

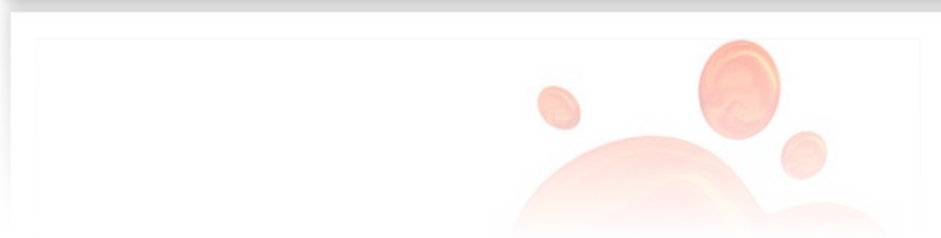


CATÓLICA  
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MARKETING CHALLENGES AFTER A MERGER  
IN PORTUGUESE TELECOMMUNICATIONS MARKET



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## ABSTRACT

Title: Marketing Challenges After a Merger in Portuguese Telecommunications Market

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In the last years, rebranding and repositioning strategies have been established as a common alternative after mergers and acquisitions. From Harley Davidson motorcycle icon brand to the famous restaurant chain McDonald's, many companies passed through rebranding or repositioning processes<sup>1</sup>, some because they wanted to continuously satisfy their customers needs, which are becoming more and more demanding each day, others just because they needed a dramatic change not to bankrupt.

The purpose of this case study is to analyze both strategic alternatives after a merger in the Portuguese telecommunications market, such as keep an existing brand or create a new one, by looking at their pros and cons and their impact in the most important areas for a company. This case also studies the pros and cons of each branding model, which is relevant when the core products of an organization are changed to make sure that the company is efficiently structured. Finally, this case study tries to sensitize students about the tough decision making processes that marketers face in real life situations.

The case concerns a merger between two strong companies in the Portuguese telecommunications company that faced an important dilemma: whether to keep one of the existing brands or to create a fresh new identity. The protagonist is Andreia Ferreira, a young female manager that finds herself in the very difficult position of deciding the best strategy along with the rest of the brand and communication team.

Last, the readers can develop their critical and analytical skills in marketing and branding issues, as well as deeper their knowledge about corporations' decision-making process.

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<sup>1</sup> Reference: <http://www.businessinsider.com/10-most-successful-rebranding-campaigns-2011-2?op=1>

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## 1. ACKNOWLEDGMENTS

First of all, I would like to thank my mother, who always taught me that work and discipline are the best combination to be successful in life, with the extra of never giving up.

A great “Thank you” to my Professor Paulo Gonçalves A. Marcos, who helped me throughout the thesis semester and to my seminar peer, Madalena Vaz Pato, for her useful ideas and feedback.

Plus, I could not forget to acknowledge Andreia Ferreira, NOS Marketing Manager of Fixed Products, for her endless help, support, kindness, dedication and availability, and Filipa Lopes, Isa Martins and Inês Moura Santos for getting me the contacts I needed inside the company.

Last, but not the least, to my love for all his patience.

## 2. TABLES AND FIGURES INDEX

- Figure 1 – Católica Lisbon School of Business and Economics logo (Cover Page)

Source: [http://www.ucp.pt/site/resources/images/fotos\\_portal/FCEE-CLSBE.jpg](http://www.ucp.pt/site/resources/images/fotos_portal/FCEE-CLSBE.jpg) (7/10/2014)

- Figure 2 – ZON and Optimus logos (Cover Page)

Source: <http://www.revolucaodigital.net/wp-content/uploads/2013/12/Zon.jpg> (27/12/2014)

- Table 1 – Impacts' Summary (Page 13/14)

Source: Meeting with Andreia Ferreira, NOS Marketing Manager of Fixed Products on November 3<sup>rd</sup>, 2014

- Table 2 – Financial Data (Page 17)

Source: Meeting with Andreia Ferreira, NOS Marketing Manager of Fixed Products on November 3<sup>rd</sup>, 2014, and online data:

<http://www.nos.pt/institucional/PT/investidores/informacao-financeira/Paginas/reportes-financeiros.aspx> (27/12/2014)

- Figure 3 – NPV Formula (Page 21)

Source: [http://www.financeformulas.net/Net\\_Present\\_Value.html](http://www.financeformulas.net/Net_Present_Value.html) (27/12/2014)

### 3. CASE STUDY

Sitting in her comfortable office chair, Andreia Ferreira looked outside for the busy and sunny Lisbon ahead.

She was repeatedly thinking about the meeting she just had with Hugo Figueiredo, Marketing Manager of ZON, and Isabel Costa, Mobile Products Marketing Manager of Optimus, in the big conference room. She could not reach any conclusion about the final decision they were supposed to make.

After the merger ZON Optimus, the brand team had a difficult dilemma to deal with. Should they keep one of the existing brands or should they create a new one?

For now, the team was sure about one thing: they needed to choose the right strategy or they would not be able to reach their main goal – the Portuguese telecommunications' market leadership.

Although the telecommunications' market revenue streaming have been falling in the last few years<sup>2</sup>, mainly due to the economic regression Portugal is suffering, the team wanted to contradict this tendency.

As Andreia reclined in her seat, and picked a piece of paper and her favorite pen, she wrote some important questions that the team had to discuss in the next day's meeting, early in the morning:

- What are the advantages and disadvantages of keeping one of the existing brands? And what are the pros and cons of a rebranding?
- Which are the main implications of each strategy for the company and its consumers?
- What are the main strategic goals the company defined? And giving those, what is the best branding model to develop?

