



# BRANDING A SPIN-OFF

# THREE BIG RISKS

## AND HOW TO HANDLE THEM



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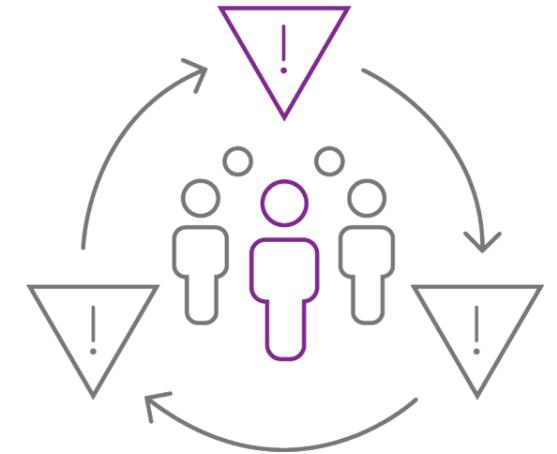
**Spinning off part of a business, whether for private placement or as an IPO, can be a source of great opportunity and shareholder value. But along with that strategic opportunity inevitably comes significant risk. The success of any “NewCo” initiative hinges on the right strategy not only for the business itself, but for its introduction into the marketplace.**

Creating a new brand is, more often than not, a very complex undertaking. A large number of tasks and critical decisions face brand strategists and there is precious little room for error. The list is long and includes everything from critical elements like name choice and trademark to brand platform and positioning to visual identity decisions. There are also many work streams to coordinate: research, strategy, graphic design, messaging, communications materials, web development and digital outreach, and on and on.

Of all of these, however, we feel that **properly and carefully addressing and engaging key audiences throughout the process** should be at the top of the list. In our decades of experience helping companies of all sizes launch new brands, Tenet has identified three overarching issues that must be dealt with in spin-off situations.

### AUDIENCE RISK #1:

## Lack of internal buy-in.



Most people are understandably resistant to change. Association with a valued brand that one has worked for and helped build is a source of personal and professional pride. Because of this, the move to a NewCo brand can leave people feeling lost or abandoned. Employees and middle management may not accept the NewCo vision and/or mission, values, business and brand strategies or customer value proposition if the brand is simply presented to them without preparation or context.

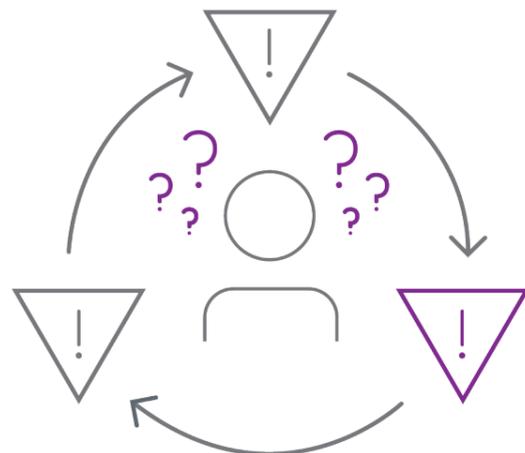
**HOW TO MITIGATE THE RISK:** We fear what we do not understand. Therefore, give employees and management at multiple levels “skin in the game” by engaging them in developing the new brand from the outset. Identifying and crediting the unique ways in which NewCo employees will together deliver a signature customer experience can foster esprit de corps that carries forward into the new era.

Listening, gathering and utilizing employee and management inputs early on in the brand strategy development process makes team members feel they are part of something positive and imparts pride of ownership. Throughout the process, keep them informed of progress, their expected roles in building the new brand and the rationale behind strategic choices.

It pays to invest in a carefully coordinated internal rollout program to ensure success and excitement on day one of the new brand. A multifaceted approach has proven very effective. Before launch, conduct thorough brand behavior training across all employee groups to secure further understanding and foster team spirit. Build buy-in and excitement through an effective internal count-down-to-launch communications program. Create an impactful set of launch events and on-time execution of rebranded website and materials to create a strong sense of a new exciting era and a positive shared destiny. Then, post-launch, keep up the internal brand building campaign through on-brand behavior reinforcement.

