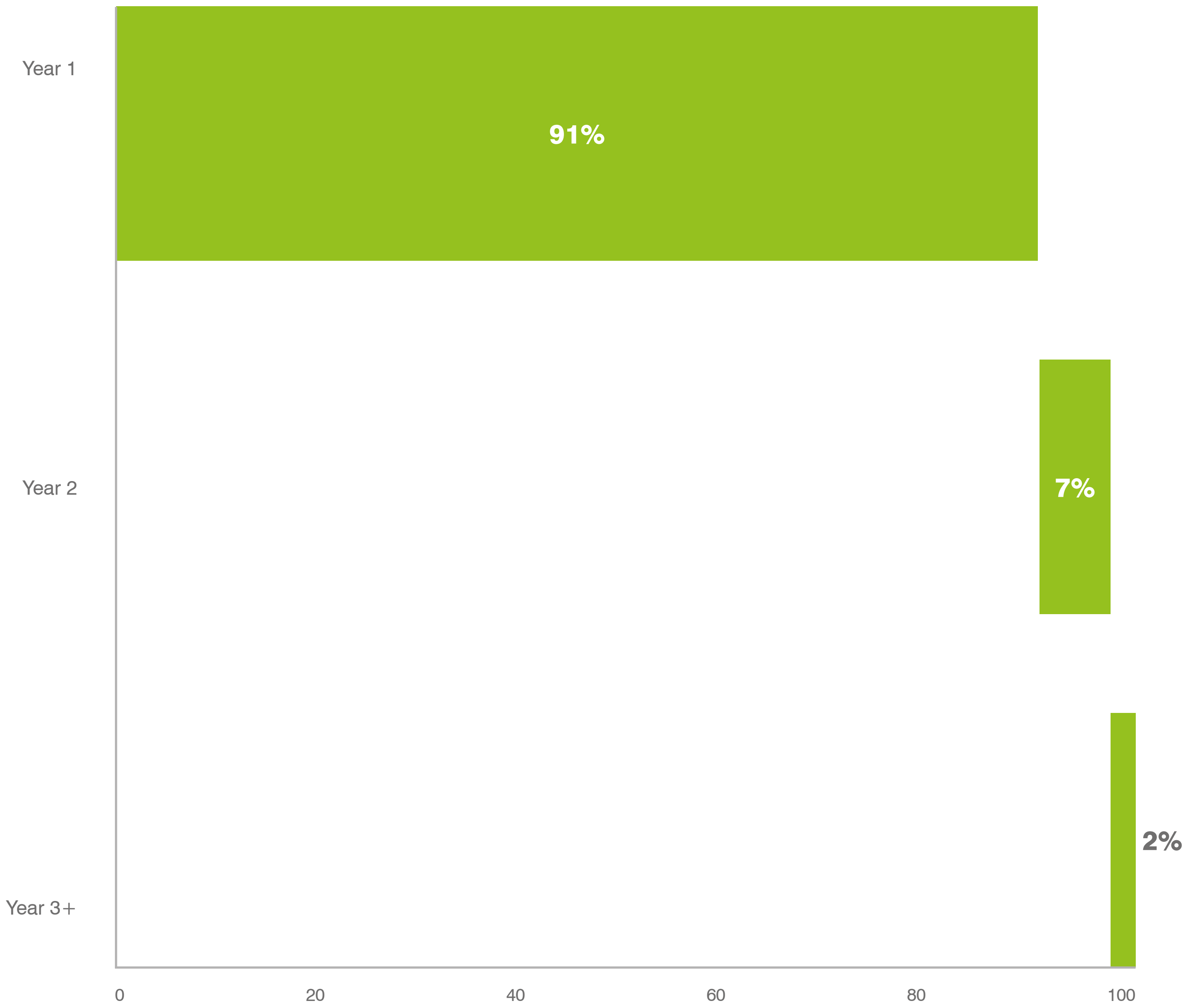
Timing

Our analysis of the pace of brand transitions indicates that businesses look to make changes quickly following on from deal completion. Fully nine tenths of transitions are announced within a year of deal completion indicating that companies move fast to make their brand integrations post deal.

Unfortunately for many companies, while it is useful to move quickly in order to cut costs, changing brands too quickly often damages relationships with clients and gives insufficient time to transfer brand awareness among non-customers to the new brand. Changing brands quickly therefore risks losing more value through demand losses than that which they find in reduced costs.

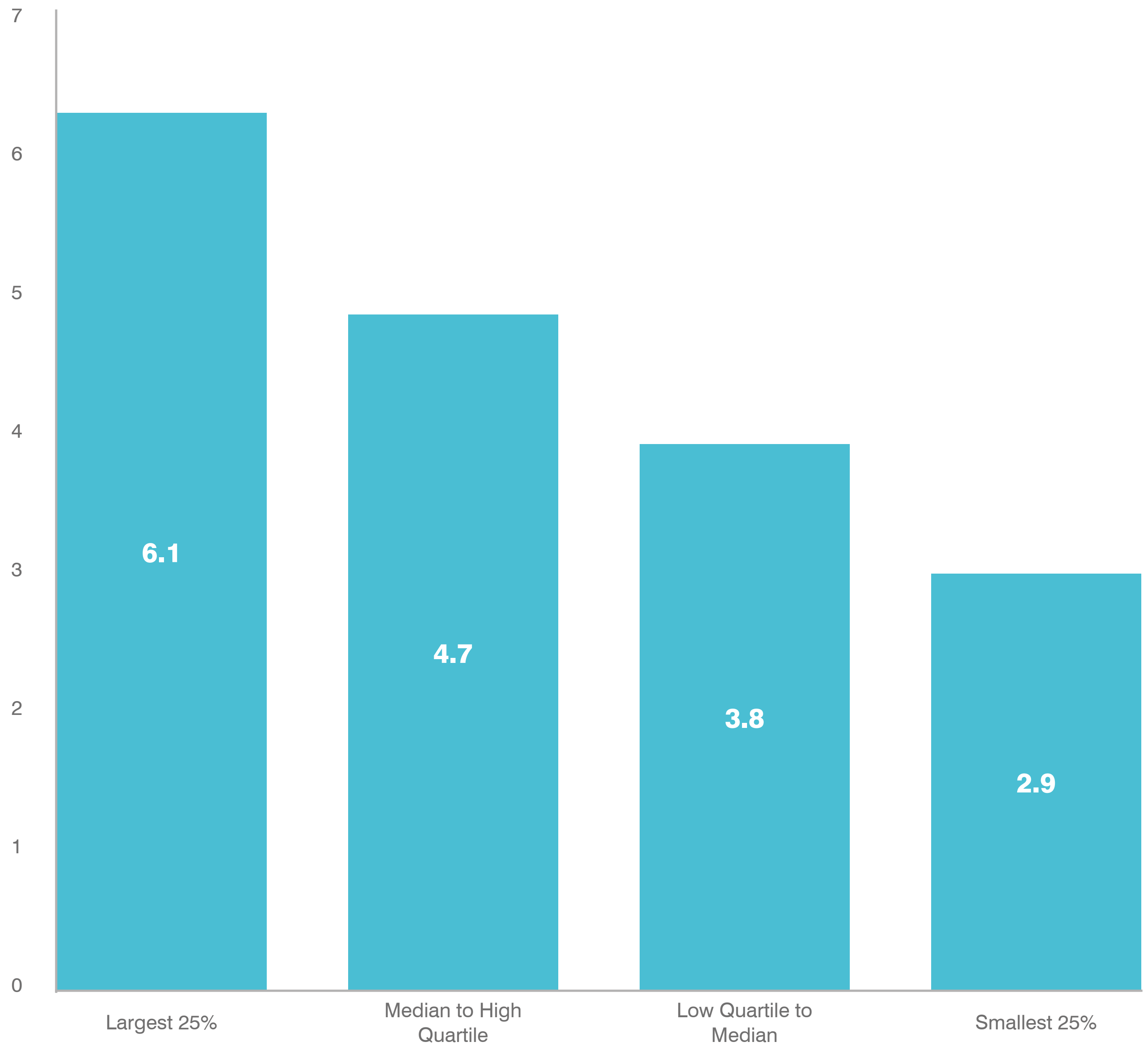
Unsurprisingly given their size and complexity, brand transitions generally take significantly longer for large acquisitions than for smaller ones. In fact, the largest acquisitions typically take double the time of the smallest.

Date of Rebrand Announcement



To Rebrand or Not To Rebrand? 2020 Trends.

Months to Rebrand Announcement Based on Deal Size



Returns

In order to evaluate the relative performance of rebranded and unrebranded acquisitions, we compared the total shareholder returns with the total return on the sector benchmark within the S&P 500 over one year. For rebranded companies, we identified the start date of the year under review as the date of rebrand and for unrebranded the start date was the date of deal completion.

This highlights the relative returns of rebrands over the short to medium term but does not identify whether or not rebrands deliver value in the long-run.

Our analysis identified that after one year on average rebranded companies performed worse with returns approximately 1.8% lower than unrebranded companies.

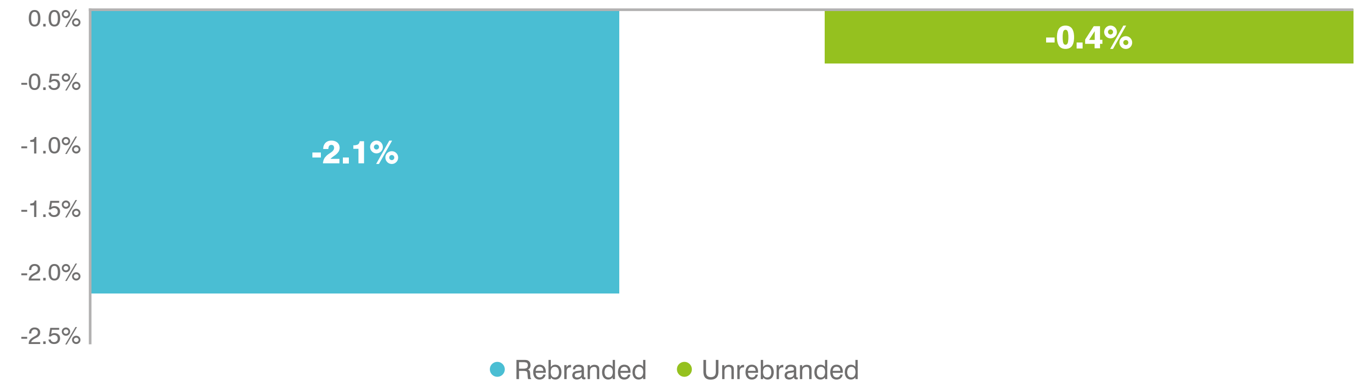
This highlights a very important point for brand teams post-acquisition, that it is highly likely that performance will be worse in the short run after a rebrand given the major business changes and ruptures it creates. However, that does not mean they should be stopped as their success is often long-term and requires consistency.