All of these questions would certainly help to answer the dilemma they were facing: should they keep one of the existing brands or should they create a new one?

#### BACKGROUND

According to ANACOM<sup>3</sup>, the Portuguese telecommunications' market was composed by a small group of strong companies, intensively competing with each other. ZON was the

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<sup>2</sup> Source: Autoridade Nacional de Comunicações, Relatório e Contas 2013

<sup>3</sup> Autoridade Nacional de Comunicações (National Communications Authority)

number one both in Pay TV Portuguese market<sup>4</sup>, with a market share of 49,4%, and Cinema, and second biggest Internet provider.

It was born in 2008 after the split of TV Cabo and the incumbent operator then and it successfully reached 1,6 million customers served by 1.600 workers approximately.<sup>5</sup> Partially owned by Isabel dos Santos, ZON expanded in 2010 to Angola, where she was natural from, and Mozambique with the joint venture ZAP.

Optimus was ten years older than ZON, since it started in September 1998. It was the result of a merger between Sonae, EDP and France Telecom. Its lifetime was characterized by innovation, once that Optimus was responsible for revolutionary solutions and products, such as the well-known SMS, the first tariff with free SMS for all operators and without mandatory charging, and the Push-Email for the enterprises.

In 2008, the mobile Internet Optimus Kanguru and the multiplatform TAG (free and unlimited communications) won the International Innovation Award from the Global Telecoms Business Innovation Awards in 2005 and in 2008, respectively.<sup>6</sup> Still in 2008, Optimus lived the biggest rebranding process in Portugal until then, and in 2012 it won the most important award in this industry: “World Best Customer Service”. Finally, also in the music department, Optimus was a pioneer with the biggest music and art event, the Optimus Alive, created in 2009.

Despite all these innovations, the telecommunications sector’s revenue streaming fell around 4% in 2013, matching this market’s decreasing tendency felt in the last years. Although consumers were valuing new products, such as the optical fiber network and the 4Play service, which combines TV, Internet, Fixed and Mobile Phone, that was getting more famous within this sector in Portugal, they were also seeking for low prices, meaning that their needs were getting more demanding and companies had to keep satisfying them so that they could continue to survive in this industry.

## THE MERGER

It was a cold winter day, December 14<sup>th</sup>, 2012 when Andreia Ferreira heard for the first time about the possibility of merger between both companies.

Sonaecom, Optimus stakeholder, and Isabel dos Santos, from ZON, decided to incorporate Optimus in ZON and asked the Administration and the regulatory companies to

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<sup>4</sup> See Appendix 1 – Pay TV Portuguese Market Share Evolution, 2008-2013

<sup>5</sup> Source: <http://www.nos.pt/institucional/PT/sobre-a-nos/quem-somos/Paginas/historia-zon-multimedia.aspx>

<sup>6</sup> Source: <http://www.nos.pt/institucional/PT/sobre-a-nos/quem-somos/Paginas/historia-optimus.aspx>

accept it. A week after, the Optimus Executive President at the time, Ângelo Paupério, readily accepted the merger with “no hesitations and totally available for negotiations”.

One day after Christmas holiday, on December 26<sup>th</sup>, a new company - Zopt - was born. Equally owned by Sonaecom and Isabel dos Santos, Zopt was approved by ERC<sup>7</sup> and ANACOM during March and April, 2013.

Despite the rumors that this merger would damage the competition in this market, Fátima Barros, the actual President of ANACOM, stated that “The merger ZON Optimus – complementary companies – does not worry me. What worries me most is the current situation of Optimus if it does not accept the merger, because it is not being able to keep up with the competitors.”

Finally, it was August 26<sup>th</sup> when the Portuguese Competition Authority<sup>8</sup> officially accepted the merger between the telecommunications companies, with five “must-do” conditions.

First, Optimus had to extend the contract with Vodafone in terms of optical fiber network sharing. Second, this contract would be covered by a liability policy for contract termination. Plus, Optimus could not charge its optical fiber 3-Play customers loyalty costs, in case they wanted to quit the contract before due time. Also, Optimus had to share its network and infrastructures with other operators, but especially Vodafone. Last, Optimus had to sell its optical fiber network to Vodafone at a very low price.

However, the new company ZON Optimus became the second largest telecommunications company in the Portuguese market in terms of revenues (1,6 thousands million €), immediately after Portugal Telecom (2,7 thousands million € in 2012) and dethroning Vodafone from the second place (1,157 thousands million € in 2012).<sup>9</sup>

Two months later, in October 1<sup>st</sup>, Miguel Almeida was elected Executive President of ZON Optimus affirming that “today a new company and a new product are born and these are worth more than the sum of its parts” and he presented Andreia and the rest of the team with the challenging dilemma: “What should we do now?”.

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<sup>7</sup> Entidade Reguladora para a Comunicação Social

<sup>8</sup> Autoridade da Concorrência

<sup>9</sup> Source:

[http://www.jornaldenegocios.pt/empresas/fusoes\\_aquisicoes/fusao\\_zon\\_optimus/detalhe/novo\\_operador\\_tem\\_receitas\\_de\\_16\\_mil\\_milhoes.html](http://www.jornaldenegocios.pt/empresas/fusoes_aquisicoes/fusao_zon_optimus/detalhe/novo_operador_tem_receitas_de_16_mil_milhoes.html)

## THE DILEMMA

Andreia was aware that basically, after a merger, companies usually have a choice to make between three common alternatives: either choose to keep one of the two brands or create a totally new one. For all, there are pros and cons that companies must study and analyze in order to make the right decision to avoid losses or even failure.

