Private Equity Brand Equity | III

BACKBAY COMMUNICATIONS

contents

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>
> *– Graham Hearns*
> *Managing Director, The Riverside Company*

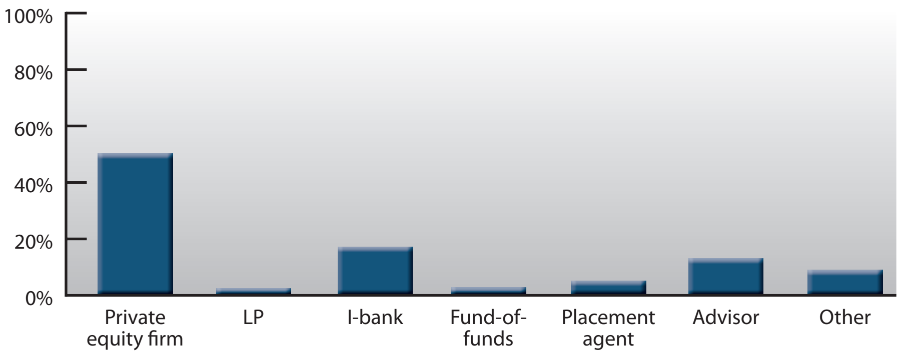
Executive summary

- Private equity firms are moving from brand development to "active brand management," the ongoing maintenance, refinement and projection of a brand.
- A strong private equity brand helps private equity firms primarily in fundraising, deal sourcing and attracting the best employees.
- The private equity industry, caught unprepared for the intense scrutiny during Mitt Romney's presidential bid, has responded with sophisticated educational marketing campaigns.
- Social media is gaining an increasing foothold as an additional communications channel in the private equity community.

Methodology

BackBay Communications and PitchBook conducted an online survey answered by 290 professionals in the private equity ecosystem in the United States and Europe. The respondents comprised 146 executives from private equity general partners, eight private equity fund of funds, seven private equity limited partners, 15 placement agents, 50 investment bankers/intermediaries and 64 service providers (lenders, lawyers, accountants, consultants.)

What best describes your current firm type?



Source: BackBay Communications Private Equity Brand Equity III Survey

About BackBay Communications

BackBay Communications is an independent strategic branding, marketing and public relations firm focused on the financial services and professional services sectors. BackBay has represented more than 30 private equity firms in addition to leading private equity associations ACG and SBIA. BackBay is ranked in MergerMarket's Financial PR league tables in the top 10 in the United States and top 20 in the world for transaction announcements by volume. BackBay offers a unique combination of content and creativity in integrated marketing campaigns. BackBay's services include public relations, branding, website development, marketing materials, advertising and social media. BackBay is highly regarded for its thought leadership initiatives and relationships with the major business media. With offices in Boston, London and New York, and international agency partnerships, BackBay serves companies around the world. For more information, please visit: www.backbaycommunications.com

About PitchBook

PitchBook Data, Inc., is an independent research firm providing superior intelligence on the private equity industry. As a specialty-focused resource, PitchBook's core strength is its ability to meticulously collect, organize and analyze hard to find private deal data. PitchBook's mission is to provide its clients with the highest quality information on the entire private equity lifecycle, including the LPs, investors, strategic buyers, IRRs/fund returns, private deal valuations, exit analysis, advisors and people involved - plus fundamental data for doing comps analysis - all in a state of the art online platform that is powerful and easy to use. For more information, please visit: www.PitchBook.com.

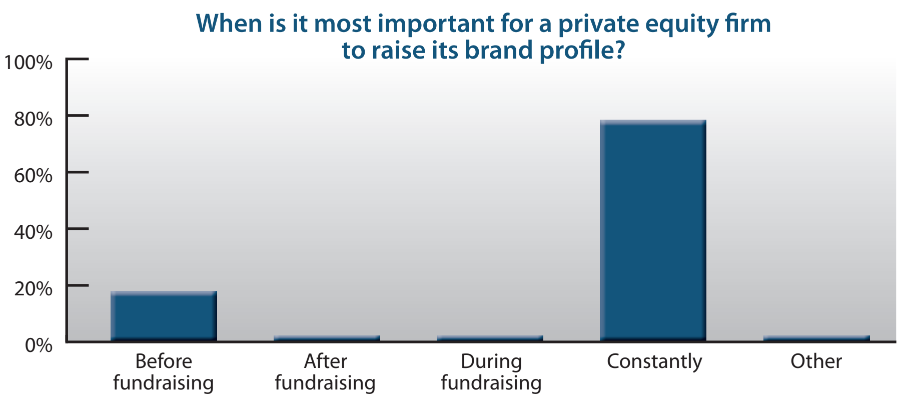
Active brand management

The private equity industry has reached near universal agreement on the importance of building a strong brand. As the industry matures, and proprietary deal flow has become a thing of legend, competition for limited partners' capital, investments in promising companies, and the best talent grows in intensity, branding has taken center stage.

Quite simply, branding helps a firm raise awareness and understanding. It provides clarity and inspiration, to the outside world, and importantly, within the firm itself.

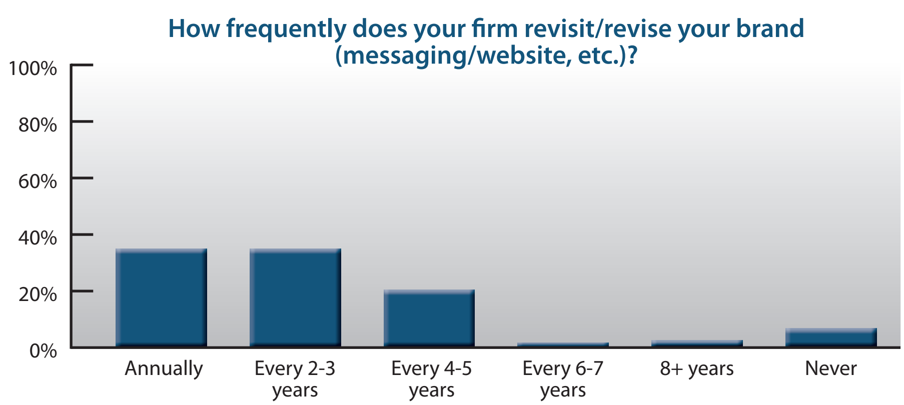
Graham Hearns, Managing Director of Global Marketing/Communications and Talent Management at The Riverside Company said things have changed since 20 years ago when the private equity industry was viewed as being so new and novel that if you had a couple of successful deals you were immediately a player.

