

## Mergers reveal just what's in a name for businesses

By **Roger DuPuis**, September 16, 2016 at 3:00 AM



(Photo / Chris Beck)

Mondelez, U.S.A., the sweetest place on earth. Doesn't have quite the same ring without Hershey in front.

Executives at Mondelez must have thought not. When the Illinois-based snack maker made a pitch to buy The Hershey Co. this summer, Mondelez executives made it clear they were willing not just to move their headquarters to Dauphin County, but to retain the Hershey name for the post-merger company.

In the end, Hershey rebuffed the approach, but the episode raises questions about some of the most critical intellectual property owned by any business: Its name and brand — sometimes one and the same, but not always.

What's in a name? Goodwill, reputation, community ties, brand recognition.

When two companies come together through a merger or acquisition, whose name should prevail? The buyer? The seller? Should the names be combined? Or is it best to start from scratch with an all-new brand?

Every case is different, experts say, but some general rules apply.

In most cases the acquiring brand is the name that ultimately lasts, said David Taylor, president of Lancaster-based Taylor Brand Group, which specializes in brand development and marketing technology.

That's true "nine out of 10 times," he said.

But Taylor stressed that the focus also is on which brand has more overall equity — in the intangible sense of recognition and reputation, not necessarily financial strength — and it isn't always the bigger or wealthier of the two.

## Hershey vs. Mondelez

This may explain why Mondelez was willing to put the Hershey name first.

“Mondelez has no brand recognition at all, other than in the business world,” Taylor said. “Certainly consumers don’t recognize the name.”

Some of its brands, such as Oreo Cookies and Philadelphia Cream Cheese, may be household names, but the parent company was created in 2012, as a spinoff from Kraft Foods. Mondelez was a newly coined word “that evokes the idea of ‘delicious world,’” the company said, with “monde” (Latin and French for “world”) coupled to “delez,” meant to be a play on “delicious.”

The name was clearly designed to appeal to a global market, given that 80 percent of the new company’s trade was done abroad, as the New York Times reported in 2012.

Hershey, with roots going back more than a century, bears the name of founder Milton Hershey, as do many of its key products, including the company’s flagship chocolate bar and its iconic Kisses.

“Hershey is very recognizable,” said Bob Gorland, Lower Paxton Township-based vice president of Matthew P. Casey and Associates Inc. He specializes in supermarket and retail feasibility studies as well as mergers and acquisitions.

“Mondelez? I think a lot of people would say, ‘I don’t know it.’ You run into a lot of that.”

## Walgreens' approach



(File)

It didn’t surprise Taylor that Mondelez, despite being the pursuer and not the pursued, would look to subsume itself under Hershey’s longstanding brand. But what happens when two well-known names come together?

When the Walgreen Co. acquired New York’s Duane Reade in 2010, the Manhattan-based pharmacy and convenience store chain became a subsidiary.

“The Duane Reade brand is very strong in New York, so we saw a lot of benefit to retaining it and building on it with the new products and services we introduced from Walgreens,” said Michael Polzin, a spokesman for Illinois-based parent Walgreens Boots Alliance.

“Today, while the stores remain branded as Duane Reade, we’ve added ‘Walgreens Pharmacy’ branding to the pharmacy

department to ensure patients understand they can get the full benefits of Walgreens pharmacy services at Duane Reade,” Polzin added.

What will become of Rite Aid stores once a pending sale to Walgreens Boots Alliance is complete?

That \$17.2 billion acquisition of the Cumberland County-based chain, announced last fall, is still awaiting approval from federal regulators, and is expected to be complete by the end of this year.

Walgreens CEO Stefano Pessina told CPBJ last year that Rite Aid stores are expected to operate for an unspecified period of time under their existing brand. Pessina acknowledged that “in some locations, the Rite Aid brand is especially popular with customers and frankly more recognizable than the Walgreens brand.” But he said the ultimate goal is to “create a fully harmonized network of stores.”

Polzin said this month there was nothing new to add.

Taylor’s view? Remember the matter of equity.

“In my opinion, Walgreens is the stronger brand,” he said.

In some cases, the outcome has been more clear-cut.

Consider Happy Harry’s, the former Mid-Atlantic drugstore chain that spread from Delaware to parts of Pennsylvania, Maryland and New Jersey.

The stores were merged into the Walgreens organization starting in 2006. While the original name persisted in some locations for a few years, all stores were eventually re-branded.

Unlike Rite Aid, which is America’s No. 3 national chain, behind Walgreens and CVS — or Duane Reade, with its 250 stores in the nation’s largest metropolitan area — Happy Harry’s had fewer than 100 stores spread across a single region.

In a case like that, Walgreens was not just the more powerful brand, but its size likely dictated switching names to capitalize on economies of scale in everything from advertising to internal operations, Gorland suggested.

“A lot of it had to do with linking up technology and online presence,” he said.

## The supermarket shuffle

Grocery stores offer even more variations on the theme.

In April, Carlisle-based Giant Food Stores, which was founded in the borough, reopened the former Nell’s Shurfine supermarket on Walnut Bottom Road under its own brand after an extensive makeover. Despite the new facilities and branding, the 51,800-square-foot store is considerably smaller than the larger facilities Giant has been building around the state.

In Gorland’s view, the move allowed Giant to take advantage of existing advertising, distribution and administrative resources for the market, while pioneering a midsized prototype store that may be better placed to serve smaller markets or consumers who aren’t as comfortable shopping in super-sized stores.

On the other hand, Gorland pointed out, Ohio-based Kroger Co., America’s largest supermarket chain, has found success in maintaining some acquired brands under their own banners instead of re-branding them as Kroger stores. Each banner, he stressed, has significant value in its respective market, often thanks to local roots running deeper than the Kroger name might have.

Founded in Cincinnati, Kroger's broad family of companies ranges from jewelery stores, department stores and regional supermarket chains to the network of Turkey Hill convenience stores.

## Hospitals and health care

Picking the right post-merger name is a challenge that's not limited to candy and retail.

In October 2014, Camp Hill-based Holy Spirit Health System became an affiliate of Danville-based Geisinger Health System. Its new name: Holy Spirit — A Geisinger Affiliate.

It has been common for Geisinger to incorporate the names of merged facilities into new titles alongside its own as the system expands. In many cases the parent's title comes first, as with Geisinger Lewistown Hospital, in Mifflin County.

Who decides which name goes first? And how?

"It's a negotiation," said Kevin Brennan, Geisinger's CFO and executive vice president.

"Two parties sit down and say, 'What is best for the community?'" he said, with the goal of reconciling brand recognition and business interests as neatly as possible.

"What makes the most sense? Which is the most recognized brand for the market — for the trust relationship that people have with their doctor or the people they seek their personal care from?" Brennan explained.

"When those interests align," he said, "it's a home run."

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