

Sales & Marketing Integration

How to complete the M&A integration process, minimize disruptions, and achieve desired synergies.*

In a survey conducted by PricewaterhouseCoopers, “growth in market share” and “access to new markets” are the top two reasons cited by corporate executives and senior management for pursuing a merger or acquisition.

However, immediately after deal announcement the company promptly gets put into a holding pattern. Positions are not filled, infrastructure projects are delayed, financial investments are postponed, etc. The result—competitors get a free throw of the dice, middle management and employee frustration runs high, and the critics come out of the woodwork. Competitors will take advantage of the uncertainty in the marketplace—and, indeed, will promote uncertainty—to win customers and to recruit the best sales people from both companies. And this spells trouble for the ensuing integration, particularly for sales and marketing, whose ultimate goal is to create shareholder value by executing upon the “growth in market share” and “access to new markets” objectives.

When integrating the sales and marketing functions of two merged companies, the First Commandment is: There shall be no disruption to customers. Fulfilling this goal is of paramount importance since achieving sales revenue targets in the first quarter after deal close is often critical. And sustaining the customer base early on increases the probability for success in capturing long-term revenue growth anticipated by the deal.

While a consistent, top-down enterprise wide integration process is a key success factor for any M&A integration, this is critically important for sales and marketing.

The Issues Our Clients Face, The Actions We Help Them Take

At PwC, we understand the importance of getting the fundamentals of integration in place as quickly as possible during a deal to minimize disruptions and achieve synergies. We support our clients by rapidly launching integration efforts to Set the Course, Plan for and Execute Day One, and Design and Maximize Future State Operations. This is the approach PwC delivers in managing the integration as an enterprise-wide business process. Please see Figure 1.

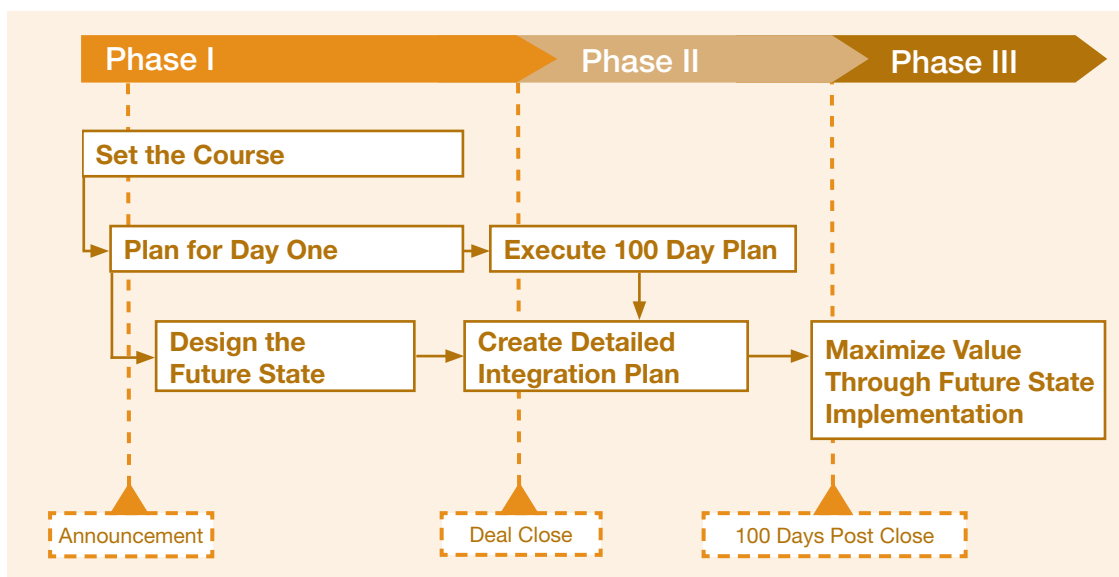


Figure 1 – The PwC integration process follows a sequence of coordinated steps to focus resources and capital on the right things at the right times.

Set The Course

Setting the course for sales and marketing is about defining expectations and effectively communicating to stakeholders. From the earliest possible moment, even during due diligence, preparations should begin to define the sales and marketing strategy and overall communication messages.

On the buyer's side, once the deal is announced, the sales force should be educated on the strategic value of the deal, including how the deal will impact each customer and customer segment. Strategic customers in both companies should be contacted and visited by appropriate executives to drive home the key points. Similarly, it is important to reach out to top performing sales representatives and reiterate their value to the combined company.

On the seller's side, uncertainty will be heightened and the need for communication will be even more critical. Customers and employees may be uneasy, making them obvious targets for competitors. A consistent strategy and message should be coordinated and communicated. The messages may not be complete, as anti-trust laws may limit the gathering and sharing of some information such as future market strategy and pricing information. Though what is known should be revealed, and the value of the deal both to the customer and employees emphasized. The sales force will be carrying this message to customers, so it should be as complete and unambiguous as possible.