"The industry is much more sophisticated now than it was even just ten years ago and a strong brand is a critical differentiator," said Hearns. "Sellers are extremely sophisticated these days. They understand the asset class and have lots of great choices. As they thoroughly evaluate their options, having a strong brand that keeps popping up in a positive way that has real teeth and attributes is critical."



Source: BackBay Communications Private Equity Brand Equity III Survey

Lee Gardella, Managing Director at Adveq, concurs. "A firm needs to be cognizant of how they are perceived in the marketplace from the standpoint of customers and sources of deals. In an increasingly global business, firms must know what you stand for. If that is well articulated it should help the firm from a deal standpoint and attracting respected LPs."



Source: BackBay Communications Private Equity Brand Equity III Survey

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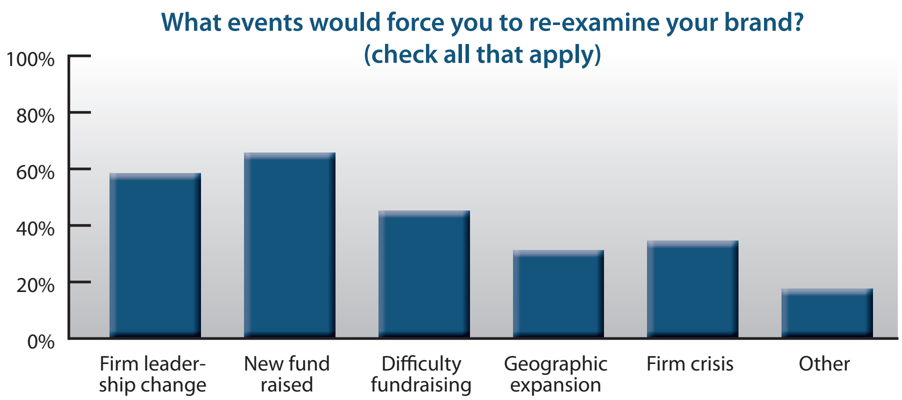
Managing Director
Adveq

To be successful, however, private equity firms need to devote resources to understand the way their current brand is perceived in the marketplace, decide where they want to go, make changes to the brand accordingly and develop a plan to take the brand to the market. This means time, money and senior level support. With these ingredients, and access to third parties who can also share their confidential insights into a firm's strengths, weaknesses, opportunities and threats, a firm's brand essence can be revealed, and compelling and differentiated positioning can be developed for a firm. These insights inform a firm's logo, website design and content, marketing materials, and approach to ongoing communications.



Source: BackBay Communications Private Equity Brand Equity III Survey

Many private equity firms have undertaken a rebranding in the last several years, and BackBay Communications has helped numerous firms navigate this process to develop compelling brands. This survey of private equity industry participants, the third in a series conducted by BackBay and PitchBook, has uncovered greater awareness of the need for private equity firms to practice and invest in active brand management, the ongoing maintenance, refinement and projection of a brand.

"A brand is the accumulation of experiences that people have with you over time. It is so much more than a logo or an ad campaign," said Joan Miller, Chief Marketing Officer, Summit Partners.

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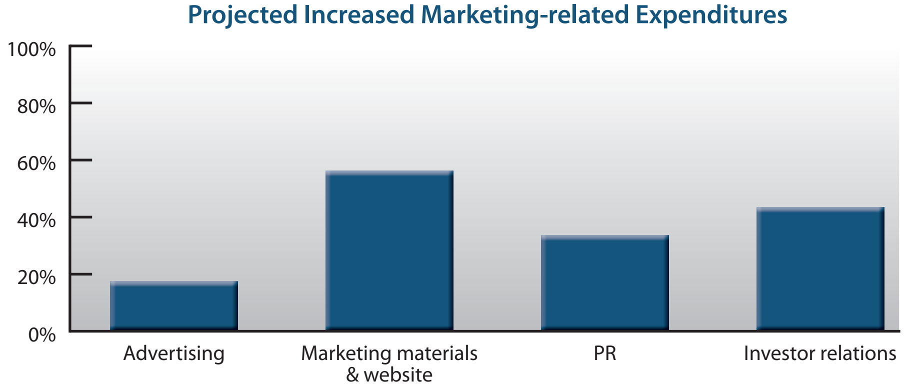
The proportion of respondents citing the importance of investing in IR to building a strong brand has more than doubled to 33% in this year's study, while PR (up 86%), marketing (up 69%) and advertising (up 154%) have also seen dramatic increases.

What are the most effective operational means for PE firms to build a strong brand? (check all that apply)

Source: BackBay Communications Private Equity Brand Equity III Survey

Increased marketing budgets are following. In the next 12 months, 56% of respondents are planning to invest more in their marketing materials and website, 44% to invest more in investor relations, and 34% to invest more in public relations.

Projected Increased Marketing-related Expenditures



Source: BackBay Communications Private Equity Brand Equity III Survey

Increased attention to branding is good news for the industry. As firms tell their success stories investing in and growing companies, creating jobs and generating returns that ultimately help employees reach their retirement goals, they will boost understanding among companies and legislators of the beneficial role the private equity industry plays in building a strong economy.

