A PwC Global Survey
Consumer Intelligence Series

# CX in M&A: What consumers think when companies combine

Understanding how customers view mergers and acquisitions can help companies capture deal value

April 2019

Every year, tens of thousands of companies across the globe engage in mergers and acquisitions – in every industry, for millions or billions of dollars. The typical M&A announcement highlights what companies and their investors could gain. Due diligence tries to bring value into focus, yet often hinges on financial, legal and operational issues. Less evident but also crucial is the impact on the consumers who are a company's customers.

The millions of people who buy from an automaker, subscribe to a cable TV or on-demand video service, or visit a healthcare system. The tens of millions who use a particular smartphone, patronize a bank, benefit from an insurance plan or shop at a retail chain. The hundreds of millions who use a social network.

Keeping those customers happy is essential for a company's survival, and understanding how M&A affects consumers can increase the chances of a deal being successful.

Consumers appreciate the potential benefits of M&A, but they think companies' customers aren't a top priority during and after the deal.

They like having more products and services and new capabilities but worry about data security, employee turnover, higher prices, lower quality and an overall worse experience.

Companies can ease concerns by maintaining continuity, showing collective leadership and improving communication during M&A.

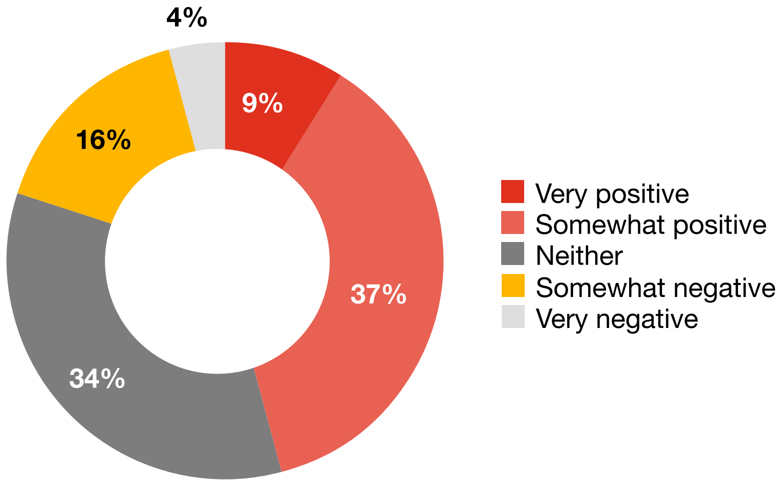
# How consumers view M&A

We asked more than 7,800 people in the US, Canada, China, Japan, South Korea and the UK to provide their views on M&A*. Consumers of different ages, income ranges, education levels and employment status shared not only their opinions but also their actual experiences as customers of companies that went through M&A. We also conducted interviews with several dozen M&A professionals who collectively have been involved in hundreds of deals over their careers.

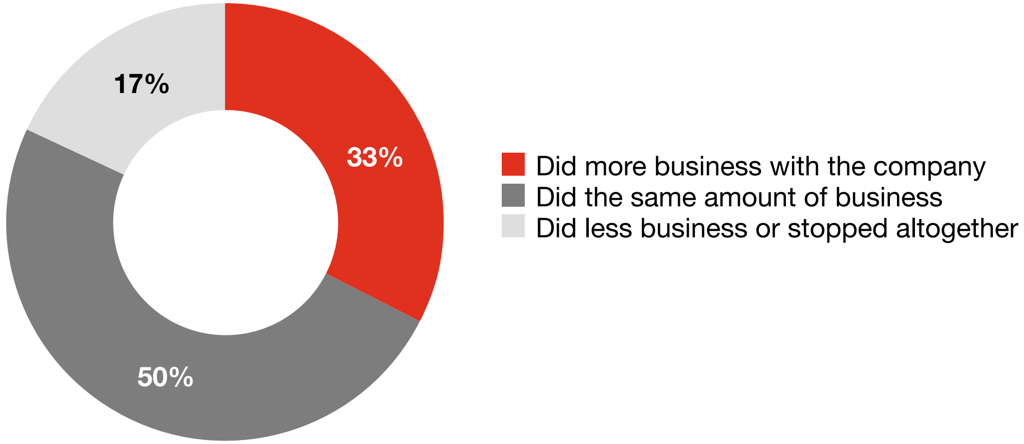
We found that companies clearly have opportunities to strengthen relationships through M&A, as consumers are open to the potential benefits. But while only one out of five people said their M&A experience has been negative, less than half said it was positive, leaving room for improvement. Also, while they recognize the desire to grow revenues and reduce costs through M&A, consumers largely don't regard job cuts, shuttered locations and other efforts to improve efficiency as signs of success.