Even when information is limited by anti-trust laws it is still possible and prudent to perform significant up-front planning. Due diligence is the time to begin analyzing the multitude of existing sales and marketing programs and initiatives to determine overlap, identify potential synergies, and begin to develop the integration strategy.

Common areas of focus to Set the Course for Sales & Marketing integration

Sales strategy

- Sales and marketing alignment with corporate strategy
- Channel types and strategies
- Customer segmentation and market coverage

Marketing strategy

- Branding
- Advertising and targeting
- Collateral and printing
- Public relations
- Trade shows, events, conferences
- Alliances and channel strategies
- Web site
- Marketing research

Organizational structure

- Reporting relationships and groupings
- Linking and alignment mechanisms
- Cultural and political barriers and implications

Account ownership and performance metrics

- Management team selection
- Account and lead ownership
- Interim operating rules for joint accounts
- Customer support programs
- Compensation model for add-on and cross sales

Sales operations

- Sales methodologies, forecasting, and pipeline
- Channel architecture and enablers
- New lead generation and distribution
- Proposal development
- Pricing and policies, including handling existing bids
- Contracts, including common terms and conditions
- Sales promotions and programs
- Post-sale support and customer service
- Customer Relationship Management and IT applications

Plan For and Execute Day One

Even if the best decisions are made as you Set the Course, much can go wrong upon close absent proper planning and execution. While Day One is a milestone for celebration, it is also the time for smooth transition of mission critical operations. The primary goal for Day One is to have no disruptions to customers.

For the sales organization, the level of Day One planning and integration activity is highly dependent on the level of product and regional overlap between the two companies. If the two companies are direct competitors, this situation raises a multitude of questions regarding roles, responsibilities, and processes that must be addressed as soon as possible to mitigate adverse behavior. This is particularly true if significant consolidation is expected to occur in the sales organizations. Decisions must be made on how to handle product responsibilities, commission structure, lead generation, cross-sales opportunities, revenue credit, and sales awards. If the two companies are not direct competitors, the integration challenge is less complex, but any merger or acquisition raises uncertainty, which can impact sales revenue.

For the marketing organization, preparation for Day One traditionally focuses on preparing for the branding changes and identifying opportunities to achieve synergies by eliminating redundant activities and vendors. Marketing should also begin defining the overall product, channel, pricing, promotional, and advertising strategies. Though each transaction is different, in some mergers or acquisitions it may simply be enough to modify websites for starters. In others, a full-blown effort may be required involving corporate identity and public relations.

It is important to recognize that brand identity often means a lot to members of the sales organization. These are the people who carry the banner in the marketplace, and a sudden disappearance of the brand can be seen as an attack on their identity, resulting in a traumatic effect on morale. When this is a concern, more gradual modifications may be appropriate.

Key points to consider when integrating Sales & Marketing

- **Work out the details for cross-selling.** Cross-selling is often a common synergy, but it does not occur automatically and is generally difficult to execute for a variety of reasons. Sales coverage and sales representative assignments based on quantitative and qualitative criteria should be proactively designed. In addition, the ramifications of invoicing, contract terms, commissions, and other related matters should be carefully considered. Also plan for training and resource development.
- **Don't overlook the costs associated with change-over branding.** Changing from the seller's existing brand and replacing with new collateral material can be an expensive and time consuming activity that is often overlooked.
- **Shore up communications responsibilities.** Most integration teams do not have a dedicated communications capability. This means clear lines of authority will need to be defined for corporate staffers, resources designated as having temporary responsibility, or outside vendors assigned to work with the team.
- **Coordinate carefully with other functions.** A common challenge in accomplishing integration objectives is identifying and coordinating the significant functional interdependencies that exist. It is important to work closely with human resources on such matters as organization and compensation, with legal on contracts, with facilities on branding and signage, and with manufacturing on products and packaging, among others.

Design and Maximize Future State Operations

After the deal closes, sales and marketing works to achieve synergies and process improvements that reflect the strategic goals of the combined company. This requires careful and continuous cooperation with other integration teams and meticulous comparisons of the many options available. A crucial first step in designing the future state is identifying the possible inter-relationships that provide a competitive advantage and the associated additional costs.