These efforts support the hard work of industry bodies such as Association for Corporate Growth (ACG), Private Equity Growth Capital Council (PEGCC), Small Business Investor Alliance (SBIA), and others who are working to educate people about the private equity and venture capital industry.

BackBay's Integrated Brand-Centric Approach

Why develop a private equity brand?

A strong brand is an effective way to build external awareness and internal cohesion. It helps private equity firms stand out from their competitors and thereby attract investors, employees and companies as well as the investment banks and business brokers that can refer them new investment opportunities.

"For fundraising, deal sourcing and attracting employees, a recognized and trusted private equity brand makes it easier for firms to succeed in a very competitive market," said Bill Haynes, President, BackBay Communications. "Private equity firms are increasingly coming to recognize how important it is to build a strong brand and actively manage their firm's reputation."

According to Joan Miller, Summit Partners, "The branding of venture capital, growth equity and private equity firms has moved beyond the personalities of the founders into something bigger and broader that will outlast them."

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> *– Bill Haynes*
> *President*
> *BackBay Communications*

A private equity firm's brand should permeate its entire being, from the way it presents itself to the world to the way its principals conduct themselves.

"There are a wide range of things that go with a brand and we hope that our brand values - speed, patience and intelligence - are reflected in the way we act," said Jon Moulton, Founder and Chairman of turnaround investor Better Capital. "We are just establishing a presence in Germany and are very aware of the need to grow the brand correctly. The best thing you can do to establish a brand is to do deals. In all cases 'memorable' beats 'non-memorable'," according to Better Capital's Moulton. "Being top of mind is a huge benefit for both raising money and investing it."

Marek Herchel, U.S. Head of Funds Team at AlpInvest, attests to the edge recognizable private equity firms have. "We work with a number of GPs globally and some are branded household names and some are not. We see the more branded ones as having an advantage."

The BackBay-PitchBook survey found near unanimity (98%) about the importance for private equity firms having a strong brand.

"Developing a strong brand in this industry is very important," said Joan Miller, Summit Partners "Your brand represents the value you bring, your approach, your history – what people should expect when they partner with you. A strong brand is why – all things being equal – an entrepreneur chooses to work with you, a candidate decides to join your firm, an LP considers you as an investment manager. A strong brand also gives you credibility in difficult situations because people know who you are and understand your underlying values."

> "Being top of mind is a huge benefit for both raising money and investing it."
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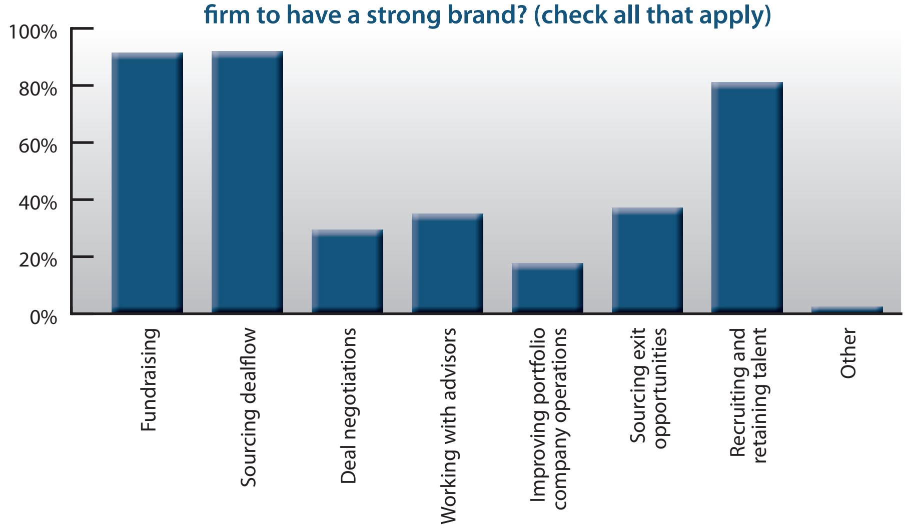
> *– Jon Moulton*
> *Founder and Chairman*
> *Better Capital*

For which activities below do you feel it is important for a private equity firm to have a strong brand? (check all that apply)



Source: BackBay Communications Private Equity Brand Equity III Survey

Deal sourcing

Ninety-two percent of survey respondents said a strong brand helps private equity firms source deals.

How do private equity firms distinguish themselves to get the early call or be on a new deal list?

"You have to be top of mind with the investment bankers or with the lawyers, accountants, or professional advisors involved with the deal," said Brandon Lower, Managing Director and Head of Financial Sponsors at William Blair. "The only way to do that is through unaided brand awareness."

Jeff Arnesen, a Houlihan Lokey Director who covers Midwest and Canadian financial sponsors, said the private equity firms that provide clear, succinct information to coverage and industry bankers, enabling them to understand the types of deals they are looking for, help these firms to be among his first calls about a new deal.

"Private equity firms have to differentiate," said Arnesen. "Clearly PE firms have gotten better at doing so. They have gotten better at branding. Websites have improved tremendously to reach bankers and sellers. Specialization is a way to differentiate. From an investment banking standpoint, we like to work with firms that are really good, very well respected, and that are marketing with a clear and concise message they are continuously drilling home."

"We have seen many PE firms focusing on specialization when it comes to branding, emphasizing specific sectors, operational expertise or a particular way they source and structure transactions," said PitchBook Founder and CEO John Gabbert. "Recent regulatory changes around general solicitation should only lead to more active brand-building in the future."

William Blair's Lower said there are several ways private equity firms can distinguish themselves – by industry specialization, by deal type such as growth equity, buyout, value or distressed, approach, such as rollups, or even geography.

Firms that don't already have a strong brand need to be more visible to stay top of mind. Lower said the trick to staying top of mind is reaching out through multiple touch points, such as meetings, calling every month or quarter, sending a newsletter or participating in a conference.

