

Six keys to successful spinoffs



ABOUT LANDOR

A global leader in brand consulting and design, Landor helps clients create agile brands that thrive in today's dynamic, disruptive marketplace. Our work enables top brands—from Barclays to BMW and Tide to Taj—to stand for something while never standing still.

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Brand is the secret weapon in the spinoff arsenal. Unlike other M&A activities, spins have their own set of rules requiring speed, precision, and unequivocal decisiveness. When the whole world is watching, there's no room for second-guessing or looking back.

Today we're in an extraordinary period of transformation both digitally and technologically, but also with consumer expectations, brand behavior, and the pace of change that companies are facing.

Jane Geraghty, Chief Executive Officer, Landor

Prior branding experience does not guarantee spinoff success. Whether you branded a spinoff five years ago or executed one last week, the world of spins changes faster than Google gobbles up acquisitions. And today, we're in an unprecedented era for spins. PwC reports that divestitures in 2017 reached their highest level in more than a decade. This trend is expected to continue as businesses face increasing pressure to “unlock value” in 2018.

Short timelines, high stakes, and extraordinary scrutiny—from both inside and outside the organization—make spinoffs complex and pressured events. But a successful divestiture can be a business legacy, forging a path for brand growth that can last 10, 30, or even 100 years. And it happens in record-breaking time, with all eyes focused on the outcome.

“You have to make sure the decision-makers have been determined, and they're poised and ready to act.”

Uwe Schmidt, Head of Corporate Brand and Reputation, Bayer

At Landor, we have a long track record with successful spinoffs. We've been the branding partner and strategic advisor on some of the biggest divestitures in the past 20 years—Anderson/Accenture, General Electric/Genworth, and Hewlett-Packard/Agilent.

Over the past two years alone we've handled three of the world's largest divestitures: Alcoa/Arconic, Aptiv/Delphi Technologies, and Bayer/Covestro. We've helped launch newly created brands across diverse industries, corporate structures, and business models.

Because of this experience, we know how to help brands surmount the challenges and get the deal right the first time around—you have only one shot at a spin. Here are six lessons we've brought back from the frontlines.



Brand is the least important thing— until it's the most important.

For most company leaders, the No. 1 priority at the onset of a spin is to address the financial and business aspects of the deal. While this is critical, it's easy to forget that employees and customers need something more concrete to lock onto, something that provides reassurance and vision for the future.

That's where brand comes in.

Brand should act as a compass during a spin. It clarifies the company's purpose—motivating leadership, bringing together employees, and exciting investors. The importance of brand becomes clear when leaders try to rally internal groups around the spin for the first time and then realize they have no tangible way to talk about the new company.

Seemingly overnight, brand strategy and development jump from low priority to the top spot. Don't get caught off guard. Hastily throwing together a name, messaging, or a new logo won't be enough to satisfy customers or employees—and it certainly

won't be enough to support your brand over the long haul. The positioning, vision, values, and identity of your new company require strategic thinking that can't be done on the spot. The branding process should start when you decide to do the spin, running on a parallel path with financial and organizational analysis and decisions.

“Stay one step ahead of the process. When you are in the midst of fundamental change and looking for a clear path, a strong brand helps provide the direction you need.”

Michael Kolleth, Director of Corporate Advertising and Branding, Dow

ACTION: Prioritize brand as a critical step. Craft the brand and business strategy in tandem, knowing that the brand will provide direction, clarity, and purpose to customers and employees.



It's OK to mourn.

Hidden amid the visionary ideas and expansive strategy of a spinoff is a little acknowledged truth: Spinoffs start with loss. There is a grieving process that almost all employees experience during a divestiture. The company they are loyal to, the brand they love, and even the physical workspace they know are all being flipped on end. And while this isn't necessarily a bad thing, it is highly emotional.

When emotions run high, it can be difficult to make rational decisions in the best interest of your new company. Leaders often experience a period of mourning as they come to grips with changes, from letting go of a company name to determining which departments should move to the new business. For both leadership and employees, it's important to acknowledge this and at the same time set the stage to seize opportunities presented by the new company.

"We have to recognize the house is empty before we can fill it."

Thomas Ordahl, Chief Strategy Officer, Landor

ACTION: Acknowledge the loss that stakeholders may be experiencing and listen actively to the concerns of the organization. Try to lead with the positive, but be open to the emotional roller coaster your employees may be experiencing.

CASE STUDY: COVESTRO

When spinning off its materials science division, Bayer needed a bold new brand to represent the company in the market. Landor created Covestro as a visionary beacon for the future—a brand that would engage employees, the public, and investors alike. Armed with a new brand story, name, and identity, Covestro saw its employee engagement levels soar from 48 to 90 percent, and the company went on to become Germany's largest IPO since 2000. Two years after launch, Covestro's share price has more than doubled and its gross profit has risen 65 percent.



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Don't use brand to explain the split.

The goal of a spinoff is to create a new entity that can stand on its own. But if you're looking for the new name, identity, and positioning to tell the story of the separation or explain why the new company is necessary, a red flag should go up.

A new brand that serves only to justify the divestiture is already doomed to fail. It's neither an interim solution nor a memorial to the prior company. Instead, it should pave the way for the future and establish the *raison d'être* of the new company.

A new brand gives you the freedom to push boundaries, to do away with the structure, norms, and rules of the prior company in service to the new entity. With open horizons, leaders can create a bold, differentiated brand that will thrive independently for years—even decades.