In the case of ZON Optimus merger, she thought about the three possibilities: continue with ZON, maintain Optimus or create a new fresh brand.

After her lunch break, Andreia started to think about the answers to her questions.

First, she concluded that the first step was to find out what consumers expected and preferred, so after presenting this idea to the team the next day, they conducted a consumer research study. The qualitative study was composed by 5 focus groups with 43 people from Lisbon, Oporto or Evora, of both genders with ages between 15 and 65 years old, users of telecommunication services and influencers of the service supplier choosing decision. The results in terms of consumers' perceptions and evaluation of the two brands were clear.

ZON was already a very powerful and strong brand in the market, targeting a senior segment that appreciated a high quality and credible service with premium prices and scope. It was characterized as secure, stable and great, but not so much as rebel or young.<sup>10</sup>

Optimus, although was known as a much younger and dynamic brand, associated with entertainment and joy, was passing through some economic issues as Fátima Barros stated, which inevitably affected consumers' perceptions about the brand itself.<sup>11</sup>

According to Marktest, a study from Publivaga in November 2013 composed by weekly interviews to people with ages from 15 to 64 years old, residents in Lisbon and Oporto, both brands were regularly in the top 5 ad recall ranking brands with highest scores in the Portuguese market, as well as its main competitors, MEO and Vodafone, meaning that the two were well known and already had an established position in consumers' minds.<sup>12</sup>

In the end, Andreia and the team could conclude that consumers were expecting something fresh, new and creative but with the same quality and standards they were already familiar with. As they summarized, "market expectation is that the new company will be something bigger and better than the actual ZON/MEO market".<sup>13</sup>

To solve the first question of the dilemma "What are the advantages and disadvantages of keeping one of the existing brands? And what are the pros and cons of a rebranding?", she

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<sup>10</sup> See Appendix 2 – ZON Diagnosis

<sup>11</sup> See Appendix 3 – Optimus Diagnosis

<sup>12</sup> See Appendix 4 – Ad Recall Ranking, 2012-2013

<sup>13</sup> See Appendix 5 – Consumers' Expectations

studied the impact of the three scenarios (ZON, Optimus or new brand) in four important departments: consumers, risk, business strategy, and internal culture.

First, because no company survives without **consumers**, Andreia had to study the impact of each scenario in the consumers' perceptions.

Keeping Optimus was not the best idea, in this perspective, because the brand was small, scored weak in the emotional and functional attributes comparing to its competitors, had a negative brand advocacy index and would not seize the momentum.

Keeping ZON could be a good idea because of its high notoriety, important position in the market (top 3 companies), big prominence, credibility, satisfaction and security. However, it would be risky in a sense that there was still a gap between ZON and the market leader, MEO, regarding the emotional and functional brand attributes. If on one hand, being part of the top 3 companies is an advantage, being perceived as second or third "player", which was the case of ZON, might be prejudicial. Plus, its low association with technology and innovation, communication failures and weak corporate presence could complicate their main strategic goal satisfaction.

Last, creating a new brand would match consumers' expectations, having the chance to "tell a new story", which means that there would be no bad attributes associated from the past. It would also explore the innovations' emptiness in terms of the actual economic context. However, creating notoriety from zero in a market characterized by high notoriety and strong companies would be very difficult as well as simultaneously creating notoriety, perception and experience in the short-term. Plus, it would lose the good feelings already associated to the existing brands and it would exist discrepancy between the different touch points, for example there would be a TV campaign advertising a new brand, but old clients would still have a different name in their equipment, creating confusion or even skepticism in consumers' minds.

After reading the pros and cons she had just found out, Andreia continued to be very confused, so she analyzed the **risk** of each scenario.

Keeping Optimus was highly risky, because of not having enough dimension and credibility and not being able to appropriate fixed and convergent territory.

Keeping ZON had the lowest operational risk, because the brand was already well known and established in the market. However, it had the risk of not overpassing the gap faced to MEO as well as not targeting different segments besides its own.

A new brand would have a lower brand momentum risk, but it would have a higher risk of consumers' disappointment in terms of image and brand building and positioning. There

would be no back up plan if it failed and it could never reach competitors’ positioning and market share.

After that, she knew that the three scenarios had also to be analyzed in terms of **business strategy consistency**.

Optimus was limited to its core business, meaning it did not have enough dimension or elasticity to expand to other business areas.

ZON was getting closer to the convergent territory, and it already had an established position in the TV service offers, although it could not be able to expand to other segments besides its own.

The new brand would offer the opportunity to position itself as a 4P brand from the beginning and to associate positive attributes, such as leadership and technology, and the desired positioning and brand personality. However, it would need to gain great notoriety in all categories at the same time.

Last, Andreia did not forget the impact on **workers**. In this perspective, keeping ZON or Optimus would have the same impact, because keeping one or the other would internally divide the company, damaging the work environment and relationships and being perceived as “the loser-seller”.

A new brand would create the opportunity to build a new culture that could gather the better of the two existing cultures though.

Andreia decided to summarize the conclusions she gathered from the previous analysis in a table in order to easily present them in the next day’s meeting, which was only a few hours away now.