"If I meet a PE firm on Monday and meet a company on Wednesday, guess who will be top of mind?" said William Blair's Lower. "I don't have to read their newsletter, just seeing their name reminds me to think about them."

Ted Cominos, a partner at global law firm Edwards Wildman and chair of the firm's international private equity committee, said that the strength of a firm's brand can help beyond getting on the investment banks' call list. "A private equity firm with a recognizable brand can often negotiate deal terms on a better footing," he said.

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– Ted Cominos
Partner
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– John Gabbert
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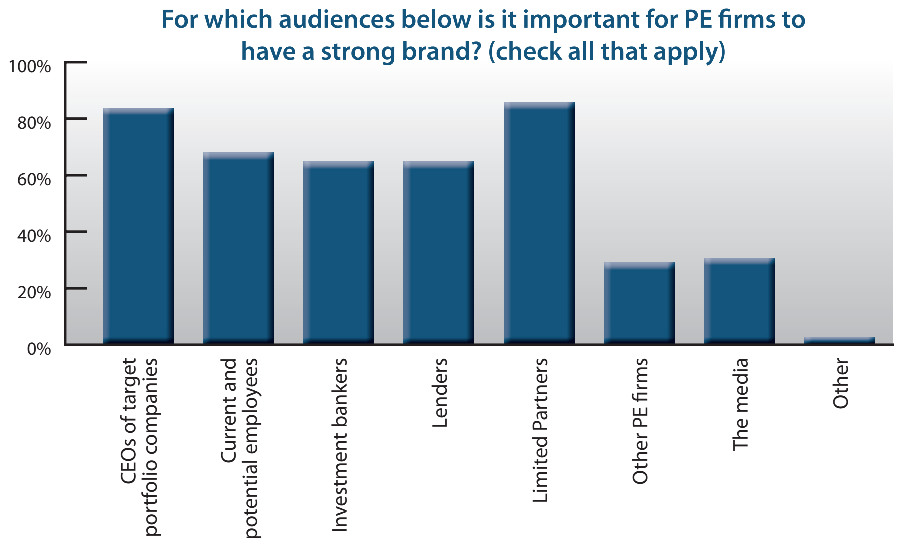
PitchBook

Yuchun Lee, an Executive Advisor with Summit Partners and former CEO of Summit Partners portfolio company Unica, said, "The brand name of Summit Partners has been an undeniable advantage. Summit's involvement reinforced our success and generated interest in Unica from investment banks." Currently, Mr. Lee is Chairman of Clarabridge, a company that Summit backed in 2013.



Source: BackBay Communications Private Equity Brand Equity III Survey

Fundraising

In today's highly competitive fundraising environment, 92% of survey participants said a strong brand helps firms raise new funds.

"Brand is important – no doubt about it," said Lee Gardella of Adveq. "Institutions are more comfortable buying brand. Firms need to develop a brand they want to be remembered for. You should be out there marketing the firm in between fundraising cycles. It makes the fundraising less painful and can be the difference in shortening the fundraising cycle. It won't cover for bad performance, but if you set the right tone with the right information and talk to the right people it could help beyond the numbers. When you are deciding which funds to include in your commitment plan, you may say that all things being generally equal I find this group more comfortable to work with and I've been talking to them for the last two years."

Bruce Ettelson, Head of Private Funds Group at law firm Kirkland & Ellis, said that as new U.S. fund investors look for opportunities in the United States, they view an established U.S. brand as safer. Likewise as they look to expand into new asset classes, sticking with a brand they know is very helpful.

"You won't get fired for hiring a well-known brand," said Ettelson. "As many firms are evolving to multiproduct firms, branding is important because your investor base needs to see a scalable and repeatable approach that translates across geographies and asset classes. If they see you have that, it is more likely that they will see you have the ability to move to more asset classes."

Hiring

Four in five (81%) survey participants said a strong private equity brand helps attract and retain talent.

For recruiting incoming classes of associates and also operating partners, brand makes a big difference, said Marek Herchel of AlpInvest. "People think of the names on their resumes."

Kirkland & Ellis's Ettelson said often young employees make their decisions on which private equity firm to join based on the firm's general reputation for top returns, top compensation and a well known private equity brand. "If you have that on your resume it opens doors in the future. You don't have to explain to people who they are, like some less well-known firms that might be top notch but need an explanation."

How to develop a private equity brand

Developing a recognizable brand takes effort, both in the definition and articulation of a firm's focus, as well as the implementation of a campaign to raise awareness of the firm's differentiated business. Creating a recognizable and memorable brand often involves differentiation from competitors. In addition to returns, this differentiation usually revolves around industry specialization, deal size, geography or approach.

Increased specialization

"Increased specialization is something we are seeing and it helps differentiate in the market," said Marek Herchel of AlpInvest.

"Private equity marketing is much more sophisticated and institutionalized than it once was," said Ettelson of Kirkland & Ellis. "It's a result of increased competition and a more mature industry. The world has become much more competitive in every way, there are a lot more private equity firms on a global basis, and there is a strong benefit for differentiating."

One way GPs can differentiate is to demonstrate success and relationships in their focus sectors. It is all about knowledge and relationships, and this is appreciated by limited partners as well as company executives who may trust that the firm knows their business and can provide strategic advice and connections as well as capital. It also is much easier for investment banks to remember and to show firms all relevant deals in their focus area. While in North America it is rare today to come across a generalist fund, in emerging markets where there is less competition and not as many companies in any one sector, generalist firms are well positioned to generate strong returns.

"Competition is so intense for deal flow that funds have to distinguish themselves," said Richard Jaffe, Partner and Co-head of Private Equity Practice, Duane Morris.

"The world has become much more competitive in every way, there are a lot more private equity firms on a global basis, and there is a strong benefit for differentiating."