A second point to note is that rebrands need to be well-planned and based in clear strategic benefits. In our experience, rebrands are often decided and agreed upon for corporate and vanity reasons rather than with sound commercial footing which significantly reduces the likelihood of success.

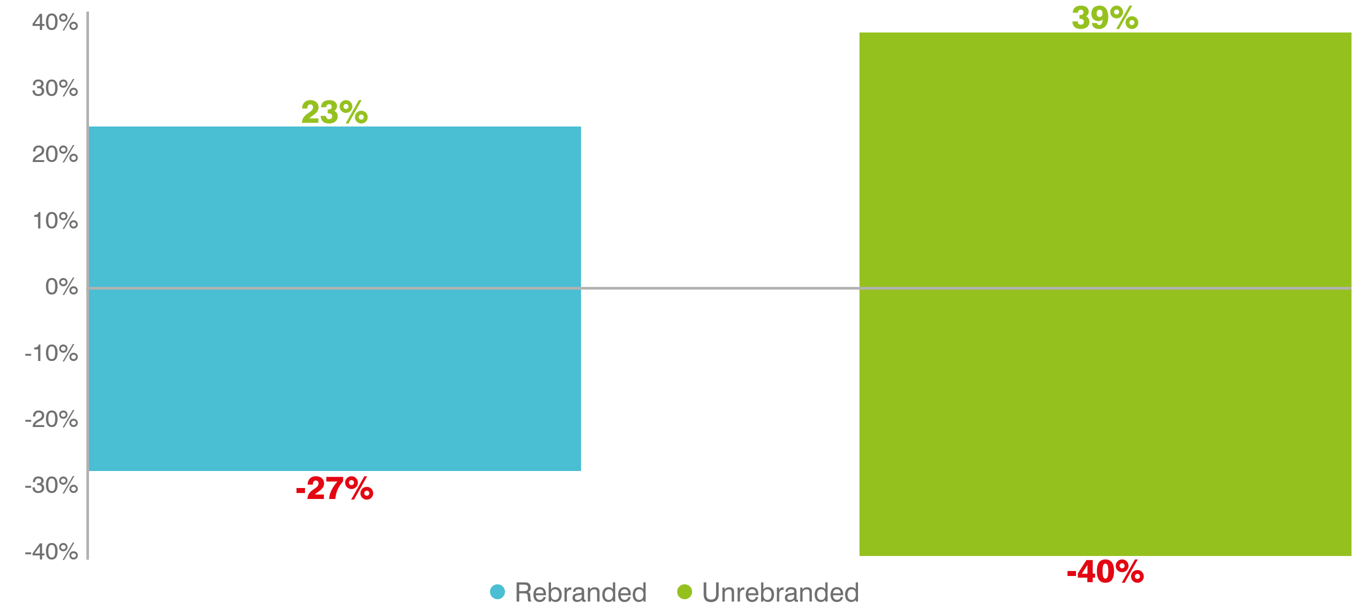
Despite these lower average returns, rebrands significantly reduce risk during an acquisition. Reviewing the spread of results for the central ~70% of acquisitions by calculating the standard deviations of each data set. Rebranded acquisitions are much less disperse in their results so 1 standard deviation is 24.8% return each side of the mean where as it is 39.2% for unrebranded acquisitions.

Approximately 68% of approximations lie within one standard deviation. What this means is that only 16% of rebranded acquisitions will have a return of less than -26.9%. The equivalent figure for unrebranded acquisitions is 25%.

Average Return Relative to Sector



Range of Returns within 1 Standard Deviation of Mean



To Rebrand or Not To Rebrand? 2020 Trends.

This makes them almost two thirds more likely to result in serious damage to their business than rebranded acquisitions. This highlights the strength of rebranding as a tool to generate more value from acquisitions by improving integration.

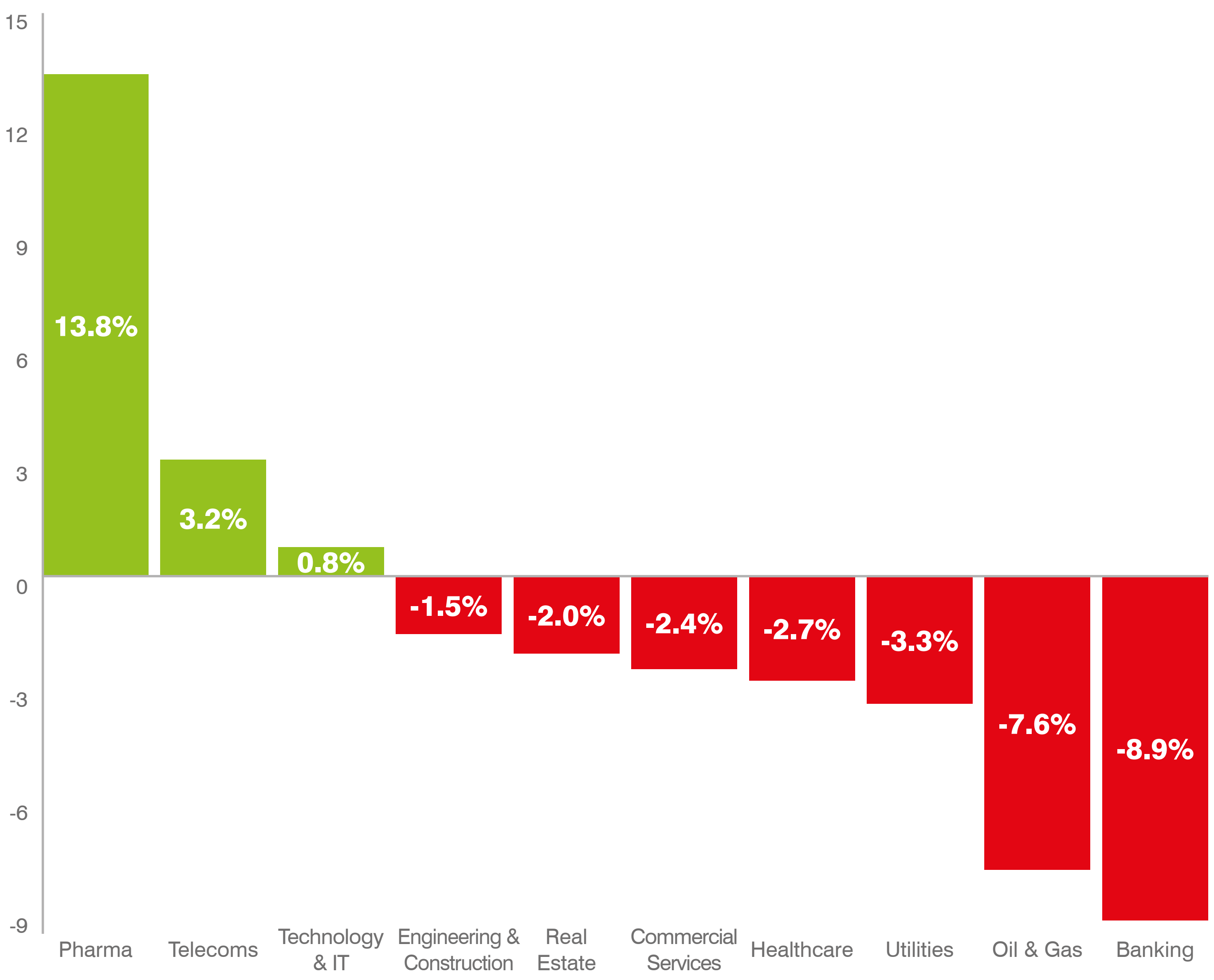
The success of rebranding strongly depends on sector. For example, in pharmaceuticals, where acquisitions generally have not built strong brands but acquirers have, rebrands are highly successful.

In Telecoms, international and national brands tend to be well-thought of and positively relevant to customers since brand positioning focusses on connectivity.

Importantly however, some sectors perform much worse. The most notable sector that performs badly is Banking which has gone through similar trends of consolidation to single brands that have been seen in Telecoms.

The list of rebranded acquisitions gone wrong includes many small regional banks rebranded to national or international names. Banking – especially local banking – is a relationship business in which stability and security are extremely important. Many of these rebrands underestimate the impact to customer loyalty as a result of changing someone's bank brand and suffer as a result.

Returns per Sector



Case Study: Enel & Eletropaulo.

In June 2018, the multinational Enel reached a 93.3% stake in the Brazilian energy distributor company AES Eletropaulo for a total consideration of €1,570m.

The stated aims with relevance to brand strategy at the time were:

+ "Opportunity to consolidate Enel Americas' presence in Brazil becoming a leading integrated player in that country […]
+ Best way to increase Customer Base with additional ~7mn premium customers
+ Unique opportunity to boost Enel Americas growth in free market and in the new digital energy services for customers
+ Potential for volume growth with economic recovery"

This came as a final step of a long-term strategy to see Enel strengthen its position in LATAM as an integrated leader and to become the biggest energy distributor in Brazil in terms of costumer numbers.

As a result of the acquisition, Brazil also became Enel's second biggest customer market (17 Million), after Italy.

On December 2018, six months after the merger, Eletropaulo was rebranded as Enel Distribuição Sao Paulo, and adopted the parent company logo.

As part of the brand launch, Enel agreed to invest 3.1 billion USD in the company over the following three years. This was just the first stage of the integration progress, which was followed by improving service quality, adopting the most advanced distribution network technology in the country.