The good news is customers are sticking around: Only a fraction did less business with a company post-deal, and a larger percentage did more. Companies in recent years have expanded M&A strategy, due diligence and integration beyond hard assets to such areas as workforce and culture. But PwC's *CX in M&A* survey shows how the deals process can further evolve to better serve consumers in times of transition.

**Actual M&A experience has been more positive than negative for customers ...**




**... and customers have mostly stayed with companies through M&A**




*Source: PwC Consumer Intelligence Series CX in M&A survey, 2019*
**Online survey conducted Feb. 8-27, 2019*

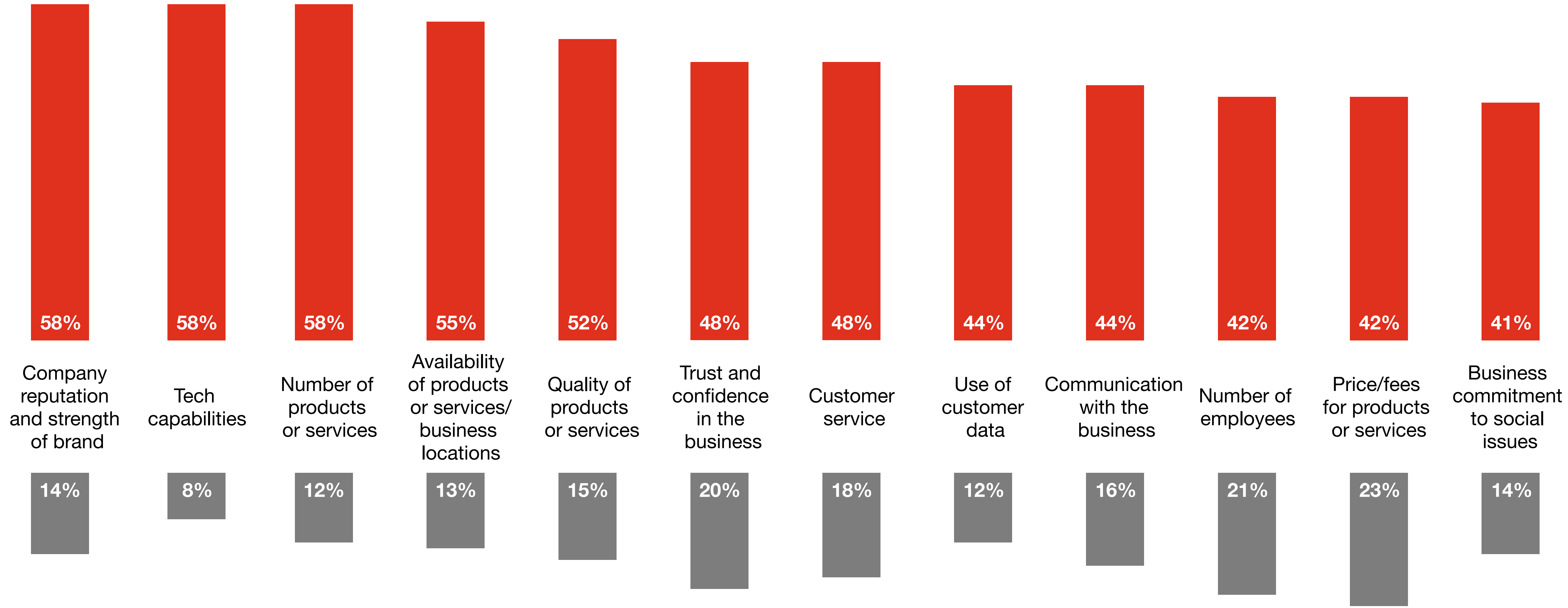
# M&A more often made things better than worse for a company's customers

Among those who said they were customers of businesses that went through a merger or acquisition, the most often mentioned types of companies were consumer businesses, banks and telecommunications companies.