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Head of Private Funds Group
Kirkland & Ellis

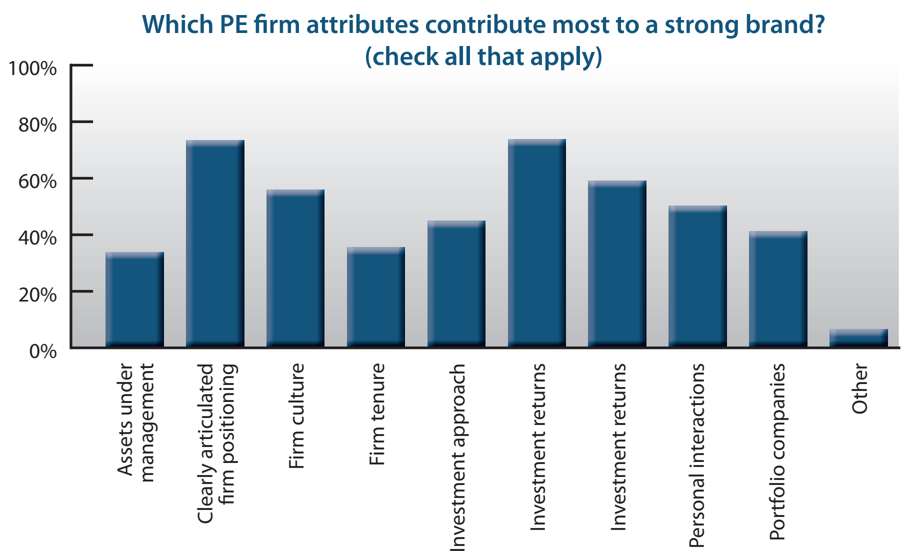
"One way is through specialization, such as focusing on healthcare, retail/consumer, telecom and media. Unless you establish a brand that distinguishes your firm from others, you get lost in a pack and become a banana. You are just one of the bunch."

TSG Consumer Partners, for example, has achieved a strong brand in the consumer space. The brand is so well known that industry consensus appears to be that if you have a good consumer brand for sale you contact TSG. Audax has built its brand around a buy and build approach, and that may be very attractive to their platform companies who need help scaling.

Bertram Capital has also branded an approach the firm calls The Bertram Capital High 5SM, which describes a circle of corporate capabilities the firm brings to middle market companies to help them grow. "We bring a set of traditionally corporate level competencies to help our portfolio companies do the things they have dreamed of doing or should be doing to enable them to grow the business three to five times in three to five years," said David Hellier, Partner, Bertram Capital.

Building the brand

While performance remains the single most effective way to build a strong brand according to 81% of survey respondents, they are increasingly recognizing the importance of investing in active brand management.



Source: BackBay Communications Private Equity Brand Equity III Survey

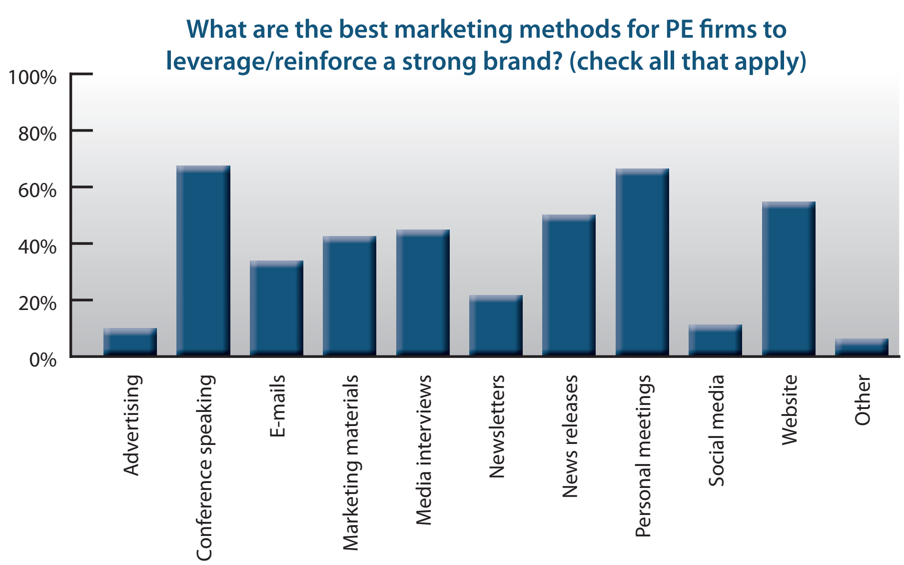
Instead of viewing brand building as a one-time event focused on a new logo and website, many private equity firms are embracing active brand management, and regularly revisiting their brand, messaging and website, with 35% updating it annually and another 35% updating their brand every two to three years. Private equity participants said new fund raising and a change in firm leadership are the main precipitators for brand re-examination.

Source: BackBay Communications Private Equity Brand Equity III Survey

"Every two to three years it is important to take a fresh look at your brand and what your constituents are saying about your brand, discuss what you think you should stand for, and then develop a plan to maintain or shift perceptions," said Aaron Rudberg, Partner, Investor Relations, Baird Capital.

"Active brand management is critical and it is something these funds have to focus on," said Duane Morris' Jaffe. "It is not just what you say, it is what you do, so participating on panels and having the CEOs of your portfolio companies speaking for you is important. Some funds have academies and universities that bring people in to talk with CEOs. It is an active process, not just one thing. It has to be top of mind and a top down effort. People in leadership roles have to set the tone and infuse the entire management team with that spirit."

Survey respondents say conference speaking (67%), personal meetings (67%), websites (55%) and news releases (50%) are the main areas of focus for brand building.