We at Brand Finance have collected brand perceptions information on the utility industry worldwide for the last four years. We were therefore able to review general perceptions of Eletropaulo and Enel at the point of rebrand.

The results clearly expose that Enel was perceived as a much better brand than Eletropaulo – better value for money, better service and a generally more responsible company.

Pre-Transition and the Reason for Rebrand

Taking advantage of this advantage across all perceptions is likely to have been a core part of the decision to rebrand and the general strategy seems based on sound evidence.

The Rebranding process

The Enel transition period lasted around 6 months and so the rebranding was completed in December 2018.

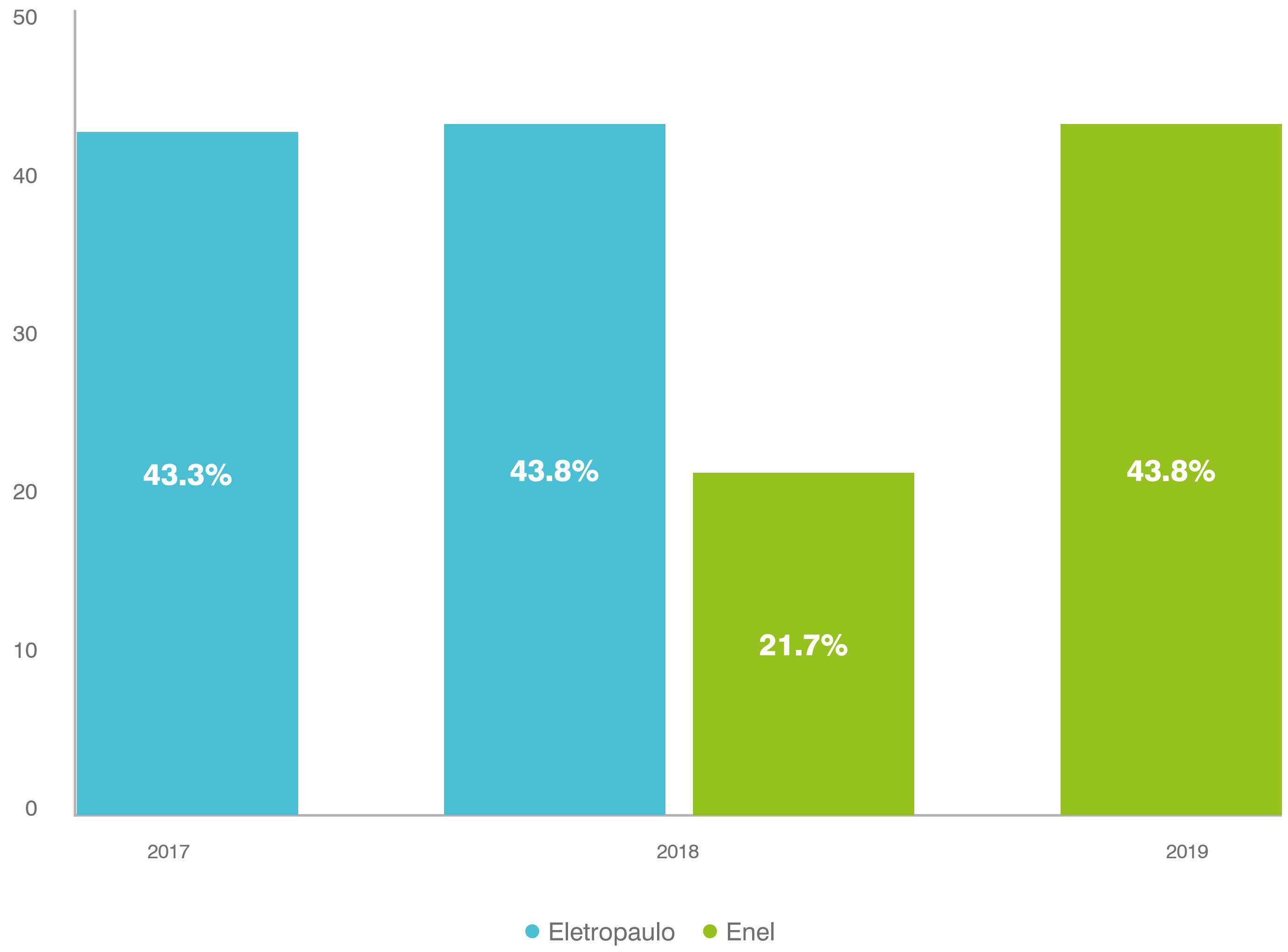
In 2018, before the transition, Familiarity with the Enel brand was considerably lower than Eletropaulo and Consideration to use the brand was similarly low.

However, the large investment by Enel combined with careful planning and a market open to the new brand meant that familiarity and consideration were rapidly reclaimed and customers were more likely to consider Enel than they were Eletropaulo pre-acquisitions.

Sustained investments and well-considered execution allowed Enel to set the basis to further develop its brand and business strategy improving brand perceptions and awareness.

Despite this positive effect on consideration in the market, loyalty for the business started to fall following the rebrand. This is an effect regularly seen during rebrands as some customers reject the new brand. However, in this case some of the loyalty can be explained by a general opening up the market to competition.

Familiarity



Case Study: Enel & Eletropaulo.

Rebrand Performance

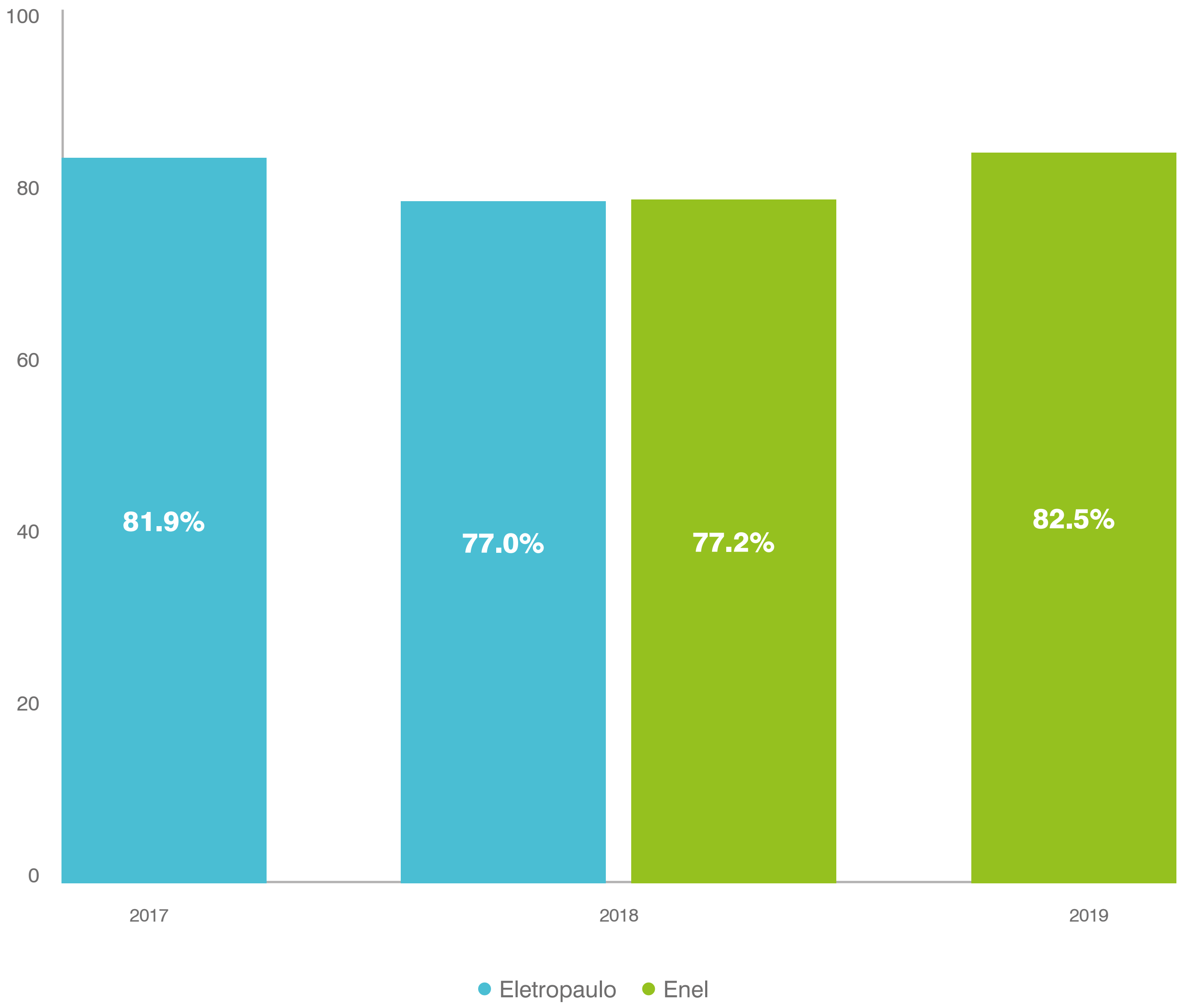
Immediately as a result of the acquisition, Enel's customer numbers in Brazil jumped to 17.1m – pre-rebrand – becoming its second most important market after Italy.

By 2019, Enel's customer numbers had risen by 200k as the rebrand proved successful and well-executed. Enel's share price also considerably outperformed the sector in the year following the rebrand.