Three out of five consumers said they were customers of companies that went through M&A.

**Gains in reputation, tech and number of products, but also higher prices**

People who say the following got **better** or **worse** as a result of an M&A transaction




*Source: PwC Consumer Intelligence Series CX in M&A survey, 2019*

"You can very probably, quickly eliminate significant costs in the company that you're taking over. … I'm very much focused on results for shareholders and shareholder value."

**Dealmaker, UK**

"It is important to look after customers and employees sincerely and thoughtfully. Companies that prioritize shortsighted profits or treat customers terribly may have their profits improve in the short term, but in time they will be weeded out."

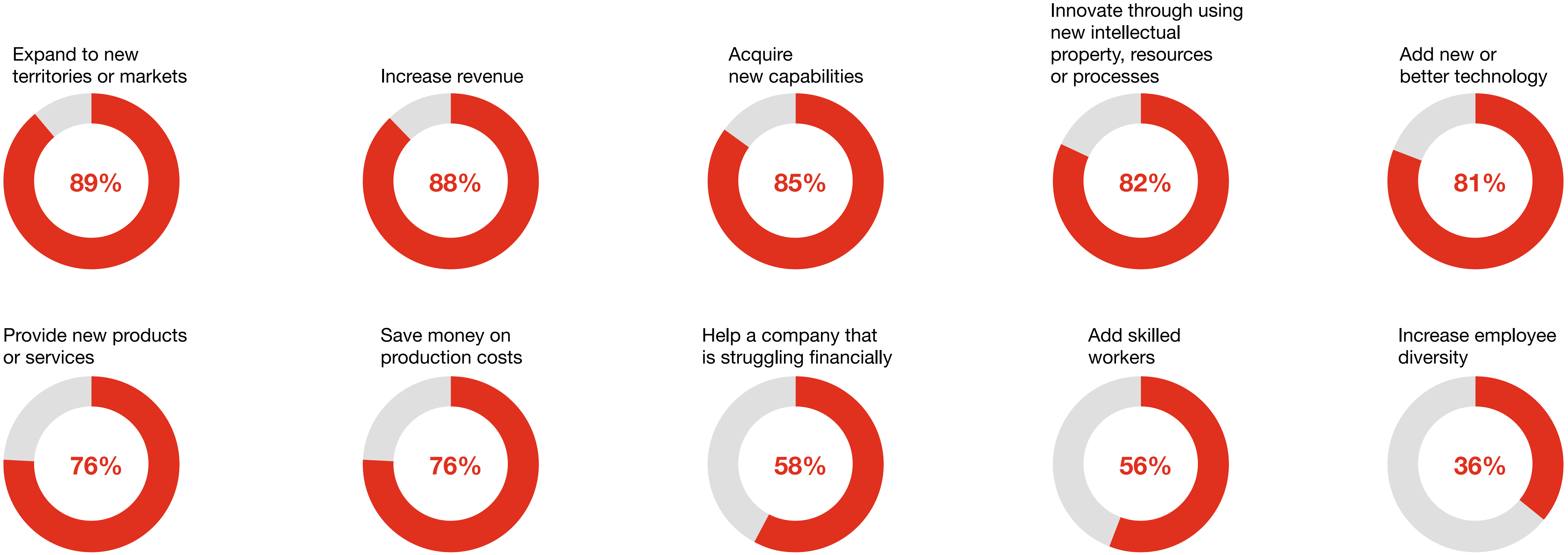
**Consumer, Japan**

# Consumers see positives about M&A but don't think customers are a priority

Consumers generally understand and have some positive views of M&A. This audience isn't confused or assuming the worst. They may have questions but for the most part appreciate why a company might want to buy or sell to another.

More than half of consumers say a company's customers can benefit from a merger or acquisition.