Source: BackBay Communications Private Equity Brand Equity III Survey

"As a middle market private equity firm you are competing for mindshare against 2,000 PE firms and across 1,500 intermediaries, so how do you stay top of mind?" said Bertram Capital's Hellier. "We take a multichannel, systematic approach that I learned from my many years as an operator. First and foremost, there is no substitute for personal relationships. We start with face to face meetings with intermediaries, then we use a variety of communications platforms to extend our message to our target audience - when we have a newsworthy event, we do a press release, we constantly update our marketing materials, we review lists of ACG or Axial events and reach out to introduce ourselves to new, relevant firms. We have also put time and effort into communicating the success of our business model by applying for and winning industry awards. We have won 12 industry awards in the last 3 years. Net, you build a case for why you are meaningfully differentiated. Frequency of touch equals frequency of memory."

"Building a brand is similar to running for political office, you have to repeat your message over and over," said Christopher Ullman, Managing Director and Director of Global Communications for the Carlyle Group. "When you are tired of saying the same thing again and again, the audience is just starting to pay attention."

Marketing materials

The bar has been raised, and all firms now need top-notch websites, marketing collateral, email templates and PPMs.

"To brand yourself to appeal to LPs, fund managers should not underestimate the importance of strong marketing materials, website and PPM," said Kristi Craig, Head of Private Markets, Georgetown University Investment Office. "As an LP, a fund's first impression is often their pitch book or website and I've seen really good and really bad ones. The bad ones have too much information, and are not well organized or even a bit sloppy. The best ones clearly articulate the team's strategy, structure and "edge" in their market in a concise and visually appealing way. Use pitch books to guide a face-to-face discussion and reserve the details for the PPM.

"Press coverage – assuming it's positive – goes a long way."

– Kristi Craig
Head of Private Markets,
Georgetown University
Investment Office

Public relations

Private equity public relations efforts are a way for a firm to credibly project its brand directly to the private equity community, industry verticals, geographic areas and referral sources. This can be most effectively done through an ongoing integrated campaign promoting a firm's news such as investments, exits, fund closings, new hires, as well as through thought leadership on private equity/M&A issues and financing trends in their industry verticals.

"Press coverage – assuming it's positive – goes a long way," said Georgetown's Craig. "It's impactful and reinforces investment decisions. We all read the trade publications. If a fund shares good news, such as an oversubscribed fundraise, it creates a buzz in the LP community.

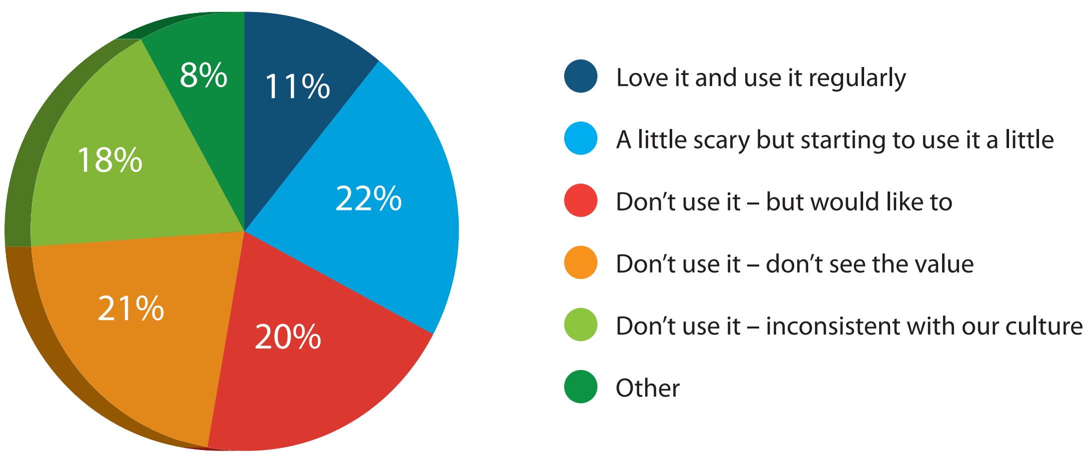
Adveq's Gardella said that many firms don't share enough information in their new investment news releases or media interviews about why they invested in a company and what their strategy is to grow it and how that reflects their focus and approach to risk.

"We believe producing thought leadership pieces about trends in the market and our industries are the strongest way to support our brand," said Aaron Rudberg of Baird Capital. "For example, we recently published a three-part series about the healthcare sector and shared our opinions about the industry. As a result, Bloomberg covered our study and we saw huge spikes in website traffic."

Social media

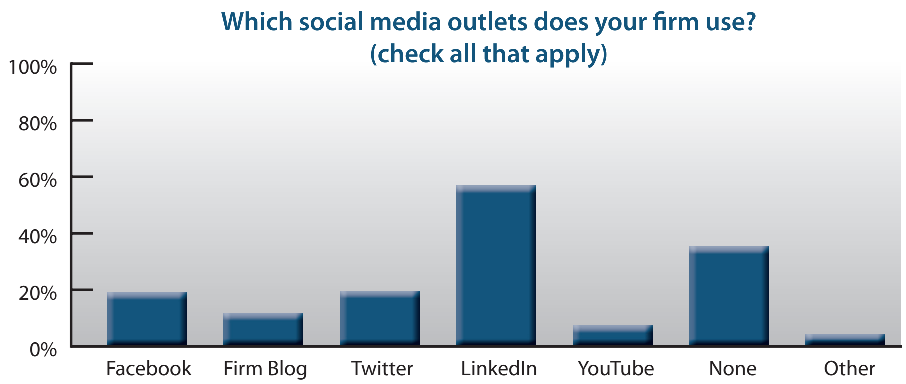
Social media can be an effective tool for private equity firms to project their brand. Firms are increasingly using LinkedIn and Twitter as news distribution channels in addition to the wire services and direct media outreach. Nearly all the private equity and financial industry journalists are using these channels and it is a useful tool to build recognition among them. These channels are of course especially important for PE and VC firms that have a technology or consumer product focus.

What is your firm's experience with social media?



"Social media is one of the ways in which you communicate with your audiences to build your brand," said Joan Miller of Summit Partners. "If you invest in social media companies, you want to have some experience with the medium."