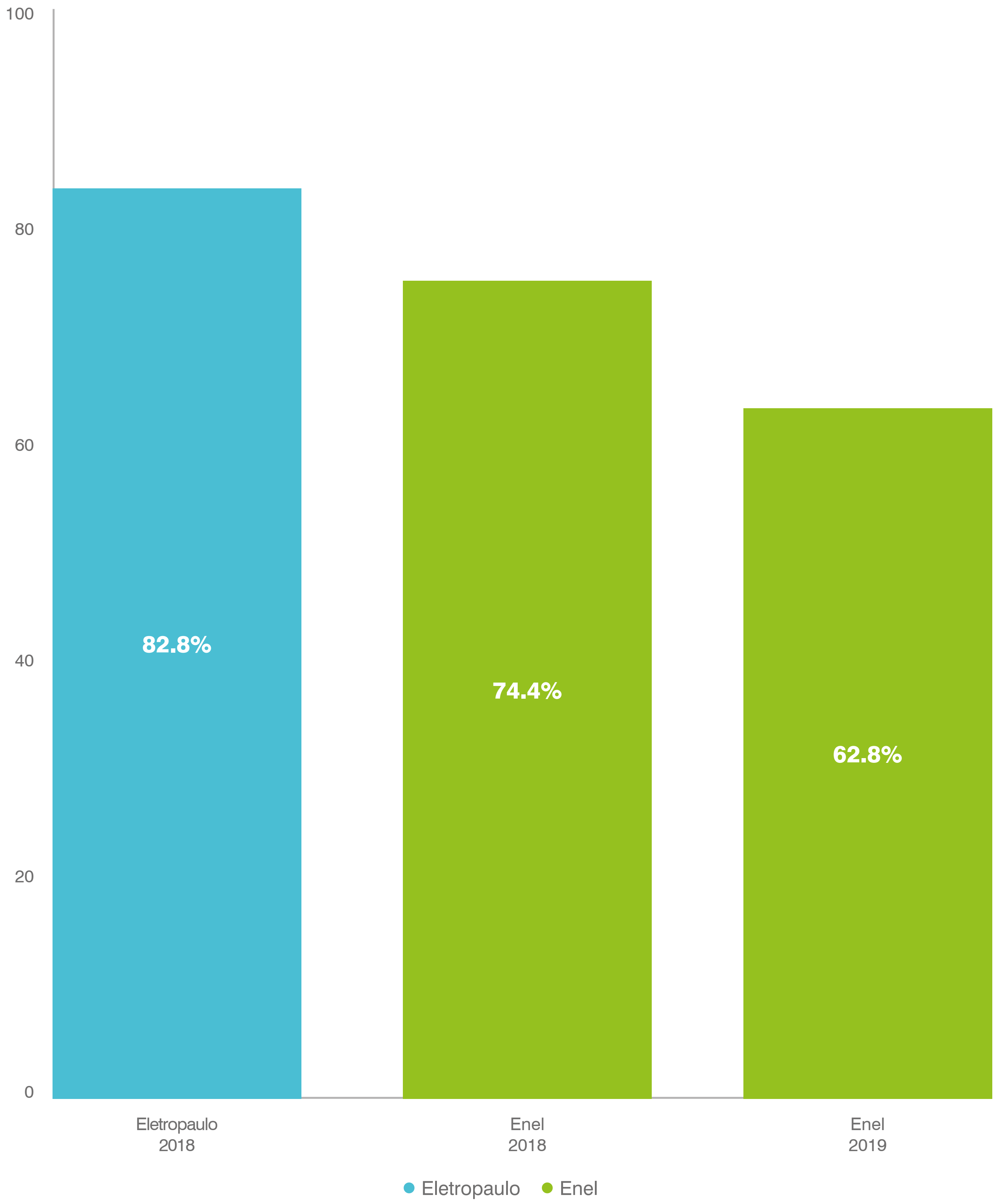
Takeaways from Enel's Experience

+ Large, sustained and consistent investment in communications is necessary to transfer positive perceptions to the new brand and increase its awareness
+ Benefits created from improving perceptions in the general market can be reduced by falls in customer loyalty
+ Reassuring existing customers that the rebrand will be positive to them is an element of the rebranding process that should not be overlooked.

Consideration (Conversion from Familiarity)



Eletropaulo vs Enel Loyalty



United Rentals

United Rentals is a leader in its field of large construction and industrial equipment rental in North America. It is also one of the leading acquirers in our study and one of only 5 companies with four or more acquisitions rebranded.

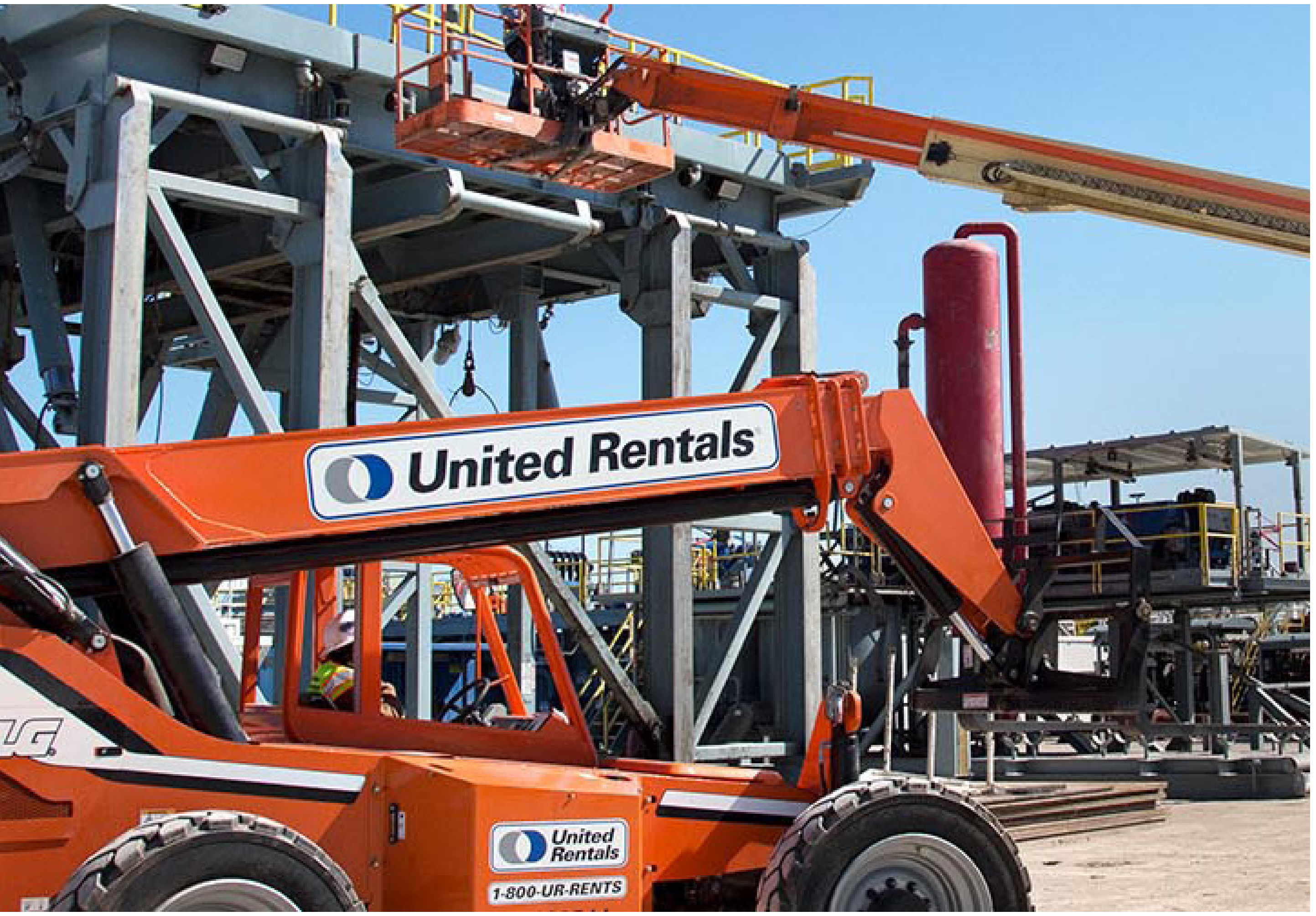
In line with many of the other biggest rebranders, this has been in the direction of mono-branding under the acquirer brand. In United Rentals' case, all of its major acquisitions were rebranded in some capacity.

NES Rentals, BlueLine Rentals and Neff Rentals, were all purchased and rebranded completely to United Rentals. The benefits of easier cross-selling, increased capacity for United Rentals core business in existing markets and the use of a nationally strong brand were deemed to be higher than the benefits of maintaining the existing brand.

BakerCorp, United Rentals' penultimate acquisition, was only partially rebranded. It has retained its original name but is now jointly branded with United Rentals online. In line with United Rentals' other acquisitions, integration of fleet ranges, possibilities of cross-selling and distribution density were all reasons for the acquisition. However, in BakerCorp's case, the acquisition gave United Rental's access to international markets in Europe where the United Rentals' brand is not so well known.

Despite their differences, a recurring theme in all the acquisitions have been a culture consistent with United Rentals'. This consistent focus – in United Rentals' case on safety, customer-centricity and employee engagement – and the alignment that brings allows for much quicker and easier simpler internal alignment reduces the acrimony and complexity that misalignments can bring.

Throughout 2017 and 2018, as the rebrands were being conducted, the company outperformed its sector benchmarks. Despite returning to industry level share performance in 2019, the company's focussed and clear business strategy seems to be paying off well.



Interview with Chris Hummel.

Chris Hummel
CMO,
United Rentals

United Rentals' acquisitions are different in specialism, region and target customer but the strategy to bring them more closely under one brand has been consistent. What are the underlying reasons and benefits for this mono-brand strategy and how was the ROI of the strategy assessed?
Our business strategy has been to lead the market by assembling the largest fleet (range of equipment from small hand tools to large equipment) and match that with broad geographic coverage (1200 branches across all communities in North America).

Our brand strategy then compliments that by presenting one company brand to the customer. As we look at our track record over the past years, the ROI on investment has been impressive – from our dramatic growth in revenue (now $9+ billion) to an impressive return to shareholder as one of the top ten performing stocks across all industries in the last decade.

A strong overarching strategy can sometimes be trumped by a weak implementation plan. How did you try to ensure that the rebrands were completed quickly, cleanly and successfully while not disrupting relationships with customers, staff and other stakeholders?
We understand that – especially in a service organization – success is substantially influenced by employee engagement and satisfaction. In all of our acquisitions, we put priority focus on welcoming employees into the United Rentals family, with direct messages from our executive leaders designed to reassure new team members they are joining one of the strongest employee cultures in the industry.

We can quickly and credibly substantiate this perspective because United Rentals so consistently scores among the best places to work, not just in equipment rental or construction but even when benchmarked among some of the biggest brands in the world. These efforts, combined with acquisition experience, and strong experience in operations, helps assure we maintain service and satisfaction across stakeholder audiences.