**Pursuit of new markets and higher revenues are the biggest deals drivers**
Reasons why one company would want to combine with another

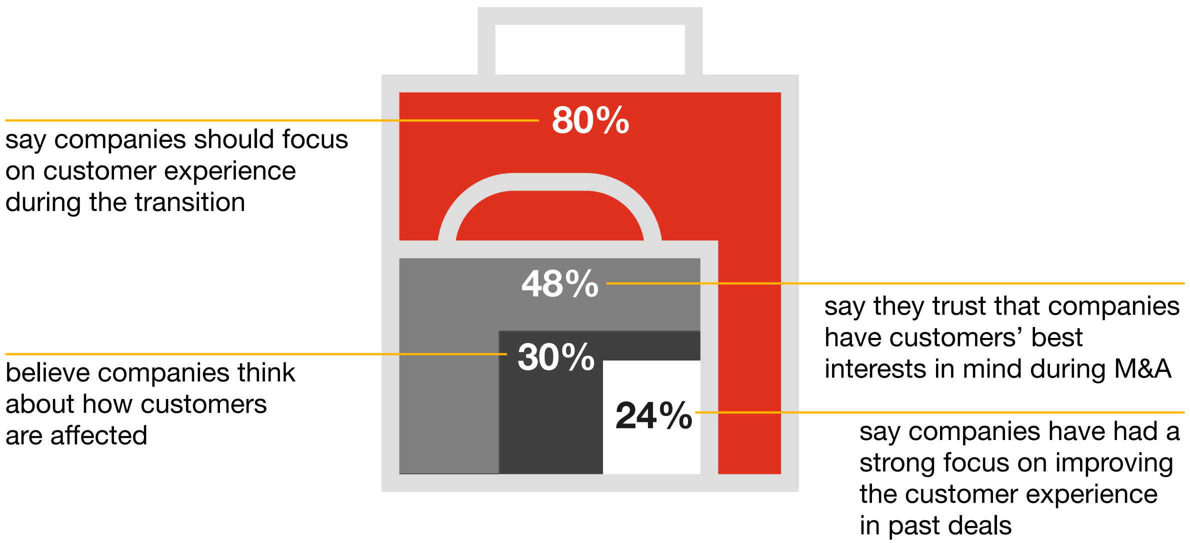



*Source: PwC Consumer Intelligence Series CX in M&A survey, 2019*

That said, many don't think companies consider their customers during the M&A process. That should be a focus, they say, but it largely hasn't been in past transactions, and there's an opportunity for companies to improve. "As companies become larger, they have a tendency to lose a grip on the feelings of customers, and measures should be put in place to improve this point," one woman in Japan said. A man in South Korea was more pointed: "Consumers can all tell which companies are just thinking of their own profit and do not care about their customers. In the long run, the company will suffer."

Some dealmakers understand this concern. "To me, the first step is no impact. Don't lose the momentum," one dealmaker in Canada said. "Can we slide from one company to another company – different ownership, different culture – and no impact to the customer?"

## Customers should be—but usually aren't—a focus in M&A




*Source: PwC Consumer Intelligence Series CX in M&A survey, 2019*


"M&A is one of those games where you really have to be dispassionate to really gain the value from it."

**Dealmaker, Canada**

"Understand that a company's profits will not improve just by reducing the number of workers."