Consistent social media activity by PE firms increased from under 7% on 2011 to 12% this year, according to the survey. One in three firms have a social media presence to enhance their brand, with the most frequently used tools including Twitter, Facebook, LinkedIn, YouTube or a company blog. Another 20% said their firm currently does not use social media, but they would like to start.



Source: BackBay Communications Private Equity Brand Equity III Survey

"Social media to us at Riverside is the frosting – it is delightful and fun, but it does not provide the real calories you need to propel your brand," said The Riverside Company's Graham Hearns. "It's beneficial but does not help with the heavy lifting of building a brand."

"For social media, our thinking is that 25, 30, 35 year olds are getting their news different ways, so we are taking existing content and distributing it in new ways," said Carlyle's Chris Ullman. "We're using Twitter as a new distribution channel. We use Facebook to promote our corporate citizenship."

Need support from the top

Like most initiatives, to be successful, firm-wide consensus is important, but it is essential to have support from the top.

"For branding initiatives to be effective, you need leadership and support from the top," said Rudberg of Baird Capital. "If you have one loose wheel on the train it will fall apart. Rebranding takes a longer-term perspective and requires time and repetition to be successful. You need a long-term plan with goals and you need to measure your success. At Baird Capital, we measure our branding success by monitoring web traffic, social media followers, re-tweeting, media coverage, email newsletter openings, and our annual meeting attendance. Importantly, we want both quantity and quality from our branding efforts. When we talk with constituents, our entire team needs to communicate the same messages about our firm, consistently."

"The question is, is your brand important to you?" commented Hellier of Bertram Capital. "Brand building does not seem to come very naturally to the private equity industry. Your brand is what you stand for and the value you bring. You need the conviction that it is important and it is something you invest in. There are firms that don't have a strong brand that can be successful, but longer term I believe it is important to build a brand for lasting success."

A long-term commitment to developing and maintaining a brand can pay huge dividends.

"For branding initiatives to be effective, you need leadership and support from the top."

– Aaron Rudberg
Partner, Investor Relations
Baird Capital

"I remember after college I happened to get on the mailing list of a new private equity group. For any deal, any personnel promotion - pretty much anything newsworthy, I received an announcement," said John Crocker, part of the Deutsche Bank Private Equity team that recently spun out to establish their own firm. "Moreover, every quarter they provided an overview on business called, Musings. The message it projected was one of sophistication and high quality - clearly sending a message that the partners were willing to spend to set the proper tone. To this day I remember those mailings. That group, Berkshire Partners, now manages $11 billion."

"Does branding matter today? I would argue it matters more now than ever," said Crocker. "In a competitive world for deals, fund raising and recruiting, 'brand perception' can define a franchise. Most importantly branding reflects the root 'ethos' of the firm."

To be effective, branding must be based on solid internal and external research that identifies the most compelling attributes of the firm and key differentiators. These must then be supported by facts, figures and anecdotes.

"It has to be real. When you're sitting across the table from CEOs or LPs, it better be more than just words. There is a dearth of authenticity in public discourse and people are hungry for that. Having a slogan is fine if you can back it up," said Ullman of the Carlyle Group.

Carlyle Group's 5 lessons for effective brand communications:

1) Be objective: Take a hard look in the mirror and define your true differentiators.

2) Be clear: Use authentic and simple language that resonates with real people.

3) Be creative: Take the road less travelled in terms of means and method.

4) Be consistent: Repeat, repeat, repeat – as you tire of saying it, your audience is just getting it.

5) Be thorough: Finish what you start.

Case study: Baird Capital rebranding

Situation

- Change in Leadership
  - o Gordon Pan recently named Managing Partner

- Multiple Brands in Marketplace/Multi-Strategy Global Approach
  - o Private Equity and Venture Capital strategies, as well as global geographically-focused funds branded at the fund level resulted in messages, mission and names muddled
  - o PE group not leveraging global power of parent brand, Baird name

- Differentiated Approach Underplayed
  - o Bankers and LPs unclear about Baird's focus areas
  - o Synergies benefiting clients and firm sector experience unclear
  - o Unique Asia sourcing group downplayed

Program

- Conducted one-on-one interviews with 33 internal and external people

- Examined brands of other affiliated and non-affiliated firms, particularly those with multiple funds in several geographic locations

- Developed Baird Capital simplified, unified brand messages that promote:
  - o Strengths and commonalities of funds and key differentiators
  - o Sector focus
  - o Integrated team
  - o Shared global resources: (Asian Operations Team, PMP)
  - o RW Baird brand reputation
  - o Benefits of RW Baird network
  - o Global offices, research, individuals' knowledge and connections results in knowledge sharing, intellectual capital, deal sourcing

Results

- Identified a common name – Baird Capital – that is understood in the marketplace as comprehensive enough to imply a multi-strategy approach – both private equity and venture

- Provided a Brand ID Guide, a 25-page overview of key brand attributes and proof points, new logo, brand hierarchy, corporate identity guidelines, mission statement, boilerplates

- Educated the market about the new name and all it represents

- Communicated and publicly demonstrated the benefits of the new cohesive brand to all audiences (LPs, Deal sources, Internally, etc.)

Testimonial

"We are seeing the benefits of a simplified, unified brand. As we travel and talk with entrepreneurs, intermediaries and LPs in Asia, Europe and the United States, our brand is resonating," said Rudberg of Baird Capital. "Our simple and clear message of high integrity and trust helps us. We are leveraging our new brand in social media, investor communications, and in the press, and it is something that is part of our DNA. The unified brand is also important internally, as we have seen a lot more collaboration in idea generation, human capital and sourcing transactions. It allows us to have a single culture and framework. It has given us more opportunities, and helps everyone understand that our relationships extend globally."