Impact on/Brand	Optimus	ZON	New
Consumers	<ul style="list-style-type: none"> <li>- Lack of dimension</li> <li>- Weak attribute evaluation comparing to competitors</li> </ul>	<ul style="list-style-type: none"> <li>+ Great notoriety</li> <li>+ Established brand as relevant in the market</li> <li>+ Satisfaction, security, credibility as attributes</li> <li>- Gap from MEO</li> <li>- Third choice</li> <li>- Weak IT evaluation</li> <li>- Weak corporate</li> </ul>	<ul style="list-style-type: none"> <li>+ “Tell a new story”</li> <li>+ <i>Momentum</i></li> <li>+ Match consumers’ expectations</li> <li>+ No bad attributes associated</li> <li>- Notoriety from zero</li> <li>- Notoriety, perception and experience built</li> </ul>

		presence	from zero - Loss of good attributes from old brands - Touch points discrepancy
Risk	- Small dimension and credibility - Lack of appropriation of fixed and convergent territory	+ Lower operational risk - Expand to new territories in due time - Expand to new target segments - Lack of appropriation of new territories - Lack of brand momentum to close gap to MEO	+ Publicity facilitates notoriety building and territory appropriation + Brand momentum - Image and brand building - Consumers' disappointment - No "plan B" - Not reach competitors positioning - Larger investment
Business Strategy	- Not convergent associated - Not elastic to expand to other businesses - Small dimension	+ Quick approach to convergent territory + TV as 4P main driver - Not elastic to expand to intended DNA - Difficulty in appropriating new territories in due time	+ 4P from zero + Leader, technological brand from zero + Intended positioning and branding from zero - Win notoriety in all categories simultaneously
Intern culture	- Divide company internally - Looser-seller perspective	- Divide company internally - Looser-seller perspective	+ New intern culture + No looser-seller perspective (win-win)

Table 1 – Impacts' Summary

THE NEW STRATEGY

The team was surprised. What a great job Andreia Ferreira had done. They carefully listened to her studies, expecting her to provide the solution. She did not know what the best strategy was yet, though she knew the different steps they needed to follow in order to reach the conclusion.

First, Andreia realized they needed to define the new strategic goals for the brand. After discussing it for half day, they finally established them.

The new business strategy should be based on three main pillars, namely ambition, multibusiness, and *momentum*.

The first strategic goal for the company was to associate the brand to ambition and leadership attributes, in order to reverse the market share loss tendency<sup>14</sup>, and to target all segments.

Second, the brand had to offer a multibusiness service, focusing on 4 main categories: Convergence, TV, Corporate, and Personal.

Third, the company wanted to use the merger *momentum* to communicate consumers a new promise: “The sum will be greater than each of them”. These new strategic principles brought up another goal, which was the creation of a new internal culture.

Given the second strategic goal, Andreia noticed that they were in front of another dilemma. This time, they had to decide which model would be preferable regarding the different commercial brands, since they wanted to offer 4Play service.

After briefly researching on her PC in the big conference room during the meeting, she concluded that there were three main common models they could adopt, namely Multi-brand, Massbrand, and Masterbrand.<sup>15</sup>

The multi-brand model, as the name itself indicates, is composed by several “sub-brands” for the different products and segments (personal and corporate) inside the main brand, for example Procter & Gamble. Its segmentation is clearer and there is the possibility of giving more detail to each product category. However, in this model, the investment is diluted, there is no spillover effect<sup>16</sup> between brands, and it goes against the telecommunications market tendency, which is choosing a simpler model.

Optimus positioned itself in the middle of this model and massbrand model.

The massbrand or business brand model is known as having only one brand for the personal segment, but the corporate area gets the main brand name. This facilitates the brand freedom when it comes to the personal department, because it doesn't have to extend to the corporate field, but there is also no spillover effect between segments, and the investment is diluted too. Plus, it can cause some internal confusion, once that the workers will always refer the company as the commercial brand. ZON was also in the middle of massbrand and masterbrand model.

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<sup>14</sup> See Appendix 1 – Pay TV Portuguese Market Share Evolution, 2008-2013 vcbm

<sup>15</sup> See Appendix 6 – Multi-business Models

<sup>16</sup> “A secondary effect that follows from a primary effect, and may be far removed in time or place from the event that caused the primary effect.” (Source: <http://www.businessdictionary.com/definition/spillover-effect.html>)

Finally, the masterbrand model is the monolithic model, because there is only one brand for all segments and all products. This is the model most chosen by the telecommunications companies nowadays<sup>17</sup>, not only because the investment is all focused in just one strong commercial brand, guaranteeing major dimension and consistency, but also because it facilitates the creation of a new internal culture and the response to the dynamic competition. However, there is also a “but” here, which is that companies may fail when extending the personal mass brand for the business segment.

After presenting this analysis, the team discussed which model would be preferable, according to the new strategic goals.

Before the final decision was made, Andreia mentioned another important issue that should also get their attention.

The team had to involve all the workers in the process, so that they could be interested, participative and satisfied with the final decision, whatever it would be. This was extremely important, not only because workers are the brain of the company, meaning that they have to be happy in order to work happy and therefore productively, but also because there were some older workers that already had many years of ZON or Optimus, felt part of it and could feel that they did not belong to the new company anymore.

To avoid this situation, Andreia suggested an intern competition in which workers would have to come up with new brand name ideas and the winner would get a free travel.