"Leadership has this incredible, grand vision for the spinoff, and then they try to pack it into a bag that's too small and made for something else. Let the spinoff brand be free to disrupt the world. Don't confine it to a story that's already past."

Jasmine Tanasy, Executive Director of Naming and Verbal Identity, Landor

ACTION: Stop thinking of your spinoff in relation to the prior company. Establish the new company's values and long-term goals, and create a brand whose visual identity, name, and positioning bring those elements to life.

CASE STUDY: APTIV

The automotive industry has given way to the future of mobility. Positioning itself to win in this rapidly changing environment, Delphi Automotive spun off its powertrain segment to create two strong businesses: Delphi Technologies and Aptiv. This enabled Aptiv to deliver the advanced mobility solutions required to make its self-driving tech a reality. In seven months, across six continents, we brought the Aptiv brand to life, culminating in a high-profile launch at the Consumer Electronics Show (CES) in 2018. Aptiv provided 400 fully autonomous rides at CES, earning a 4.99 rating from riders. It was featured on *Fast Company's* list of Most Innovative Companies. Twice.





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Name and logo are key—but don't expect a round of applause.

Major change means major scrutiny, and with it, major criticism. It doesn't matter how good the name is or how many focus groups you've conducted; like it or not, public backlash is a reality you have to prepare for. Why? Because people resist change, and the bolder and more radical that change seems, the scarier it feels. Whether your spinoff maintains a tie to the prior brand or heads in an entirely new direction, some level of criticism is inevitable.

Be prepared. And as fast as the surge begins, it will dissipate. Think of the firestorm when Instagram launched its multicolored logo, when Apple announced the name "iPad," or when eBay and PayPal officially separated. Consumers were up in arms at first, but once they understood the change, criticism died down rapidly.

Pick the direction that's best for your company's future. Then shift the focus beyond the name and logo by creating holistic brand experiences across channels such as your website, apps, and social media. Letting people see the full extent of the transformation helps them grasp the brand's possibilities.

Ultimately, the critical step for brand acceptance—both inside and outside your organization—is buy-in. Your employees, investors, and customers are looking to you for confidence, and you have to deliver. It's the only way to set an assured, long-term course.

ACTION: Know the importance of name and logo and stand behind your brand choice. As the expert, support your brand proudly and unwaveringly, no matter what is being said about it.

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If you don't win with employees, you'll fail with everyone else.

Spinoffs live and die by culture. That may sound extreme, but it isn't. By order of magnitude, employees are your most important audience. If they aren't on board with leadership's decisions—or if they feel the change is being forced on them—morale and productivity plummet. So it's fair to say that if you want to succeed with your spin, you need to invest in your organization.

During a spin, most internal teams feel highly uncertain about their future. They want to know what the change means for the company, leadership, and day-to-day roles. But unlike leaders, most employees have no control over the outcome. It's leadership's job to offer reassurance, support, and inspiration.

Whenever possible, engage your employees so they feel involved in shaping the future of their company. When it comes time to execute the spin, engage them in the process. Encourage questions, invest time and money in collaboration, and use digital platforms to drive conversations across the organization. If you can rally your people around the new brand, they will become its biggest advocates and ambassadors.

"Give people the chance to dream a little. Don't take things off the table when it comes to the brand. Show your team the realm of possibilities and let them try on what each could be like. It will help them see what the future could be outside of their box."

Libby Archell, former Chief Communications and Marketing Officer, Arconic

ACTION: Put your employees first. Look for opportunities to drive engagement around the brand with employees.



CASE STUDY: ARCONIC

After 127 years of industry leadership, Alcoa found itself at a crossroads. It had decided to separate into two publicly traded companies: one a top global producer of aluminum, the other a manufacturer of precision-engineered products for aerospace, automotive, and other industrial markets. Alcoa partnered with Landor to brand the new company. The result: a high-tech, global brand, enthusiastic and engaged employees, and a successful, high-profile launch.



Launch day is not the finish line.

The moment you announce your spinoff, everyone begins counting down the days to completion. With massive anticipation comes massive pressure, making it easy to think of launch day as the finish line. It's not.

Clearly, it's critical to make an impact and generate momentum for launch day. But excitement doesn't build a brand. If you stop investing in your brand on the first day, progress will grind to a halt. Day one is when the real work begins.

To get a divestiture right, leaders need to sustain investment in their brand and employees. This means answering a multitude of questions, coming up with new ideas, and holding yourself and your leadership team accountable for representing the company's vision and values. It means taking on new challenges, integrating new technologies, and testing new tools and approaches.

If you don't remain fully engaged, your employees won't either. By reinforcing your commitment through your actions, energy, and speech every day, you encourage everyone to propel the company to its fullest potential.

"Use the brand to foster long-term cultural change in the company. Often with spins there is energy and momentum, but sustained change is missing."

J. Christopher Preuss, Executive Vice President of WPP/GTB Ford Team and former Senior Vice President of Marketing and Communications, Aptiv

ACTION: Launch day isn't the end of the sprint—it's the beginning of the marathon. Help solidify your brand, gain employees' trust, and drive your company forward by investing time and money in your people, brand, tech, and marketing.

The key to branding spinoffs: Maximize value, minimize friction

Relentless future focus and commitment to employees can make the difference between flourishing and faltering in a spin. By considering your brand and long-term goals early on, you will gain breathing room to figure out the details. Chart a course that your employees and leadership team can rally behind to ensure that when it all comes together at the launch, your brand will be clear, cohesive, and ready to thrive for the next 100 years.

We're happy to provide further insight on spinoffs. Please reach out with questions or to schedule a presentation.



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