**AUDIENCE RISK #2:**

## Confused and worried customers.



Existing customers also tend to be concerned when they learn that a spin-off is happening. They may worry that a change in direction and newfound independence could negatively impact their relationships and business. If not handled carefully, they may also feel less valued, or even mishandled and disrespected.

**HOW TO MITIGATE THE RISK:** Strong relationships, whether B2B or B2C, are built on trust. Proactively reassuring customers can maintain that trust, and even strengthen the relationship by acknowledging their concerns.

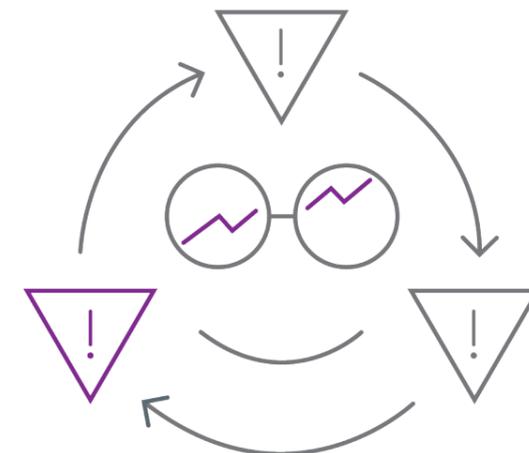
From the moment of IPO announcement, and certainly at announcement of the NewCo name, communicate to customers from executive and account management levels that your relationships will not be changing; the same team will just be in an independent, highly focused company. Each customer relationship will become more, not less, important to NewCo. Depending on the nature of the brand, similar messages may be needed for consumers post-launch.

A week or two prior to the actual NewCo brand launch, have account managers call each customer and personally tell them what they can expect and the changes they can expect to see. This is not about revealing brand name, identity or strategy; rather it is an opportunity to build trust and communicate what will change and what will stay the same (e.g., same account management team and same contracts but with a new name and brand identity, etc.).

In the days and weeks immediately following launch, a coordinated program of meetings, letters, calls and in-person account team visits to customers, along with consumer outreach where appropriate, should be undertaken to explain the new brand and enhanced value proposition. Then, continue to reinforce messaging around the new brand and value proposition through a media campaign.

**AUDIENCE RISK #3:**

## Investors and analysts won't see the value.



Change means financial risk, even when there's clear opportunity. Those who watch the parent company or have a vested interest in it may not fully comprehend the linkages between the NewCo brand and how it can help in realizing the full economic value creation and growth potential.

**HOW TO MITIGATE THE RISK:** First and foremost, make certain the brand's underlying elements align with the parent company's growth priorities as well as the factors that drive purchase and loyalty. That should encompass vision, mission, values, customer value proposition, positioning, narrative, and brand attributes.

A clear understanding of business strategy and customer drivers needs to be built into the branding program as early as possible, so they can be reflected through all subsequent work related to the launch and brand-building. Craft brand-related messaging geared to investors' value-creation mindset and get this into the hands of investor relations professionals to weave into their communications around the IPO and post-launch investor and analyst presentations.