The sun was already hiding behind the trees and the noisy cars’ horns were marking the rush hour when Andreia left the office. She could not stop thinking about the meeting again. It is true that they made some significant advances, but how could they choose when there was so much at risk?

If they go for Optimus, they could be perceived as a small and not competitive company and loose more market share for their competitors.

If they choose ZON, they could stay obsolete, not being able to keep up with competition and being reduced to their loyal customers.

But if they create a new brand, besides the huge investment, they could loose everything, if it is not successful.

They would never be able to decide alone. And that’s when an idea occurs: “What if we hire a branding company to help us decide?”.

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<sup>17</sup> Examples: Vodafone, Oi, At&T, Verizon, Movistar.

Andreia just could not wait for the next day, so she decided to call Hugo and Isabel in that moment.

As she got home, she sighed with relief. At least, one decision had been made: Wolff Olins<sup>18</sup>, the famous English branding company, was hired to help with the branding dilemma.

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<sup>18</sup> Responsible for successful brand campaigns such as Adidas and Unilever and London Olympic Games logo.

## 4. TEACHING NOTES

### LEARNING OBJECTIVES

This case study was designed to point out the dilemma that marketers face in real life situations when it comes to take strategic and marketing decisions that affect the whole company.

In this case, both marketing and branding strategies are presented in order to be analyzed so that students can reach some conclusions that companies need to be aware of in a decision-making process.

Plus, they will also study the different branding models, namely multi-brand, massbrand and masterbrand, as well as their advantages and disadvantages.

Hereupon, it is important to discuss the pros and cons of each strategic alternative, such as keeping one of the existing brands or creating a new one as well as develop their comprehensive and analytical skills by thinking as if they were facing the dilemma themselves.

### TEACHING QUESTIONS

In order to address these learning objectives above presented, four guiding questions are presented below:

1. What are the main key success factors that are presented in the case that are fundamental in a decision-making process?
2. Which branding model would you choose if you were asked to help Andreia?
3. What is corporate identity formed by and why is it important to companies?
4. If you work in Wolff Olins and had to help Andreia and the team decide whether to keep an existing brand or create a new one, which strategy would you opt for and why? Base your answer on the data presented in the case and the following information (assume an interest rate of 8%):

	Initial Investment	Cash Flow 1 (3T14)	Cash Flow 2 (4T14)
<b>Keep Optimus</b>	500.000 €	12.400.000 €	10.900.000 €
<b>Keep ZON</b>	1.000.000 €	14.100.000 €	13.600.000 €
<b>New brand</b>	8.800.000 €	18.700.000 €	21.800.000 €

Table 2 – Financial Data (Note: values are not real, but approximately close to reality)

5. According to your previous answer, please present a detailed plan for each P from McCarthy's Marketing Mix.
6. Discuss a few real life examples of successful rebranding and successful keeping existing brands.

### TEACHING METHODOLOGY

Regarding the teaching methodology, it would be interesting to divide the class in three or more groups, each of them assuming a different role (e.g. group 1 would be in favor of keeping Optimus, group 2 in favor of ZON, group 3 in favor of a new brand, and group 4 in favor of a middle strategy). The groups would have to defend their own perspective and come up with valid arguments when answering the questions. This would foster an interactive and dynamic session and students would benefit from more complete point of views.

### DISCUSSION GUIDELINES

Since the answers to those questions are not supposed to be right or wrong, some guidelines will be presented in order to only make sure that the suggested learning objectives are achieved.

#### **1. What are the main key success factors that are presented in the case that are fundamental in a decision-making process?**

The case study discretely presents the main factors that every company must pay attention to when it comes to take decisions that affect the whole company. When there are different strategic alternatives to choose, companies have to analyze the impact of each in four main pillars:

- Consumers
- Associated Risk
- Business Strategy Consistency
- Workers
- Competition
- Economic (monetary investment needed)

## 2. Which model would you choose if you were ask to help Andreia?

After carefully analyzing the pros and cons of each model that are presented throughout the case study, and according to the new strategic goals that were defined after the merger, between multi-brand, massbrand and masterbrand models, I would choose the masterbrand model because of these main reasons:

- Matches the telecommunications international market tendency of monolithic models
- Major protection from dynamic competition
- Investment concentration
- Not enough time to build more than one brand
- Simpler explain new promise
- Lower launching and brand communication risk
- Higher investment efficiency
- Easier implementation
- Positive spillover effects between segments

## 3. What is corporate identity and why is it important to companies?

According to Wally Olins, corporate identity is composed by four main areas: Products/Services (what is sells), Environments (where it sells), Information (how it communicates), and Behavior (how company's staff behaves). It is not just the symbols, logos, colors, buildings, and products; it is also how the company is structured, namely if it is monolithic, endorsed or branded. According to the previous answer, the new company would be monolithic, meaning the organization uses the same identity throughout.

The corporate identity is extremely important for a company because it distinguishes itself from the competitors, meaning that it is the company's personality, values, and identity that makes a consumer choose between one company from another similar.