United Rentals' deal rationales regularly mention a culture consistent with United Rentals. How important is this to implementation of brand transitions and what does United Rentals do throughout its implementation to maintain that cultural alignment and employee buy-in?
The vast majority of our employee base is distributed across 1200+ branch locations, all of which are company-owned.

These small team units (often <20 employees) provide an environment that helps make it possible to build, nurture and mature culture even as new team members are assimilated. Many of our field and executive leaders come from acquired businesses and bring their own experiences into the discussion with new employees. This shared experience establishes instant credibility ("I've been there") and drives employee buy-in.

Atos.

Atos is a global leader in digital transformation. European number one in Cloud, Cybersecurity and High-Performance Computing, the Group provides end-to-end Orchestrated Hybrid Cloud, Big Data, Business Applications and Digital Workplace solutions. It is also the Worldwide Information Technology Partner for the Olympic & Paralympic Games and operates under the brands Atos, Atos|Syntel, and Unify.

The purpose of Atos is to help design the future of the information space. Its expertise and services support the development of knowledge, education and research in a multicultural approach and contribute to the development of scientific and technological excellence.

Atos has pursued a single brand strategy on many of its large acquisitions – Syntel, Xerox's ITO business and Bull. As with many IT services companies, a fully integrated company across markets and service divisions has been seen as important for the performance and growth of the company.

Atos's first large acquisition was Bull in 2014.Bull was a fellow French-headquarted company specialising in cloud, high performance computing, big data, mission critical systems and cybersecurity enabling Atos to extend its brand into products. The merger brought together two big European players to make a regional leader in the category. The avoidance of competition and confusion led to the rationalisation of the two brands, bringing together two of the big European players to make a regional leader in the space.

The rebranding of Xerox's ITO business – Atos' second large acquisition – again improved Atos' digital services capabilities, strengthened its global reach and its ability to cross sell and service its many large clients. Single-brand strategy notwithstanding, the rebrand of this acquisition was fundamentally necessary as a result of the continued existence of the Xerox brand.

Michigan-based Syntel is Atos' most recent large acquisition. The acquisition opened a new customer base, additional strength on specific business verticals and a stronger base in North America and India. Syntel was also rebranded as part of Atos' single global brand strategy but in this final case, the division became Atos|Syntel given the mutual strengths of the two brands.

Generally, all these decisions have been warmly received and the company has strengthened as a result of the moves. However, financial results following the execution of the Syntel rebrand were slightly lower than expected and the company share price suffered. Sometimes there are bumps along the road but a consistent strategy, backed by strong additions to service capability has meant Atos is firmly one of the strongest and most valuable IT services brands in the world.

Interview with Martin Pietersen.

Martin Pietersen
Global Brand Director,
Atos

Atos has consistently rebranded its large acquisitions to create a single global brand. How did you decide on the overarching strategy and what in your view are the benefits?
It was only in 2018, that we decided the Atos brand should be at the center of everything we do - enabling us to build one powerful brand against the global competitors and unify the employees around one employer brand. Until then, we were following a house of brands architecture.

From our experience of having operated a house of brands, we understood that keeping brands did not work well in integrating the people within Atos as a group. Externally also, stakeholders did not clearly understand the relationship between the corporate Atos brand and the various commercial brands we acquired. This confusion, both internally and externally, was negatively impacting our business.

Bull was another French company, and therefore presumably had a closer cultural fit, while Xerox and Syntel are American. How different is integrating companies with different histories and cultures?
In our experience there is always a clear difference in culture, and from the three acquisitions that Brand Finance profiles, the transition process was easier for Xerox and Syntel as their portfolios fitted more naturally into Atos. Bull, on the other hand, was more complex to handle because of its large portfolio of product brands. It brought in expertise which was different to how Atos operates. We started with a gap here. This meant that we had to spend more time understanding their operations and bridging the gap between Atos and Bull.

An important rule that we follow in terms of culture and people is – listen carefully! It is crucial to listen when you are the company that is acquiring. Listen to understand the DNA of the company, what their values are, where do they fit and where are the gaps. The integration process is going to take time and it is the quality and strength of the people that make the acquisition a success.

Given Atos and your experience rebranding large acquisitions, what are the key tips and watch-outs for other companies embarking on their own series of rebrands?
Start with stage one, the pre-acquisition. Here, you really need to understand in detail, where the acquired company is going to fit within your growth, brand, go-to-market and portfolio strategy. If you don't do that at the very early stage, you will have issues in later stages. When the deal is signed, we get into the transition stage. At this stage a brand transition plan should be made with a recommended day 1 to ensure all functions are aligned to deliver on the same day. This is the day when the brand of the acquired company will change into the new brand. All stakeholders should be involved and engaged.

A plan does not only refer to a change in the colour and design of the logo. It goes way beyond, including areas that people often forget about like the technical implications on tax, trademarks and goodwill.

We also need to be clear when the job is done. Businesses often forget to look end-to-end. For example, how do you use the Atos brand on an invoice if the name-change of the legal entity has not yet been processed?

Finally, keep in mind different scenarios apply when you implement a rebrand. Be dynamic and flexible. The best brand transitions that I have done so far, always started with listening and figuring out what options I have, to succeed in my business and brand transition.

Deutsche Telekom.

Deutsche Telekom is the owner of T, Europe's largest telecoms brand and the fourth largest telecoms brand in the world. True to its ambitions to make one of the world's most successful and global telecoms brands, it is also one of the biggest investors in the industry. It has been pre-empting the shift to 5G, as well as significantly increased data demands from customers and the myriad new services telecoms companies are expected to offer.

In line with all other global telecoms brands, Deutsche Telekom has had to acquire to grow in to new markets. Its acquisition of UPC Austria – the cable-network company in Austria – in 2018 was one of its largest acquisitions. It also helped to reaffirm Deutsche Telekom's brand strategy to exploit the full potential of its key brand asset "Magenta".

Combining its existing Austrian mobile network, formerly under the T-Mobile brand, and the UPC cable business under the new "Magenta" retail brand was used in order to signal the significant combined benefits of the joint offering that the two businesses are able to provide under the master brand T.

It also provided an ancillary benefit not explicitly mentioned that the use of the new brand also shows a lack of primacy between the two existing brands. This allows the two business to continue as equals in the new structure, easing the transition.

Most importantly, the launch of this new retail brand was supported by new investments in service capabilities which help show the tangible benefits of the new brand and its offering – tempting new customers to join and reassuring existing customers to stay.

Interview with Alexander Engelhardt.

Alexander Engelhardt
Vice President Brand Management,
Deutsche Telekom

Telecoms companies are more likely than almost any other sector to rebrand their acquisitions. Why do you think rebrands are so common in the industry and why does Deutsche Telekom generally follow this strategy?
In the telecommunications industry, it is possible to unite the most varied of services all under one brand, since they can always be linked back to one shared substance: connectivity. Be it mobile, fixed network or internet, IoT or entertainment, in the end it's all about connecting people or companies to the fascinating possibilities offered by digitalisation and enabling them to participate in modern society. Everything that contributes to that story can be marketed under one brand. Customers don't care whether they are connected via wireless or fixed-line networks. They expect seamless connectivity and favour brands that, in an increasingly complex digital world, can be trusted since they offer everything from a single source, securely and capably. As a result, the obvious path for Brand Management to follow is the efficient Branded House approach.

Deutsche Telekom's communication around the UPC rebrand focussed on new investment and what the new company could now offer. How did you ensure that the benefits were clearly communicated to customers and the wider market?
The key factor is focusing communication on new products and their benefits. Products which could only be developed in Austria thanks to the fact we are now combining both worlds – fixed-line and mobile. It meant we had the opportunity to offer services which had not previously existed in this degree of quality. But to ensure that these benefits could be clearly communicated we first had to change the brand's name. T-Mobile was no longer the right one, since it places the emphasis on mobile expertise alone. With the repositioning as "the ultimate promise for Austria's digital future," the offer needed a name that consumers could associate with more than the classic telecommunications services while still referring back to the T brand. Magenta was the obvious solution as the name was new and unusual enough within the industry to send a clear signal announcing an euphoric spirit and the company's new stance. To make the most of this momentum, the name was formally supported by a staging of Magenta as a true retail brand.

The rebrand of UPC brought together two existing companies to launch the Magenta retail brand in Austria. How are the challenges different when moving to a new brand versus one – like T – that is already present in many markets?
As is generally the case when rebranding, the Magenta retail brand was faced with the challenge of shedding the established T-Mobile brand name and associating itself with the new services. This always takes a certain length of time and can require considerable investment. In our case, we had the decisive advantage that the audience was already familiar with Magenta. People in Austria, as in all our markets in Europe and the USA, know that magenta is the colour of Deutsche Telekom. To them it represents the comprehensive portfolio offered by a full-service provider. On top of that, the famous T was retained as a company brand. In this respect, we had it significantly easier than would be the case for a true rebranding in terms of acceptance and "fueling" of the brand. The customer now buys Magenta offers from the T brand. This allows us to make the most of our brand's potential in order to pave the way for our best possible performance in Austria while simultaneously strengthening the link between the Group's T brand and the Magenta colour trademark.

VI360.

Planning your rebrand

Your business is changing and you're now considering your options for a rebrand, but what does that mean? Whether the reason for change is a change of ownership, a change of business direction or a strategic refresh, your approach will be influenced by how customers will perceive the change, how your organisation will deliver it and how much it will cost.

Are you changing the whole brand expression or just making refinements to the existing visual identity? The extent of the change, whether it is by choice or mandated as a part of a commercial transaction, will impact on the timing and cost of the transition process. Knowing the implications of each branding decision may make you alter your rebranding strategy. The rebranding journey can originate from many different starting points depending on the organization or the commercial imperatives. In some cases, the creative comes first, and cost analysis, planning and approvals come later. In others, the cost analysis and planning will determine the scope of the creative brief or indeed whether to rebrand at all.

The three key elements of the analysis and planning are cost, time and quality of impression for customers and are at the heart of VI360's CTQ Model©. Extending the time may allow you to use up existing stocks of branded items such as workwear or product packaging. This will save you money but potentially give a poor or confused impression of your new brand to customers. Implementing a rapid brand change can be impactful for customers but may consequentially increase cost due to inventory write offs and may not fit with your sustainability strategy. Assuming you have a complex rebrand ahead of you, where do you begin?