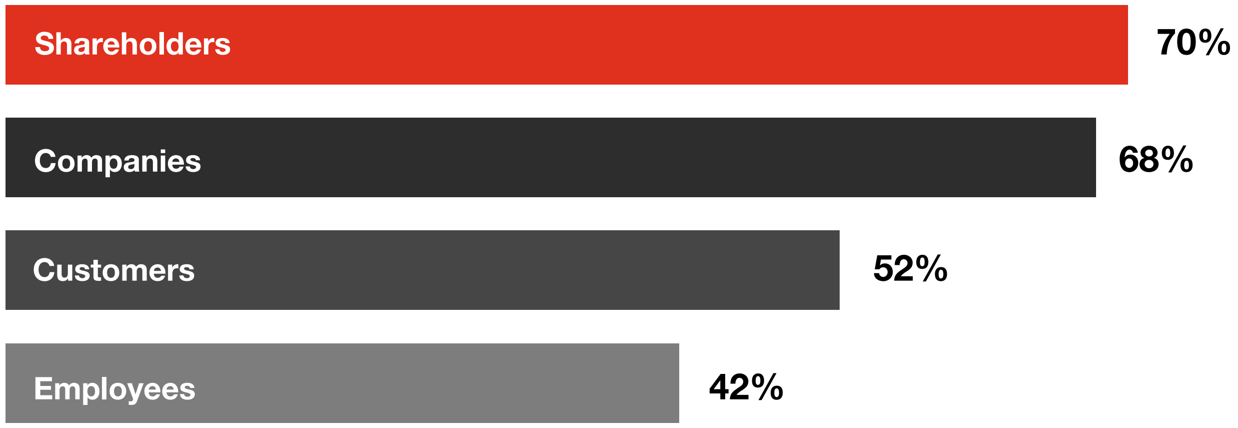
**Consumer, Japan**

## Employees are at risk in deals, and that's not good for customers

Companies and their M&A advisors have given more attention to the importance of employees and culture in deals, and they should double down on these efforts. Consumers don't think employees benefit from M&A nearly as much as the companies and their shareholders. More than one-fourth say it's negative for workers, and that can affect customer experience. "Jobs were slashed, wait times increased and remaining employees sounded stressed," one customer of a health insurance provider said.