Whenever companies need to develop a new corporate identity, there are four stages that companies must follow, as Andreia and the team also followed when they faced the dilemma (even if they choose to keep an existing brand, they would have to

change the corporate identity because inevitably the company changed its direction and strategic goals<sup>19</sup>):

- Investigation, analysis and recommendations
- Developing the design idea, and the communications and behavior programmes
- Working out the final programme
- Launching and implementation

**4. If you work in Wolff Olins and had to help Andreia and the team decide whether to keep an existing brand or create a new one, which strategy would you opt for and why? Base your answer on the data presented in the case and the following information (assume an interest rate of 8%):**

	Initial Investment	Cash Flow 1 (3T14)	Cash Flow 2 (4T14)
<b>Keep Optimus</b>	500.000 €	12.400.000 €	10.900.000 €
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<b>New brand</b>	8.800.000 €	18.700.000 €	21.800.000 €

According to the Table 1 of the case, the impacts’ summary, the four perspectives have to be analyzed. First, by measuring the impact on consumers, the best strategy would be to create a new brand. However, by looking at the impact on the associated risk, keeping ZON would be the correct. Regarding the business strategy consistency, the pros and cons of each strategy would make me choose creating a new brand as well as in the internal culture impact, which is also preferable, the new brand creation.

<sup>20</sup>Although the risk of creating a new brand from zero, especially after a merger and in a market characterized by strong and well established brands is huge, based on the impacts of each strategy in the four main pillars in an organization, I would opt for the creation of a new brand, but without radically dismiss the old brands ZON and Optimus, because it is extremely important not to forget about loyal customers, which are an important part of the company.

<sup>19</sup> “When there is a merger, a major investment or divestment, a strategic alliance, a new management style, a problem with one or all of the corporate audiences, there is, inevitably, change.” (OLINS, Wally. “Corporate Identity”, Thames and Hudson, Artes Graficos Toledo SA, 1990, page 157)

<sup>20</sup> See Appendix 7 – Strategic Alternatives Evaluation Summary

Plus, according to the answer for question 2, the masterbrand model would be easier to adopt, develop and communicate with a new brand, because neither Optimus or ZON adopted this model, so it would lead to confusion and inconsistency problems. Finally, according to the financial data, in order to evaluate the viability of a project, we need to calculate the net present value (NPV). Therefore, we have to see which scenario has the highest positive NPV, according to its formula.

$$NPV = -C_0 + \frac{C_1}{1+r} + \frac{C_2}{(1+r)^2} + \dots + \frac{C_T}{(1+r)^T}$$

*- C<sub>0</sub> = Initial Investment*  
*C = Cash Flow*  
*r = Discount Rate*  
*T = Time*

Figure 3 – NPV Formula

Keep Optimus: NPV = 20,33€	Keep ZON: NPV = 23,72€	New brand: NPV = 27,20€
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This also proves that the best strategy is to create a new brand, since it has the highest NPV, meaning it is the most valuable project.

The solution is not as tough as it appears to be. If students analyze Table 1, the pros and cons of each scenario and each of the branding models together, and assess all the information presented throughout the case study, including the financial data, they would reach the same conclusion.

**5. According to your previous answer, please present a detailed plan for the new brand to adopt for each P from McCarthy’s Marketing Mix.**

Students should develop a brief detailed plan for each P of marketing mix. These are just some important issues that students must mention in their answers.

Product: If the new strategic goal is to offer multibusiness service, the new brand should strongly communicate and inform customers about the new offer (4Play), by giving it priority and greater focus than other services. All products must project the new brand’s standards and aims.

Price: Since the goal is to target all segments, the price would have to be fair and reasonable so that both high and low social classes would be able to pay. Plus, they

could not deviate much from prices that ZON and Optimus practiced, so that they could not lose existing customers and create inconsistency.

Promotion: This is the most important P when launching a new brand, because the communication and marketing strategy must be strong and powerful in order to reach the desired outcome and be successful. Plus, it should be consistent and accurately reflect the organization and its values.

Regarding the communication, they should invest in all touch points, from equipment to staff, since it is the link between customers and company. Also, they should invest in a strong media campaign, not only including Internet, but also TV, newspapers, radio, and outdoor marketing elements (public transportation, outdoors, commercial cars, etc), since they want to target all segments. They should also not forget the word-of-mouth power. When the company is “news”, which will be very shortly, it should make the most of this opportunity to tell its story how it wants.

Regarding selling and promotions, they should also practice some subscription discounts and advantages both for new and existing customers.

Place: All stores should be changed to the new brand appearance and the staff should communicate efficiently the new values and offers.

**6. Discuss a few real life examples of successful rebranding and successful keeping existing brands.**

This question is to persuade students to go deep in this topic and develop their knowledge, by finding and analyzing similar cases. Since mergers and acquisitions are happening all the time, strategic, marketing and branding decisions have to be made, so it won't be difficult to find successful examples of companies that faced the same dilemma as ZON Optimus.