Understand your business

Speaking to the relevant subject matter experts (SMEs) is a good place to start. Sales & marketing, operations, purchasing, HR, IT and legal teams will bring different and important perspectives to the analysis and planning. Find out what they consider as key for their parts of the business and make sure this is reflected in your planning. Getting relevant stakeholders on board early in the process will ensure your planning and analysis are more accurate, and it will also help you build relationships and goodwill for the transition journey ahead. This network of experts will become your extended team during future preparation and implementation phases.

CTQ Model ©

The CTQ model © combines the common project dimensions in the context of your rebrand. Pioritizing any one dimension will impact on the others.

Considerations:

Time: How quickly can you rebrand without damaging the business?

Quality of impression: Will your customer have a holistic, new experience from day 1 or can you tolerate a period when they will see both brands?

Cost: Is there budget available - in addition to your day-to-day operational spend? How much extra do you need?

Rebrands can be delivered almost overnight or they can be managed organically and take several years depending on the organization. A rapid change makes for an impactful and memorable brand launch but is likely to be more costly. Extending the rebrand timings will allow you to utilise existing budgets, but may result in a confusing experience for customers. Use the model to find the sweet spot.

Once you've understood the practical impact on the business, you can begin to formulate the right questions to ask and start gathering the data you need to make the transition a success. The purpose of the data gathering exercise is to understand what brand carriers you have in your business, how many of each type, how much it will cost to rebrand (or replace) each one, and how long they will take to rebrand.

Of course, this information may be incredibly difficult for one person to provide so you need to utilise your network of SMEs. Consider breaking down the tasks into manageable pieces so that you don't overload your colleagues. After all, they're likely to be doing this in addition to their day job! It takes time and effort to gather and process the data, so only gather the data you need. Understand exactly what you need first and gather information second.

Know your Suppliers

As you prepare for the transition, you'll want to understand supplier information so that you can assess capabilities and capacities. This is crucial as your suppliers will be the ones who make the rebrand happen. Ambitious rebrand scenarios need to be rooted in reality and a big part of that reality is your supplier capacity. You may also question whether your current suppliers are capable of delivering the new proposition, or find that you are committed to binding contracts that need to be renegotiated. If you need to add new suppliers to deliver this project, then you'll probably have to engage with your colleagues in procurement, which could take weeks if not months.

When you're seeking approval for the rebrand, the more understanding you build early on, the more likely you are to present effective and credible plans that will work for your business.

So many scenarios

Now that you have gathered all the data, you need to put it to work. Configure the information so that you can pre-empt some typical 'what if…' management questions.

+ What if we launch the new brand in July instead of December?

VI360.

+ What if we prioritize certain parts of the business over others?
+ What if we prioritize certain geographies over others?
+ What if these units rebrand out of a central budget, but those units rebrand out of local budget?
+ What if we rebrand "overnight"?
+ What if we launch the brand but then simply allow the transition to happen organically?
+ What if we only change the logo and keep everything else the same?

Different scenarios will have an impact on the cost and timings of the rebrand, but it's important to remember that 'normal business' goes on during the transition period, so you need to be ready to flex and accommodate. Aligning to the business operations can present other opportunities to move quickly and offset some of the required budget. Planned CAPEX and OPEX budgets for business expansion or scheduled maintenance activities could be great ways to introduce the new brand without using so much of the transition budget. Generally speaking, if you have a longer transition period, you can spend less transition budget, allowing existing operational budget to do the majority of the work. To a significant degree, rebranding scenarios will be dictated by your business. If you have a big physical footprint in terms of brand exposure, then you'll probably need more time than if the majority of your brand footprint is digital. And of course, it will depend on why you are rebranding to begin with. In some commercial situations, the timeline may be dictated by the terms of the sale or purchase.

Planning and Implementation

So, you got approval from the board, your budget has been signed off and your creative team has produced masterpiece. Now it's time to plan the roll out. This is when you set your launch day, the date you introduce this new brand to the world, assuming of course that this is not dictated by circumstances outside your control. Consider each of your brand carrier categories and work backwards from a notional launch date. Before you can release these newly branded items into the market they will need to be produced, and before they are produced they will need to be tested, and before they are tested they will need to be prototyped and... the list goes on. Depending on the brand carriers, there can be many steps between a designer dreaming up a look for your new brand and the moment they are produced and released. Plot these all out and then plan for hiccups in the timeline, paying particular attention to items you cannot launch the new brand without. Branded items don't live in isolation, they combine to make a holistic impression of your business to your customers. Think about dependencies between brand carriers. You cannot print new business cards without new email addresses, so you'll need to align with IT. If there's been a reorganisation, you'll need to finalise your corporate naming architecture for divisions and job titles too. If you're planning a launch campaign, you'll surely want images of your new brand to show what the future looks like. When will the first items be ready for a photoshoot? Will this be in time for the campaign?

By going through this process for each brand carrier, you'll determine a clear priority list for work streams. Some that need to be started ASAP and others that can wait. Hopefully, your implementation plan will flow smoothly, and everything will be ready in plenty of time. If not, go back and see where you can solve problems by increasing your team's capacity, increasing your budget or delaying the launch until you are ready.

And finally

Always put family first. Before a big reveal party to your customers and the world at large, you need to tell your colleagues about it. Communicating internally and welcoming everyone to be a part of this new dawn is essential for the success of the brand launch. This is a chance for your staff to fall in love with the new brand and will create many 1000s of proud brand ambassadors in the process. If this rebrand is a big change in terms of look, name, and personality, you'll need to train colleagues on how to convey the appropriate brand personality when talking with customers. There's a lot to consider in advance of your rebranding journey, but with good planning and informed decisions you'll be setting off in the right direction.

Using Valuation to Make Transition Decisions.

Alex Haigh
Valuation Director,
Brand Finance

Multi-divisional businesses are generally considering the structure of their brand portfolios regularly. Sometimes things are fine, sometimes change too hard, but sometimes the factors seem right for at least considering the potential improvement in business performance from a change in the brand of a division, business or activity.

Historically, businesses have looked at brand strategy as a means to rationalise portfolios to create clarity and consistency of brand management. However, this approach implicitly reviews only the cost and complexity of brands rather than their ability to create value – both improving earnings and reducing cost – overall. Thankfully, more businesses are recognising the need to identify all benefits or disadvantages and see that branding is more than an administrative cost but we at Brand Finance believe more should be done to make this point of view established practice.

There are many triggers that might provide the opportunity to add value to a business through a change of brand. For example:

+ M&A: acquiring companies often want to combine marketing efforts with their acquisition to avoid waste and inefficiency. This is often a primary concern but often overlooks impacts on demand from changes causing significant reductions in value.
+ Global or regional marketing: it can be more likely your subsidiaries capture the benefit of global marketing if they are under the same brand as that being marketed. Vodafone's global rise was created partly through global sponsorship which created an impetus to switch its local brands.
+ Increased competition: a new brand in the market may indicate a need to hit back with a competitive response. When Uber enters a new market, for example, focus is needed and competitive sub-brands may need to merge to benefit from joined-up marketing.
+ Changing tastes: customers may decide, for example, something traditional is now better than contemporary or transparency becomes more important than simplicity.
+ New product launches: shifting the product or service focus of the entity might mean marketing works better under a new positioning. A gas provider launching in to internet of things – for example – may need a change from a positioning focussed on warmth, care and reliability to technology and security.
+ Executive order from above: sometimes the board just wants to move to a single brand with no explanation. Finding the way to minimise risk and maximise gain from a change is just as, if not more, important than where a specific benefit is identified.

Establishing whether it's possible

The first step in any assessment is to determine whether it is even possible to change brands.

Often, group companies cannot be rebranded due to a lack of ownership and control, usually meaning 50% or 75%+ of voting rights. Without this it may be impossible or unwise to rebrand due to a lack of control over its potential use and, even where it exists, a lack of support either in the parent or subsidiary company may render the initiative not worth the bother. Regulatory requirements in some industries – in particular banking – also complicate

Questions We Are Attempting to Answer

1	Churn	A. Who will immediately churn? B. Who will incrementally churn over time?
2	Acquisition	How many more acquisitions will be gained for the same period?
3	Cost/Time	A. How much will it cost? B. How much time will it take?
4	Wider Benefits	What are other benefits to the rest of the group?

matters, necessitating ownership hurdles that must be satisfied in order to use or reference a parent brand name.

That being said, where management control exists or where it doesn't but management supports a rebrand many companies can and do decide to use different or new brands. With the case of the latter, these often take the form of a licencing structure akin to Virgin's business model where Virgin has no or limited ownership of the underlying companies but manages and protects its brand while extracting a royalty.

Licencing can create issues though, particularly where the brand being licenced-in is owned by a major shareholder. Non-controlling interests rightly scrutinise any action by a major shareholder that does not look arm's length, meaning that appropriate royalty rates to be used need to be scrutinised and justified carefully.

Internal considerations unrelated to brand can also become sticking points. Where there are plans to sell the business being considered for a rebrand, it would usually not make sense to transition the company's visual identity unless you are planning to licence the brand to the acquiring company – rebranding costs needed by the acquirer would likely reduce their bid.

Identifying branded businesses with potential for value growth

The fundamental questions for establishing an opportunity are:

+ How much, if at all, will a rebrand upset current customers?
+ How much, if at all, will it entice new customers?
+ How much will it cost?
+ What, if any, are the benefits to the wider group?

In most cases there will be implicit, or even explicit, aversion to the new brand driven either through loyalty to the old or perceptual problems with the new. Take, for example, a logistic firms which owned a company which operates sorting and distribution terminals under a different brand which it was considering rebranding. Its subsidiary offered services to the parent company's competitors who, it quickly became clear, would be less likely to sort and distribute their goods through the subsidiary's terminals were the subsidiary to rebrand to the parent brand. The benefits of a rebrand may, therefore, not outweigh the costs.