Potential synergies and their relationships and impact

Source of Inter-relationship	Potential form of Synergy	Potential Competitive Advantage	Potential Impacts
Common buyer	Shared brand name	<ul style="list-style-type: none"> • Lower advertising cost • Reinforcing product images 	<ul style="list-style-type: none"> • Product images are inconsistent • Buyer is reluctant to purchase too much from one company • Diluted reputation if one product is inferior
	Shared advertising	<ul style="list-style-type: none"> • Lower advertising cost • Greater leverage in purchasing advertising spend 	<ul style="list-style-type: none"> • Appropriate media and messaging are different • Advertising effectiveness reduced by multiple products
	Shared promotion	<ul style="list-style-type: none"> • Lower promotional costs 	<ul style="list-style-type: none"> • Appropriate forms and timing of promotion differ
	Cross-selling	<ul style="list-style-type: none"> • Lower cost of finding new buyers • Lower selling costs 	<ul style="list-style-type: none"> • Product images are inconsistent or conflicting • Buyer is reluctant to purchase too much from one company
Common channel	Shared channels	<ul style="list-style-type: none"> • Higher bargaining power • Lower infrastructure cost 	<ul style="list-style-type: none"> • Larger dependency on one channel • Channel unwilling to allow a single company to account for a major portion of its sales
Common geographic market	Shared sales force	<ul style="list-style-type: none"> • Lower selling cost • Better sales force utilization 	<ul style="list-style-type: none"> • Different buyer purchasing behavior • Different salesperson is more effective
	Shared service network	<ul style="list-style-type: none"> • Lowering servicing costs • More responsive servicing • Better capacity utilization 	<ul style="list-style-type: none"> • Different equipment necessary to make repairs • Different needs of buyers
	Shared order processing	<ul style="list-style-type: none"> • Lower order processing costs • Better capacity utilization 	<ul style="list-style-type: none"> • Differences in the form and composition of typical orders • Differences in ordering cycles

Our Approach for Delivering Sales & Marketing Integration Success

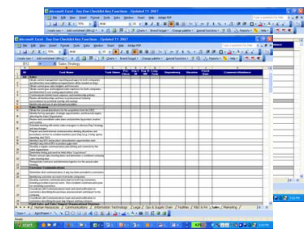
Our disciplined approach to sales and marketing integration helps companies achieve early wins, build momentum, and instill confidence among their stakeholders. We take an active, hands-on approach to helping clients focus on the right things at the right times, creating early and sustainable capture of deal value. We deliver time-tested integration processes to support client integration teams and supplement those teams with experienced resources to fill resource and technical gaps as required. We customize our tools and services to complement each client's specific needs and internal capabilities.

Our Tools for Sales & Marketing Integration

Team Lead Discussion Guide
Guide for functional team leader with questions that trigger thought to assist in rapidly defining integration scope



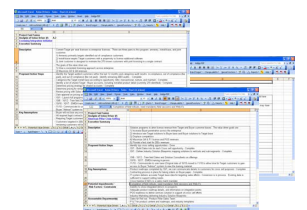
Sales & Marketing Integration Workplan
Model integration workplan used as a “starter” set of tasks to jump start the functional workplan development effort



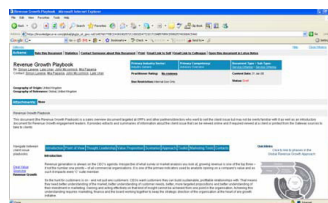
Critical Dependencies
Example dependencies to assist in accelerating the business requirements identification from other functions

	Cost Outgoing Only from dependencies	Shared	Cost Incoming Only to dependencies	Product/Service Dependencies	Task/Project Dependencies	Information Dependencies	System & Data Dependencies	Operational Process Dependencies	Customer Contracts	Vendor Contracts	Other	Overall
Operations	1	1	1	1	1	1	1	1	1	1	1	1
Finance	1	1	1	1	1	1	1	1	1	1	1	1
Human Resources	1	1	1	1	1	1	1	1	1	1	1	1
Marketing	1	1	1	1	1	1	1	1	1	1	1	1
Information Technology	1	1	1	1	1	1	1	1	1	1	1	1
Legal	1	1	1	1	1	1	1	1	1	1	1	1
Totals	41	6	7	14	7	3	1	4	5			

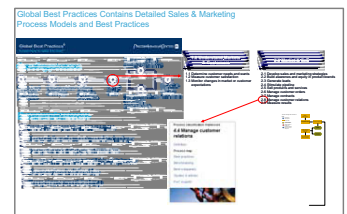
Sales & Marketing Value Drivers
Summary business cases for critical initiatives required to achieve functional synergies and cost savings



Revenue Growth Toolkits
Solution sets and toolkits for key areas, including product and marketing deployment, sales and channels effectiveness, customer service optimization, and marketing effectiveness



Global Best Practices™
Proprietary knowledge repository of leading practices, benchmarks, frameworks, and tools derived from in-depth market research and acumen of PwC professionals



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