### Employees don't get the same lift as other groups from deals

People who say M&A is positive for

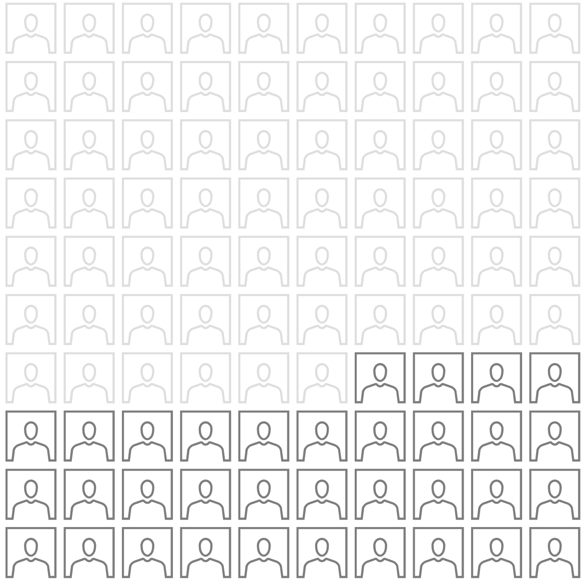



*Source: PwC Consumer Intelligence Series CX in M&A survey, 2019*

## Maintaining the workforce signals success to customers

**88%**

say retaining staff is important

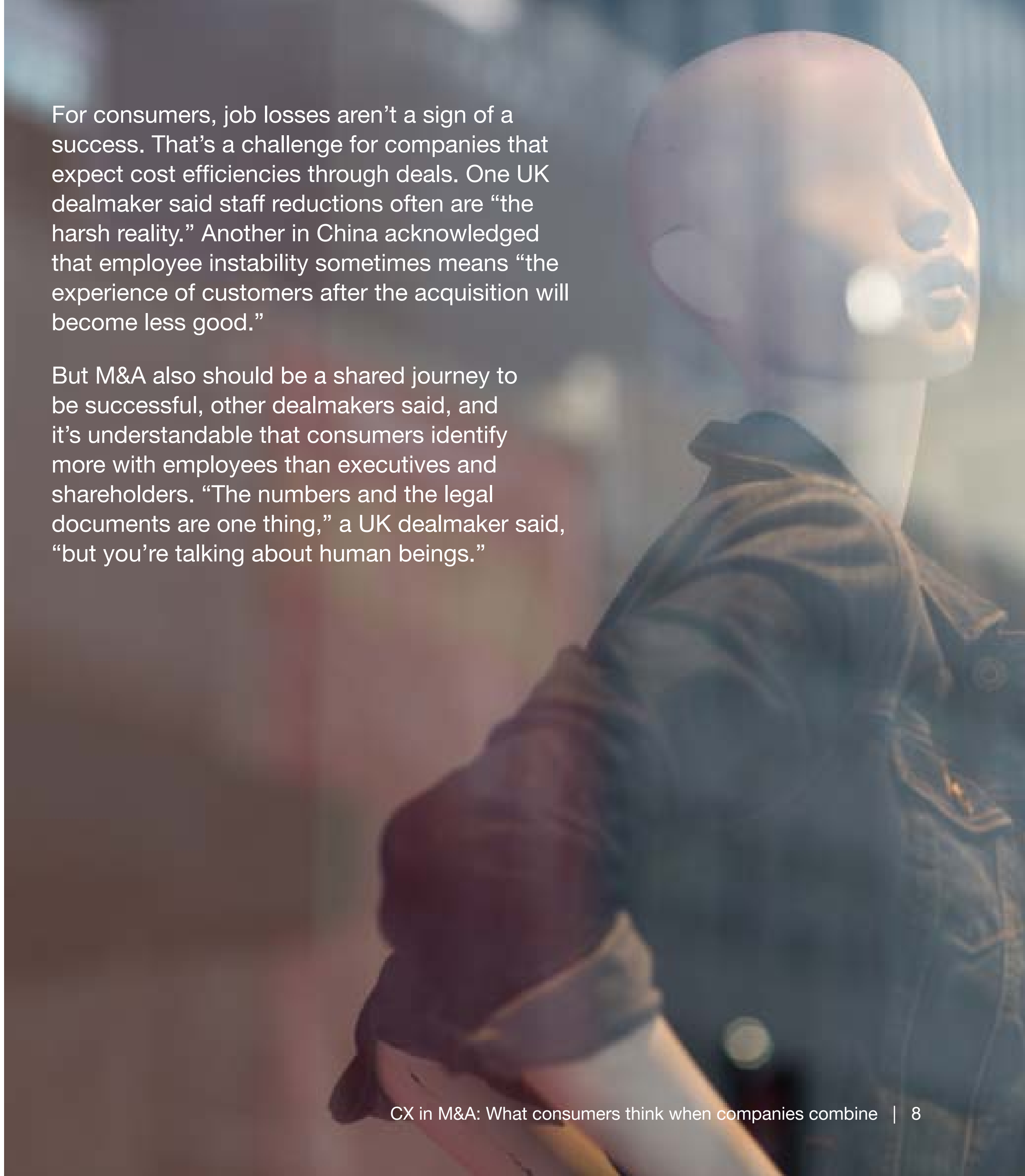


**34%**

say M&A that resulted in job losses would be successful

Source: *PwC Consumer Intelligence Series CX in M&A survey*, 2019





For consumers, job losses aren't a sign of a success. That's a challenge for companies that expect cost efficiencies through deals. One UK dealmaker said staff reductions often are "the harsh reality." Another in China acknowledged that employee instability sometimes means "the experience of customers after the acquisition will become less good."

But M&A also should be a shared journey to be successful, other dealmakers said, and it's understandable that consumers identify more with employees than executives and shareholders. "The numbers and the legal documents are one thing," a UK dealmaker said, "but you're talking about human beings."

"M&A is all about sharing the data, sharing the information. ... I don't see any downside to it. Yes, the information is now accessible for the entire larger organization. But it is definitely beneficial in terms of how to market and how to sell the services."

**Dealmaker, US**

"I was a customer because the original company had privacy as a core value. It was acquired by a company that is infamous for privacy violation issues. Not being associated with a company that goes against the original values would have helped me stay a customer."

**Consumer, UK**

# Customer data has promise but needs to stay safe

Consumer data is seeing a critical convergence. Companies in many industries want to use it to better understand customers and win more business. Consumers want to know their data is safe from a breach, but they also see opportunities for a better customer experience.

Nearly two-thirds say if companies going through M&A use customer data to improve offerings, they'd consider the deal a success. Of those who have experienced M&A, many more say use of customer data improved than got worse. But security remains paramount: Nine out of 10 say companies need to keep customer data safe during M&A.

Dealmakers recognize customers may want a say in their data, but it also "may be one of the key reasons why you're acquiring that business," one UK dealmaker said. Another in China agreed, citing consumer data as key in digital transformation. "Many companies now attribute the value of the consumer's data to the valuation process" in deals, he said. New legal protections such as General Data Protection Regulation in Europe and the California Consumer Privacy Act may help, but those vary by location. If companies are transparent about the safe transfer of personal information, one South Korean woman said, "they should gain trust."