This effect also happens with consumer brands. A food delivery app in the US, for example, was considering how to reorient the company to fight off a recent entrant that was well financed and growing quickly. It had recently acquired a competitor in order to eliminate its competition from the market, acquire its customers and combine product development and investment budgets around one, single-branded platform. After analysing the impact of marketing spend on awareness for the parent and sub brand, it became clear that the parent brand's marketing spend was much more effective at driving awareness and user growth than the sub-brand – a finding attributed to it being bigger and better thought of in almost all market segments. It seemed clear that the plan to rebrand should occur as soon as possible.

However, we reviewed the responses of existing brand customers to the new brand and its product, many of which were negative. 4-5% of customers said they would definitely not, and over 20% probably not, order from the app if it were under the new brand, a number which increased when considering only regular users of the existing brand – the high value group. This analysis on the rate of potential customer loss was confirmed after reviewing two previously rebranded acquisitions which had seen 15-20% customer losses.

It was also noted that the acquired app was known by a number of potential customers unaware of the parent brand. A switch in brand would remove a distribution channel for acquiring new customers since those who were aware of the sub-brand but not the parent would not know to search for the latter. The risks showed the solution was to rebrand slowly, with plenty of reminders and signposts about the impending switch.

How much, if at all, will it entice new customers?

Fundamentally and across all sectors, customers tend to purchase more from brands when:

+ They are aware of the brand;
+ They think the brand represents something they like; and
+ They are selling a product they want at a price they're happy with

Assuming the product offer would be the same under either the existing brand or the new brand, the questions to be answered can be narrowed to awareness and the brand's equity – perceptions held by customers and other stakeholders. Brand tracking and business performance data are therefore the most useful information to be used to review architecture opportunities.

Businesses that are underperforming may represent one such architecture opportunity. At Brand Finance, we have noted that the RBS brand of Royal Bank of Scotland group in the UK was falling in value, RBS' retail customers were leaving at a faster rate than competitors and new customers were joining more slowly. It was also returning to profitability more slowly than other banks.

Having asked the question "How reputable do you think this brand is?" to a sample of 1000 since 2015, it became clear to us that this underperformance correlated with the brand's position as the worst perceived big bank in the UK. In the last few years, RBS has transitioned to NatWest in England & Wales: the group clearly also noticed an opportunity for a reputational revamp.

Reputation out of 10

Identifying the attributes customers value in a brand and analysing their impact on demand – drivers analysis – is key here for identifying whether there would be opportunities from a rebrand. When Vodafone was embarking on its global expansion strategy, it became clear that in many markets Vodafone was considered superior to the brands of their local acquisitions – on network coverage, international prestige, reliability and many other important drivers of demand – despite not yet being present in the market. Those markets offered the easiest opportunity for value growth since little more than switching the brand identity was needed to create a benefit.

How much will it cost?

Rebranding requires investment in management time, research, training, brand guidelines, on-going performance and compliance audits to name just a few of the main areas. It necessitates the updating of everything from packaging, uniforms, delivery vehicles and delivery systems to business cards, advertising campaigns and stationery. It also creates the need for incremental investment explaining the change through advertising and promotion.

These costs can be significant. A shipping company with fifty thousand containers each costing $1,000 to rebrand will face a cost of $50m to complete what would only be a small part of the overall transition.

Just as the drivers of demand for brands differ between sectors, so do the activities and costs associated with branding and marketing and therefore what needs to be done for a rebrand to be successful.

One of the first steps in a rebrand is therefore to identify what will need to be updated and how feasible, and costly, any changes are. A step usually best completed after speaking with brand identity management specialists and internal teams closer to the action than central office.

What, if any, are the benefits to the wider group?

The benefits to the group depend on what strategy is being pursued.

Building a single-brand group structure can have benefits including:

+ **Build Confidence and Trust:** The perception of greater scale can create greater trust and willingness to deal with the brand amongst customers. For example, a business needing to prove that it can offer global service to a high quality may want to move to one brand to increase the likelihood of winning work with multinationals.
+ **Create a Brand Culture and Share Best Practice:** A single brand across a portfolio can help employees to feel part of the brand group, and to operate consistently across national and cultural boundaries.
+ **Generate Marketing Efficiency:** It can enable above the line expenditure to be used more efficiently, benefitting all companies within the group, and creates other efficiencies in production costs. In particular, global sponsorship and celebrity endorsement campaigns will likely have the same effect as local advertising for less cost when enough countries are under one brand.
+ **Maximise Growth Potential:** A stronger, larger brand can help to enable market entry and secure new business partnerships. Combining brands can also increase the sale of similar or bundled goods and upgrades to existing purchases.

Brands are not always switched to become the same as their parent because transitioning to a multi-brand structure can help to build value by:

+ **Allowing Targeted Propositions:** Strong brands can be tailored to different businesses and customer segments. Highly targeted use of marketing spend - focusing on specific audiences can be more efficient and effective.
+ **Capitalising on existing Brand Equity:** Using a locally known brand rather than a global master brand could benefit from existing perceptions rather than having to build them from scratch.
+ **Reducing the Risk of Contagion:** Running multiple brands prevents the risk of reputational damage in one part of the business spreading to the whole organisation.
+ **Creating Strategic Flexibility:** Separate brands allow maximum flexibility for strategic activity (e.g. M&A, divestment).

The effects of each benefit can be modelled either by its impact on demand or on cost. This is important since transitioning to a new brand can frequently be value-destroying. Balancing any potential loss with a wider benefit is therefore key in establishing whether the move is worthwhile.

Using Valuation to Make Transition Decisions.

Getting the go-ahead and planning execution

According to the well-established singular business objective of the maximisation of shareholder value, the appropriate approach for determining whether and how a brand is transitioned should be by identifying the option that creates the most business value. This will be determined by: limiting costs and pushing them as far in the future as possible; and maximising earnings as soon as possible.

In order to model these fundamental elements of business performance the broad steps to be followed are:

1. Understanding the brand and business' drivers of value
2. Clarifying objectives, scenarios and initial hypotheses
3. Planning post-switch actions

Understanding the brand and business's drivers of value

In order to identify the business impact and return on investment of any brand decisions, it is important to establish the drivers of value in the business.

Understanding these drivers and using this understanding to build a flexible business valuation model that can be adjusted for different scenarios is the first step for analysing value potential.

They might be related to pricing for example. Utilities providers find that their return is extremely closely linked to the margin they are able to collect on fuel and electricity sales. Any impact from a change in brand on the price it can charge could shave large amounts off its profitability. If pricing is not reduced in order to maintain margins customers could be lost, again reducing overall profit.

They may also be related to customer acquisition. Uber is a company in a high growth market and its value is dependent on its ability to grow its customer base in the anticipation that a large market share will generate profit in the long run.

They may be related to customer retention. Banks derive their value from their ability to generate lower borrowing costs through current and savings accounts from their customers and their ability to cross-sell other products.

Since it is a low growth but high competition sector in most developed countries, maintaining that customer base is key.

Or they may be something else: a wholesale energy supplier will be more interested in regulatory agencies allowing it access to wholesale markets; a professional services firm may be more interested in recruitment; and another company may find supplier costs a more important driver of value.

Clarifying objectives, scenarios and initial hypotheses

As we have already established, there are many benefits expected from transitioning from one brand to another. As a reminder, some of the key ideas are:

+ That the brand is expected to be more efficient translating marketing money to preference
+ It is more effective creating a market for new product launches
+ It is intended to reduce the overall group cost of marketing

Modelling relies on testing the impact of these objectives. Each effect requires different types of research and different elements in a valuation model. Since analysing unnecessary elements can be costly, confusing and pointless, clarifying what these are is essential at the outset.

Similarly, when analysing a brand switch it is usually not as simple as reviewing the impact of one business model against a totally different business model as the journey from one to the other is as important as the end state itself. This journey might include: the time taken to prime the market for the switch; whether a period of endorsement is necessary; the design of the new or endorsed logo; and the level of marketing investment support.

Initial analysis of brand strength, media channel effectiveness, available spend in the media market and available resources in the business is needed to identify a small number of potential options to choose from.

Once these options are established, creating initial hypotheses on the effects of scenarios can help to set up modelling and corroborate findings. For example, if you know that communicating with customers usually leads to higher churn regardless of content or that competitors have been known to use negative adverts, it may be necessary to review those effects when modelling potential impacts.

Alternatively, if you are aware that 15% of a previously transitioned brand's customers churned on switch then significantly different results for the analysed scenarios would be a reason to revisit assumptions.

Once these analyses and hypotheses have been used to create a hierarchy of options – with an identified sensitivity of results – a decision can be made on the best approach.

Planning post-switch actions

The previous step enables the different brand options to be evaluated under ceteris paribus (steady-state) conditions. However, once a particular option is chosen it is necessary to identify the most effective approach for transitioning the brand's touchpoints, whether there are any efficiencies to be made in investment in marketing, and the method for tracking performance during any interim period and the preconditions for full transition.

There are usually many items where the brand is seen that need to be updated, like merchandise and office supplies, websites and other IT infrastructure, outdoor signage, logistics vehicles, events, and packaging to name a few. Rebranding all at the same time can create a 'big bang' that improves the impact of the rebrand.

However, it can be hugely and unnecessarily costly and, since switching too quickly can have an impact on quality, it does not always deliver the positive impact predicted. Therefore, some touchpoints that are less often seen or are less impactful can be left and replaced at the end of their replacement cycles while others should be changed immediately. Identifying the cost and impact of transitioning each touchpoint is therefore necessary at this stage.

It may also be possible to use available media more effectively to increase the impact of any change. A customer newsletter which can reach 20% of the market or a sponsorship property which can reach 15% can build huge amounts of awareness and preference with almost no investment since only the brand's application needs to change. Interesting PR or new advertising creative as well can improve the impact of media and their effects for the same or limited extra spend and can and should be tested.

All of these activities – which may include organisational change too – will have expected impacts, modelled through a model based on market research and financial information. However,

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these models are based on expectation which identifies the most likely outcome, not the exact outcome. Therefore, it is important to track performance over time and make changes to activities to ensure timelines and targets are met. The type of tracking depends on long term objectives but at its simplest, understanding familiarity and preference for the new brand versus the old is a simple way to keep track since this enables the content and quantum of any media investment to update as the market's customers progress down the marketing funnel.