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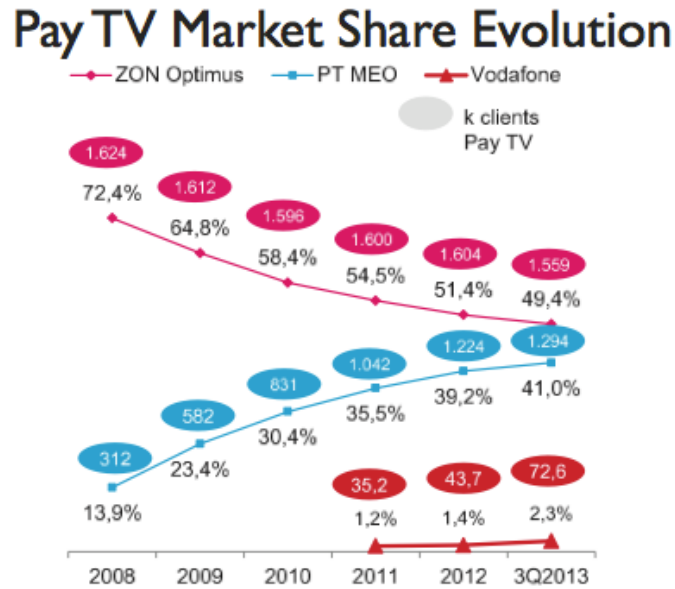
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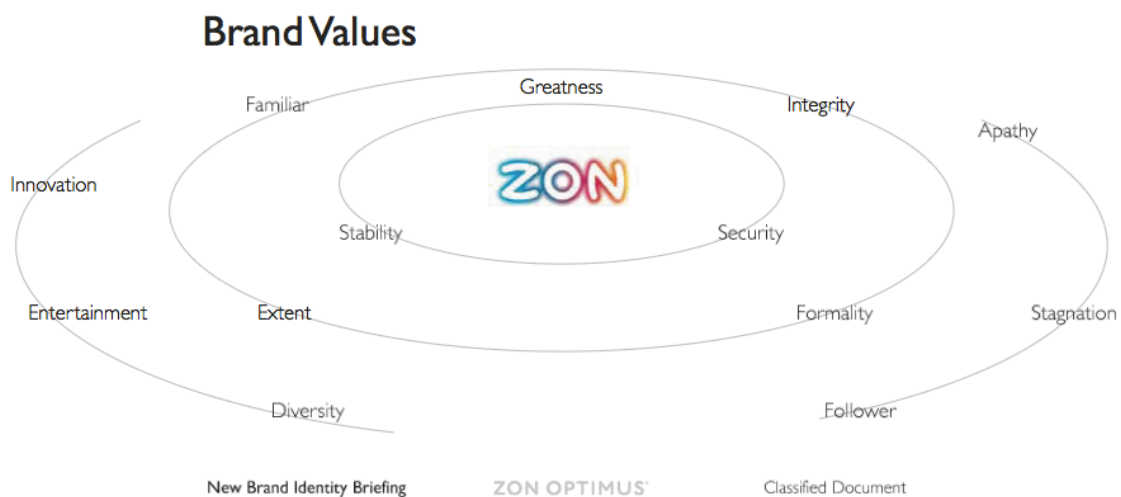
## 6. APPENDICES

### Appendix 1 – Pay TV Portuguese Market Share Evolution, 2008-2013



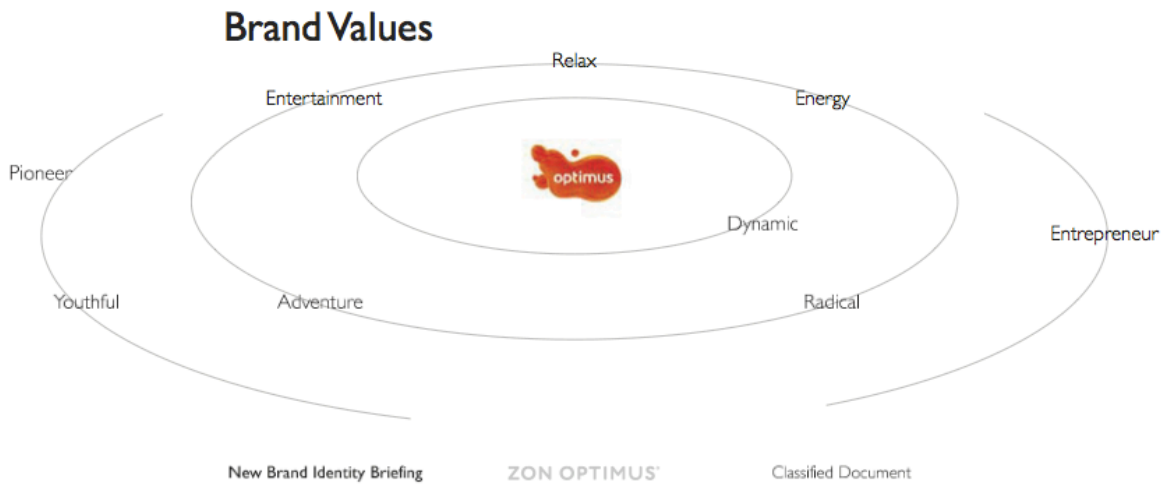
Source: Meeting with Andreia Ferreira, Fixed Products Marketing Manager of NOS on November 3<sup>rd</sup>, 2014

### Appendix 2 - ZON Diagnosis



Source: Meeting with Andreia Ferreira, Fixed Products Marketing Manager of NOS on November 3<sup>rd</sup>, 2014

Appendix 3 – Optimus Diagnosis



Source: Meeting with Andreia Ferreira, Fixed Products Marketing Manager of NOS on November 3<sup>rd</sup>, 2014