## Customer data has potential but must stay secure first

**65%**

say a deal that allows a company to use customer data to improve offerings would be successful

**91%**

say it's important to keep customer data safe during M&A

**52%**

said it's extremely important

Among those who have experienced M&A as a customer,

**44%**

said use of customer data got better

**12%**

said it got worse

*Source: PwC Consumer Intelligence Series CX in M&A survey, 2019*

“If you’re a significant company, you have significant market share and you have a brand that is of significant value, you probably want to be careful about the brands that you are bringing in.”

**Dealmaker, US**

“It grew too big and had too many offerings to be successful with all of them. It started to lack the personal touch it originally had.”

**Consumer, Canada**

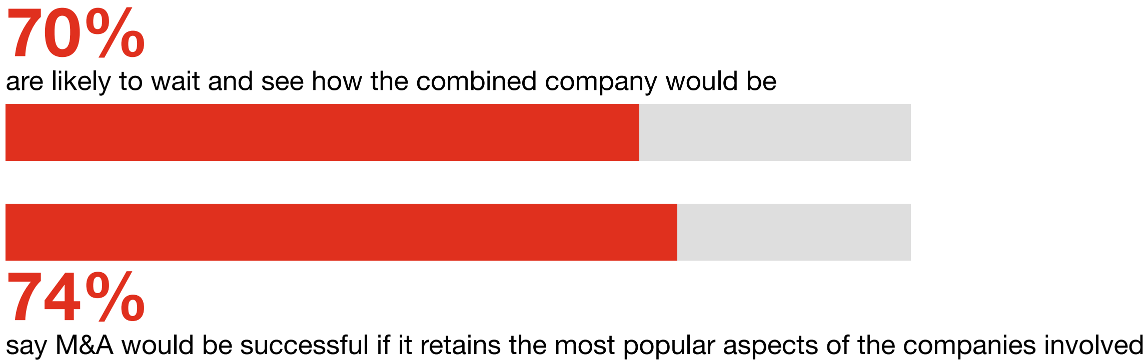
# Keep what customers appreciate and work to preserve their trust

When someone starts doing business with a company, something about that company probably appealed to them. That appeal factors into whether the customer stays and does more business. So while some dealmakers like the opportunity to transform a business, a company going through M&A needs to keep in mind why customers first walked through its doors and keep coming back.

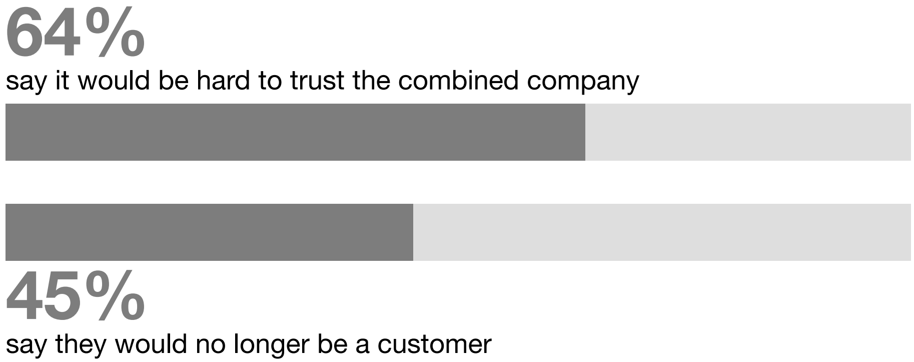
A majority of consumers are willing to wait and see how a combined company will be, but just as many say keeping the most popular aspects of each business would lead to success. And issues arise when a company that customers trust combines with one they don't – to the point that many customers could leave. One UK woman said her experience with a financial services acquisition would have been better if the two companies understood each other's markets and customer needs.

While some companies may see M&A as a shortcut to new customers, dealmakers realize there could be aversion to a new owner. A dealmaker in South Korea said an acquirer doesn't necessarily need to "bring everything to a brand name under a single, unified flag just because you have done an M&A." And a UK dealmaker recalled the sale of a beloved food brand to a multinational consumer goods company being seen as "a betrayal." Keeping customers meant working "very, very hard to make sure that it ran (the acquisition) as a separate entity."