What to do with your old brand

If the brand is very or even moderately strong, many people will remember and think positively of it for a very long time. Despite this, businesses decide to discontinue using the brand entirely surprisingly often. This can have an impact on reported financial performance – which I will not cover here – and also on real commercial performance of the business.

The ability of brands to maintain their strength for a considerable amount of time is best illustrated through examples from one of the most pre-eminent books on branding, Managing Brand Equity by David A. Aaker (1991, Free Press).

Datsun: Despite introducing the Nissan brand in Japan after WW2, the Datsun brand was used when the company entered the U.S car market in 1961 but twenty years later, between 1982 and 1984, global strategy dictated that the brand change from Datsun to Nissan in the U.S.

At the start of this period there was virtually no awareness of the Nissan name, the rebranding was carried out gradually but, still, approximately US$240 million was estimated to have been spent on the "The Name is Nissan" advertising campaign, and total advertising costs were estimated to be in excess of $500 million.

DATSUN

Datsun logo, 1972

NISSAN

Nissan logo, 1983

Despite this, the recognition and esteem of Datsun in 1988 was essentially the same as that of Nissan despite the virtual absence of the Datsun name from the market for five years and all the money and effort that had been placed behind the Nissan name.

GE and Black & Decker: Black & Decker acquired General Electric's (GE) small appliance business in 1985, changing the name almost immediately. A US$100 million advertising campaign increased awareness of Black & Decker as a maker of small kitchen appliances from 15% to 57% during the first 18 months. However, the GE name proved persistent. Three years after the change the GE brand was preferred over four times more often than that of Black & Decker.

These examples may show to some people an ineffective or pointless brand transition but my purpose showing them here is not to pass judgment. Rather, it is to highlight the fact that brands retain their value for a long time after removal. Although immediate recall awareness may fall quickly, it can be reignited through advertising long into the future and underlying perceptions can make them far more effective than using a totally new brand.

Although decay rates in brand perception are different between sectors, markets and brands, a high level summary of what is generally seen is shown below:

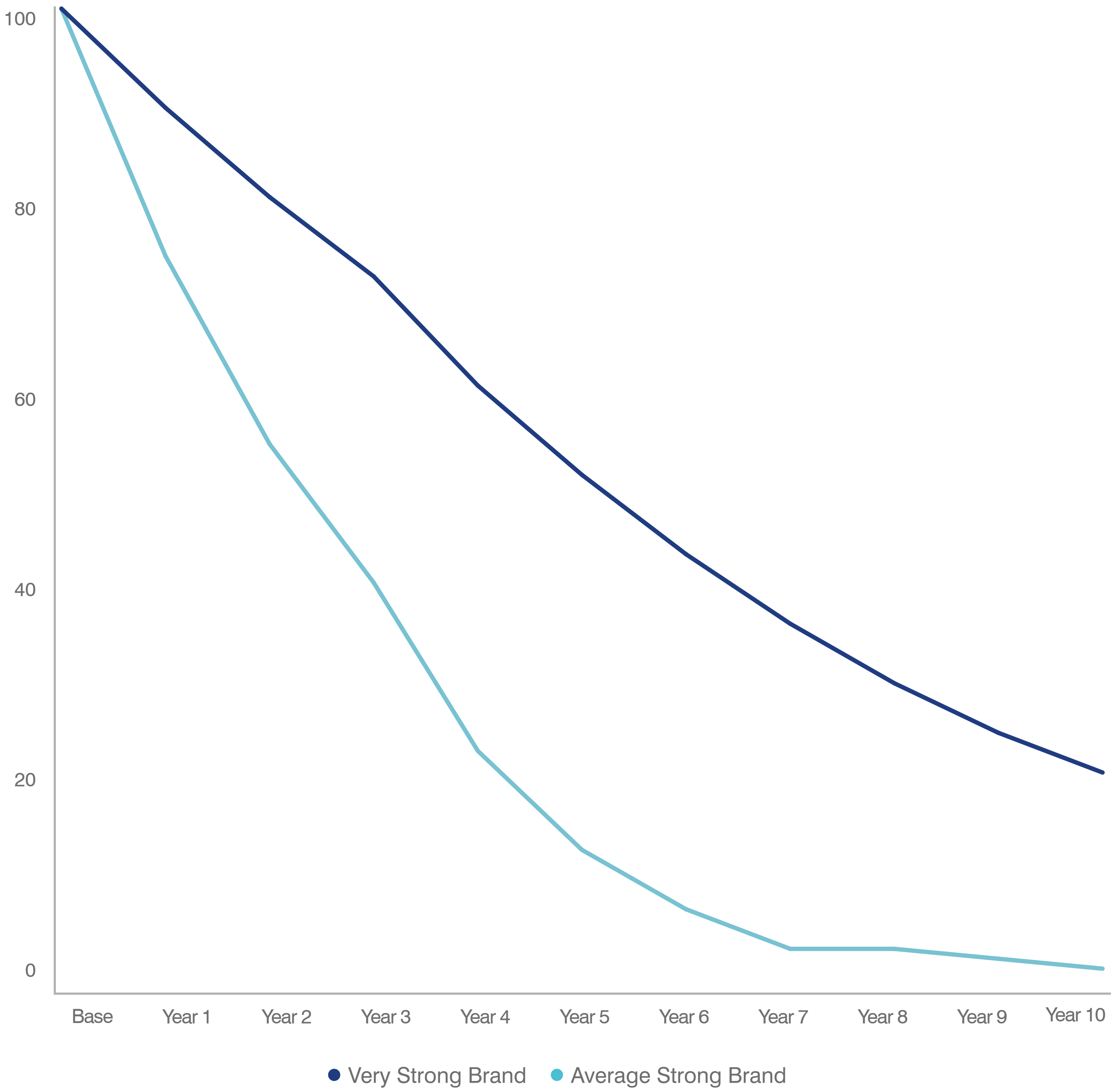
This presents an opportunity to generate huge amounts of money, usually left on the table by companies after a rebrand. Many businesses simply store their brands in their trademark schedules waiting while they wither and die, surprising since there are many opportunities to use them: sell them through the burgeoning industry of trademark exchanges – like LIPEX; continue to manage their use in adjacent categories; or licence them to third parties.

Provided that the use is governed by strict, audited non-competitive rules and the proposition is strong many brands can find new life in other ways. One need only look to Dunhill to see how a brand scaled back in one category can be hugely successful in another, in Dunhill's case Tobacco to Luxury Apparel.

Even if it is eventually decided the risk of ruining the success of the rebrand is too high, a new use for the old brand should always be a consideration during planning since the potential money involved may influence the initial decision.

Brand Strength	Rate of Decay				Residual after 10 years
	Years 1-3	Years 4-7	Years 8-10	Thereafter	
Very Strong	Slow	Moderate-fast	Moderate-slow	Very slow	Moderate-low
Average	Moderate	Fast	Moderate	Slow	Low

Illustrative Rate of Decay



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What next?

Decisions to transition a brand can be complicated, political and expensive. Creating robust, monetary assessments of the potential approaches – or indeed whether a brand should be transitioned at all – can make group decisions easier as well as improve overall outcomes.

In order to have this quality of analysis, the steps to follow are:

1. **Internal Review:** Create a cross-organisational understanding of the purpose for any brand change through workshops, seminars or questionnaires.
2. **External Review:** Develop an understanding of trends among similar brands and the success of those cases.
3. **High-level Valuation Analysis:** Create high-level brand valuation models to identify to what extent a change is likely to drive value by simply altering brand strength – to create a burning platform for change.
4. **Consider the Detailed Financial Arguments:** Develop an understanding of the potential impact on value through direct effects on acquisition, churn, upgrade and
5. **Create Structured Scenario Analyses:** Compare the effects of time, design, investment and other factors to restrict your options to a very short shortlist of potential options to choose.
6. **Plan and Track the Execution:** Create a plan to deliver the highest impact for the best quality and lowest cost through changes to brand touchpoints, plan media investment and set up a tracking system.
7. **Use or Lose Your Old Brand:** Decide whether it is appropriate to sell, use or licence your old brand.

Increasingly, many of the best brands are considering and testing all brand-based decisions against the prism of shareholder value and return on investment. This is good news and the techniques used can be simple as long as the assumptions are clear and the financial arguments intelligible.

Elevating the discussion above cost to an understanding of how changes impact customers and demand then weighing everything up to understand overall shareholder value can be done by all brands. It should. Bringing brands and marketing to the boardroom is good news for everyone.

Consulting Services.

1. Valuation: What are my intangible assets worth?

Valuations may be conducted for technical purposes and to set a baseline against which potential strategic brand scenarios can be evaluated.

+ Branded Business Valuation
+ Trademark Valuation
+ Intangible Asset Valuation
+ Brand Contribution

2. Analytics: How can I improve marketing effectiveness?

Analytical services help to uncover drivers of demand and insights. Identifying the factors which drive consumer behaviour allows an understanding of how brands create bottom-line impact.

- Market Research Analytics +
- Return on Marketing Investment +
- Brand Audits +
- Brand Scorecard Tracking +

3. Strategy: How can I increase the value of my branded business?

Strategic marketing services enable brands to be leveraged to grow businesses. Scenario modelling will identify the best opportunities, ensuring resources are allocated to those activities which have the most impact on brand and business value.

- Brand Governance +
- Brand Architecture & Portfolio Management +
- Brand Transition +
- Brand Positioning & Extension +

4. Transactions: Is it a good deal? Can I leverage my intangible assets?

Transaction services help buyers, sellers, and owners of branded businesses get a better deal by leveraging the value of their intangibles.

+ M&A Due Diligence
+ Franchising & Licensing
+ Tax & Transfer Pricing
+ Expert Witness

MARKETING

We help marketers to connect their brands to business performance by evaluating the return on investment (ROI) of brand-based decisions and strategies.

FINANCE

We provide financiers and auditors with an independent assessment on all forms of brand and intangible asset valuations.

TAX

We help brand owners and fiscal authorities to understand the implications of different tax, transfer pricing, and brand ownership arrangements.

LEGAL

We help clients to enforce and exploit their intellectual property rights by providing independent expert advice in- and outside of the courtroom.

Brand Finance Network.

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