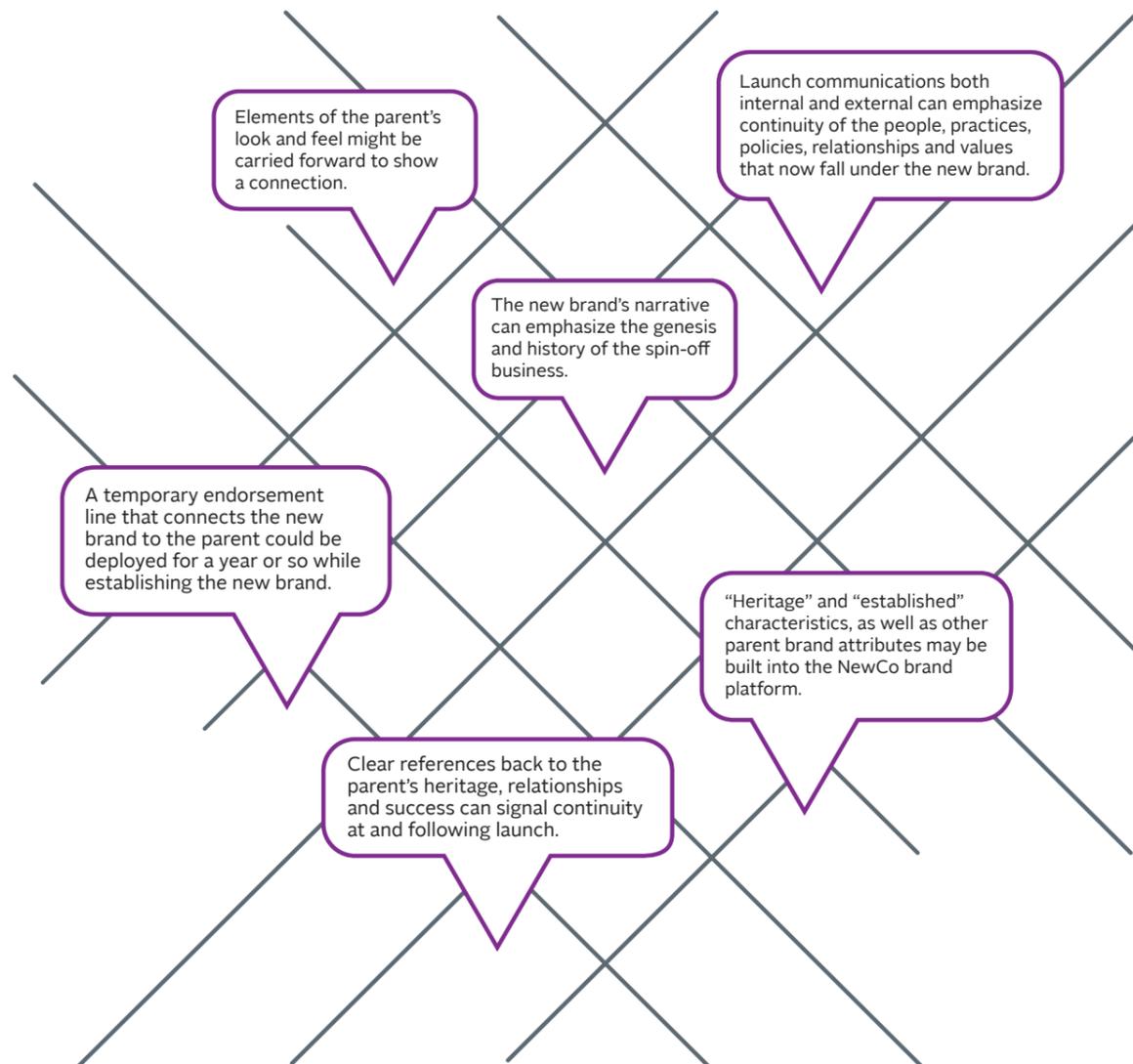
**Engaging with stakeholders in a thoughtful and carefully planned, sustained manner is essential. A NewCo launch is as much a process of education and relationship building as an event in the history of your organization.**

## One more step: Leverage your existing brand.

There's another mitigation approach that applies regardless of audience: the careful transfer of valuable brand equity from the parent to the spin-off. While not always appropriate, the thoughtful and purposeful blending of elements from the existing business's heritage with new brand attributes can go a long way in helping to create and establish the new brand.

**Brand equity transfer** is not a single step. Rather, it is a set of techniques that can be woven throughout the rebranding program and post-launch brand-building campaign.

# THINK IT THROUGH, VERY CAREFULLY



In the upheaval and pressure that comes with spinning off and branding a NewCo on a tight deadline, it's easy to lose sight of the importance of these audience concerns. The new opportunity may loom large but it's vitally important to acknowledge the people who made it all possible—and who may well make or break the new venture.

The good news is that if you successfully reach out to these key stakeholders, you'll be well on the way to establishing a solid platform for growth and success. What it takes is a clear understanding of the issues, along with deliberate, careful planning and execution.



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