– Aaron Rudberg
Partner, Investor Relations
Baird Capital

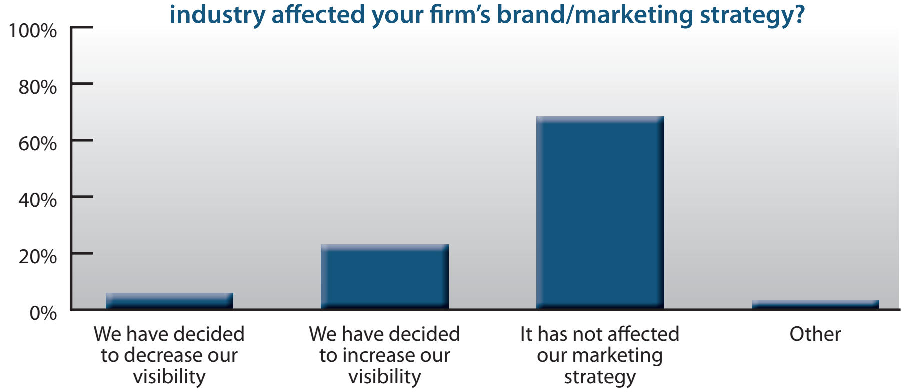
Rebranding the industry in a post-Romney world

Since Mitt Romney's run for the U.S. presidency, the private equity industry has had to contend with significantly heightened media, legislative and public scrutiny. During the election, many private equity firms kept their heads down and waited for the storm to pass while quietly going about their business. Others, like The Riverside Company, stepped up publicly to defend the industry. Importantly, several associations created to represent the interests of the industry such as the Private Equity Growth Capital Council (PEGCC), SBIA (Small Business Investor Alliance), and ACG (Association for Corporate Growth) have redoubled efforts to educate and defend private equity.

In 2012, the PEGCC launched an integrated public affairs campaign, "Private Equity at Work," which helped build the case for the beneficial role private equity plays in the economy, focusing on job creation and pension fund success. The campaign included case studies, interactive online materials, whiteboard videos, online advertising, public relations and targeted outreach to legislators emphasizing the companies in their district that are owned by private equity firms and the jobs they have created.

"We did a lot of polling and learned people don't know much about private equity, so we need to be very elementary – it's PE 101," said Ken Spain, Vice President, Public Affairs & Communications, at the Private Equity Growth Capital Council. "We live in a post-Romney world, so private equity needs to do a better job telling its story in ways that resonate with policy makers and the general public. One reason arguing our policy positions has been a challenge is the perception of private equity among policymakers on Capitol Hill. Some people mistakenly think private equity caused the financial crisis. Policy is often defined by the public perception. If you don't have a strong brand, you will be affected."

How has the higher profile and greater scrutiny of the private equity industry affected your firm's brand/marketing strategy?



Source: BackBay Communications Private Equity Brand Equity III Survey

Spain said the most sympathetic voices are the limited partner community and portfolio companies. The PEGCC has been highlighting middle market firms and people like Pam Hendrickson, COO of The Riverside Company, who has become a compelling spokesperson for the industry.

"Private equity has to do a better job telling its success stories," said Spain. "People are interested in why people succeed. The alignment of interest argument between private equity firms and the companies they invest in is a strong one and makes private equity unique."

Spain encourages founders and executives of private equity firms to tell their stories about how private equity benefits the economy. "They can do so from their brand standpoint and still support the industry. Private equity firms love being private, but in a post-Romney world we should expect more scrutiny," said Spain.

Gary LaBranche, CEO of ACG, said venture capital was excluded from Dodd-Frank regulation because that industry has been effectively telling their story for two decades. "Private equity has hidden their collective light under a basket until recently," said LaBranche. "So it matters greatly if an industry speaks up for itself. The good news is that PE has a strong story to tell. The retirements of fire fighters, police officers and other public servants are more secure because PE funds have outperformed other asset classes owned by pension funds. PE-backed companies show greater job and revenue growth as highlighted in ACG's research at GrowthEconomy.org. It is in the best interests of PE to share these facts with LPs, target company management and workers as well as media, legislators and regulators."

As the world's largest association of private equity professionals, ACG now conducts a robust range of lobbying and advocacy efforts on behalf of the industry. Through GrowthEconomy.org, ACG has published research that demonstrates the positive impact of private equity. By showing how private equity has touched every state and congressional district, ACG has made a positive impact on Capitol Hill and with some media outlets. By taking PE professionals to visit congressional offices and by coordinating congressional tours of portfolio company businesses, ACG has helped lawmakers better understand the human face of private equity. By representing the views of private equity to the SEC, ACG has achieved significant progress, most notably in the change to the Custody Rule. And through the Middle Market Public Policy Summit, ACG has created an annual conversation between policy-makers and private equity professionals.

The SBIA, which experienced record membership growth in 2013, has also been very active supporting lower middle market private equity funds and investors. The SBIA has been promoting the interests of the lower middle market private equity on Capitol Hill. It has also been facilitating connections for deal sourcing, fundraising, and with key lawmakers and regulators, and providing lower middle market firms with education, best practices and regular legislative updates.

"Private equity has to do a better job telling its success stories. People are interested in why people succeed."

– Ken Spain
Vice President, Public Affairs & Communications, Private Equity Growth Capital Council

"Small businesses depend on investors for the capital they need to grow and hire," said Brett Palmer, President of SBIA. "Private equity firms provide ready access to capital, connections and know-how to help small businesses – the engines for U.S. economic growth – to thrive."

The work of these associations, their leaders, boards of directors, and members are all contributing to raising awareness of the positive role of the private equity industry.

About BackBay Communications

BackBay Communications is an independent strategic branding, marketing and public relations firm focused on the financial and professional services sectors with particular expertise in private equity. BackBay offers a unique combination of content and creativity. BackBay's services include advertising, branding, marketing materials, websites, and PR. BackBay is highly regarded for its thought leadership initiatives and relationships with the major business media. With offices in Boston, London and New York and international agency partnerships, BackBay serves companies around the world.

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