

## Spin Cycle

Over the last several months, the long dormant divestiture and IPO market has shown some signs of life. Certainly not to the levels of 2000 or 2001, when the aggregate value of these transactions grew by billions, but enough to indicate that conditions might be improving enough that some long-delayed spin-offs might be put into play. If so, then it's a good time to review some important brand positioning considerations that could have great impact on how a spun-off company is perceived.

### Make a Clean Break

Quick, what does Goodrich Corporation of Charlotte, NC do? Make tires? No. Goodrich is a \$3.9 billion technology company that makes systems and components for the aerospace and defense industry. Yet the company shares an extremely well known brand name with a French company that markets B.F. Goodrich tires. While neither company wishes to change its name, sharing a brand with an entity over which you have no control requires more care and effort to avoid confusion. That's why many fully divested companies will adopt an identity that is different from the parent. While there are some well-known exceptions, like Dow Chemical and Dow Corning, or AT&T and AT&T Wireless, many choose a new name to clearly signal their separation from the other company.

### But Remember Your History...at Least at First

Changing the name does not mean that the new company has to walk away from all the brand equity that was built under the former identity. When AT&T Network Systems became Lucent Technologies, they still retained an endorsement line referencing "Bell Labs Innovations." Agilent held onto its tagline, "Innovating the HP Way" when it launched in 1999. Others use graphics and symbology to make the connection. Over time, as awareness and understanding increases around a new company name, these connections to heritage can be dropped.



### Control the Message

The range of audiences—employees, the financial community, customers, the press and other influencers—need to clearly understand why the event is occurring. Make sure that they are not just hearing the parent's side of the story.

Lippincott Mercer's research of 2002's divestiture winners—defined as those spun-off companies whose market valuation increased after the transaction—revealed that 83% clearly positioned themselves as "being independent of the parent," while only 22% explained the divestiture as "being a strategic priority for the parent."

### Keep It Simple

Last, but most importantly, the basics—who we are, what we do, why we are different and what are the benefits of this—must be determined and simply communicated.

Often, successful divested companies view the transaction as not only a financial event, but also as a true catalyst to transform the organization's brand identity, strategic thrust, competitive positioning and company culture. It's an opportune time to do this, since the spotlight of attention will be shone on the company like never before. Simple, consistent communications—from the selection of a name or graphic identifier through to the execution of a launch program—are key to getting off to the best start.

*Contributed by James Bell, a senior partner at Lippincott Mercer*