Appendix 4 – Ad Recall Ranking, 2012-2013

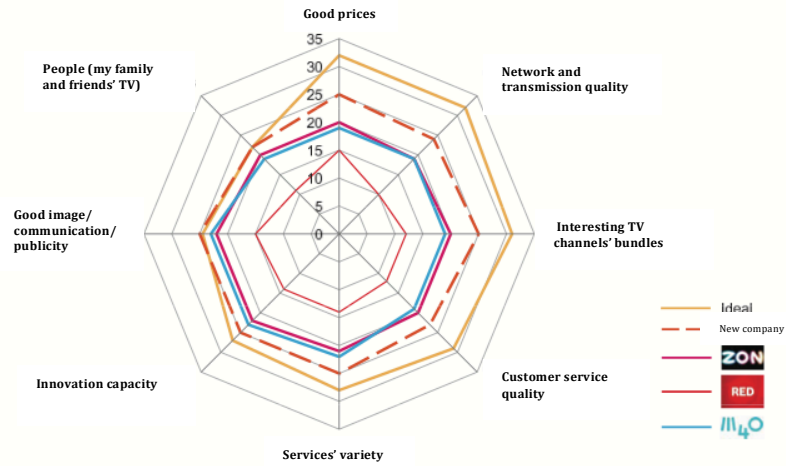
Rank	Oct-12	Dec-12	Feb-13	Apr-13	Jun-13	Aug-13	Oct-13
#1	©	©	©	MEO	MEO	MEO	MEO
#2	MEO	MEO	©	©	vodafone	©	MEO
#3	ZON	©	©	©	vodafone	©	MEO
#4	©	©	©	©	©	©	©
#5	©	©	©	©	©	©	©
#6	©	©	©	©	©	©	©

Source: Meeting with Andreia Ferreira, Fixed Products Marketing Manager of NOS on November 3<sup>rd</sup>, 2014

## Appendix 5 – Consumers’ Expectation

**1** Consumers’ Perception

**Market’s expectation is that the new company will be something more than the actual ZON/MEO market**



High expectations bring higher momentum for the new brand, but also high deception risk

Fonte: Estudo Havas – Setembro 2013  
140120-38-Estrategia de Marca\_Dac\_CE-19Nov13-Rte-LIS v11.pptx

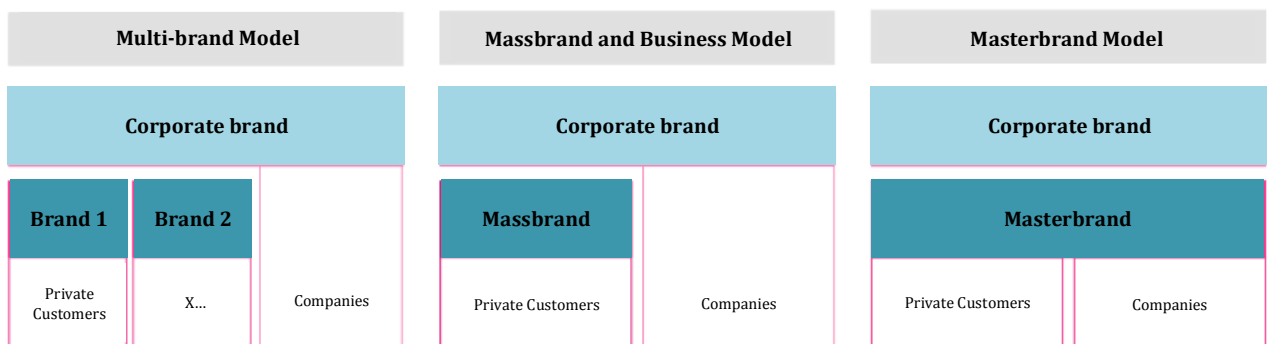
ZON OPTIMUS

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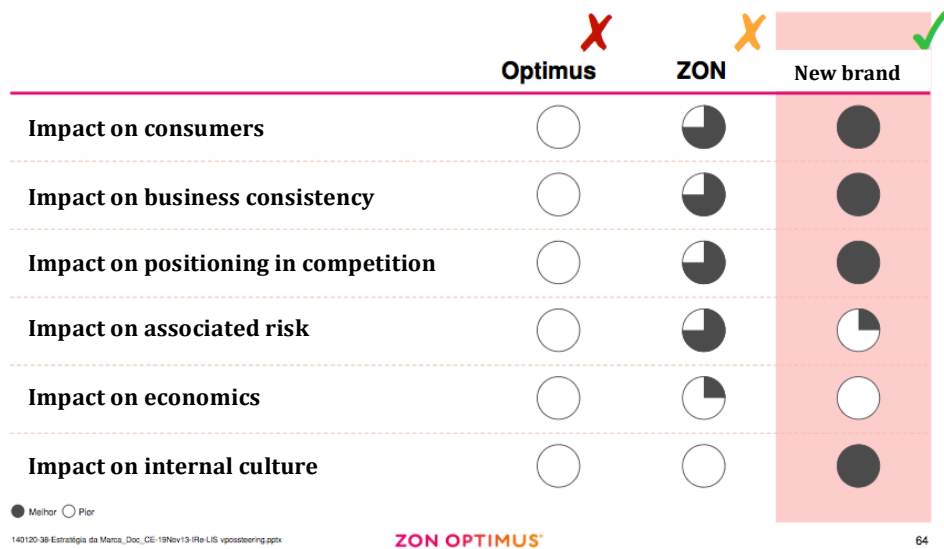
Source: Meeting with Andreia Ferreira, Fixed Products Marketing Manager of NOS on November 3<sup>rd</sup>, 2014

## Appendix 6 – Multi-business Models



Source: Meeting with Andreia Ferreira, Fixed Products Marketing Manager of NOS on November 3<sup>rd</sup>, 2014

Appendix 7 – Strategic Alternatives Evaluation Summary



Source: Meeting with Andreia Ferreira, Fixed Products Marketing Manager of NOS on November 3<sup>rd</sup>, 2014