Merger Integration – An Opportunity to Create a New Brand

By Paul Simoff, Principal, Austin Associates, LLC

Branding – the concept of establishing a unique and recognizable identity – is among the most frequently discussed concepts during community bank strategic planning sessions. Community banks are at the forefront of industry consolidation. When they go through a merger, there is an immediate impact to both banks' identities, cultures and modes of operation. Geographic markets expand, product lines are often enhanced, servicing models are altered and shareholder bases are recomposed. Creating a new, or modifying an existing brand identity, emerges as a more compelling initiative to be considered by management teams, directors and marketing experts.

Integrating banks following a merger, even when charters are retained in an affiliate structure, are fraught with horror stories of what customarily goes wrong in the aftermath of a deal closing. Under the best of circumstances, mistakes occur, cultures clash and computer conversion processes take longer than anyone ever could have anticipated.

The stories of mergers gone wrong are legendary. The aura of potential customer service disruptions and negative perceptions in local communities are so disconcerting to directors and management teams that many negotiation processes never get to serious deal issues, such as price, forms of consideration, ongoing financial performance, among others.

The clutter surrounding merger negotiations and integration often obscures recognition of the potential branding (or re-branding) benefits a deal offers to both parties involved in the transaction. From a brand management perspective, a merger affords partner banks a "do-over" opportunity. It provides the combined entity a one-time chance to re-invent itself on whatever basis it chooses.

More often than not, branding strategies are dictated by the acquiring bank. In many instances, the branding

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strategies employed by the dominant partner are easily integrated into the acquired bank's ongoing marketing efforts. Many smaller community banks have not utilized branding strategies as integral components of their marketing activities. Usually, these banks rely upon tried and true reputational attributes such as friendly, fair, quick service and community engagement.

When merging partners are more equal than dissimilar in characteristics such as asset size, customer bases and market orientation, the "new" bank is better able to reposition itself substantively with a more tangible set of attributes. For example, branding strategies might revolve around a more narrow product set, such as SBA lending, business banking services, mortgage lending or consumer services. Some community banks that have invested heavily in emerging technologies, might opt to position themselves on the basis of their technological proficiencies and sophisticated delivery channels. Many community banks remain wedded to the premise that their greatest competitive advantage should focus on differentiating themselves on the basis of personalizing their service – but in the manner where service differentiation should be more quantifiable rather than esoteric.

The keys to branding success are linked to three overriding concepts involved in the execution of branding strategies. They are as follows:

1. Excellence: whatever the focus of your branding strategies, there must be a zealous determination to be the best at what the bank is attempting to accomplish; if your brand does not stand on its own as something that is perceived to be better and distinct from a competitor's, it may be appropriate to diagnose weaknesses in your branding strategies or identify a new one altogether.
2. Consistency: your bank's branding strategy should have a relatively longer shelf-life than a regular marketing campaign would have. Remember, a slogan is not a brand. If your bank decides to be the lender of choice to the medical profession, you will want to ensure that such a strategy around which you will build your bank's brand is sustainable. Ideally, your brand identity won't change for many years until or unless there is a dramatic shift in marketing conditions, or your bank's capabilities and capacity to deliver on its primary mission or regulatory factors.
3. Measurables: If a branding strategy is successful, that success should be quantifiable. For branding strategies tied to specific product lines, as previously mentioned, growth in numbers of product relationships or product profitability might be among the ways to measure branding effectiveness. If a branding strategy is geared toward a bank's expertise in providing services via technologically-based delivery channels, success can be measured by changes in volumes or reductions in operating costs. For community banks that emphasize a traditional hometown personal service-oriented brand, effectiveness can often be measured by levels of community engagement by bank personnel, error rate reductions, after-hours appointments, among others.

Community banks, regional banks and Wall Street banks unfortunately today are viewed through a similar prism that blurs their distinctiveness among all the constituencies served by the industry. The increasing number of bank mergers, certainly leads many consumers and business clients to the conclusion that all banks are more alike than different. A merger can present a situational opportunity to develop a new identity that can set the newly-created company apart from its competitors. ●

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