**Consumers are patient but want brands protected**



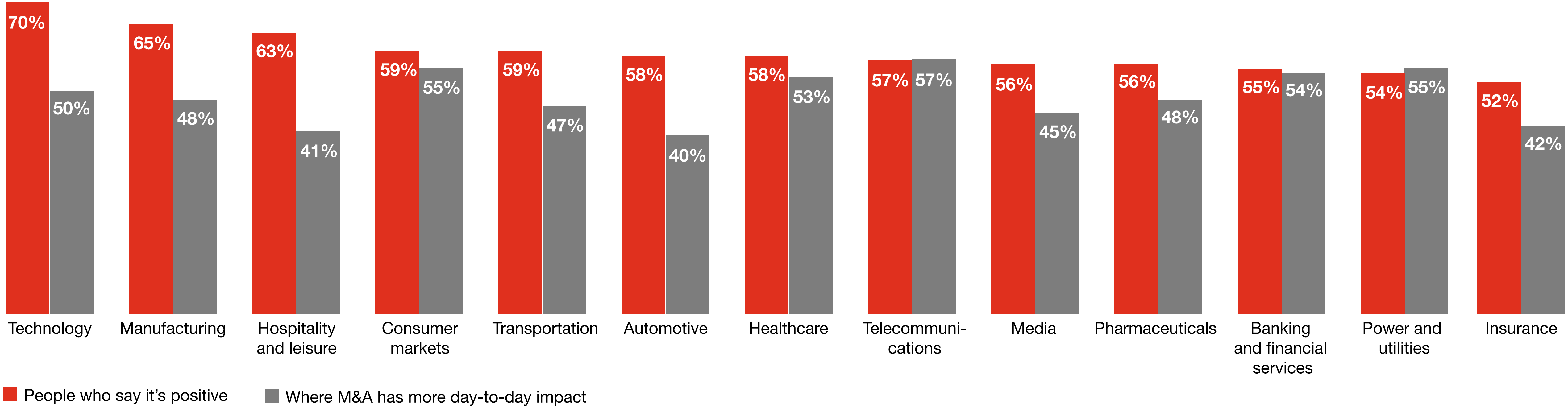

But if a company combined with one that a customer didn't trust or like




*Source: PwC Consumer Intelligence Series CX in M&A survey, 2019*

# M&A has more impact in some sectors

**M&A is seen as more positive for some types of companies than others, and impact on customers ranges by industry**




*Source: PwC Consumer Intelligence Series CX in M&A survey, 2019*

# Concerns about cross-industry deals, but also a monopoly

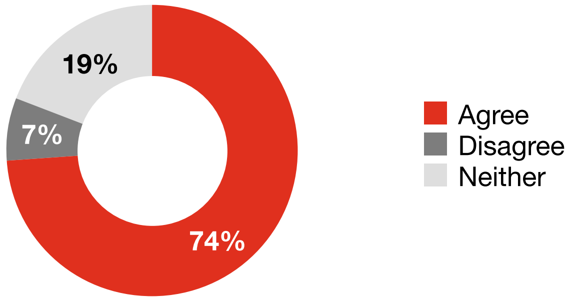
Whether it's a company buying a major competitor or national corporation buying a regional business, M&A within an industry remains a large part of deal activity. But as digital transformation accelerates in some sectors, acquisition aspirations often expand beyond industry lines. "Many companies will be unable to survive if they stay with their existing business models," one dealmaker in Japan said.

Consumers see more challenges in M&A by companies in different industries. One US woman said a deal by a telecom company and a consumer business didn't make business sense and seemed "more for political and environmental reasons." Dealmakers also see more complexity in cross-sector deals. "You're not just talking about difference in human culture," a dealmaker in Canada said. "Now you're talking about difference in the industry culture and how it affects its financials."

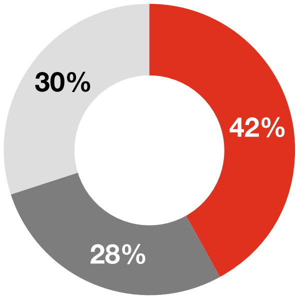
Consumers worry less about acquisitions within industries, but not if they result in a monopoly. "I just don't like when a big corporation hijacks the market," a Canadian man said. One UK dealmaker thinks that's less likely than in the past, thanks to previous consolidation: "The sizes of some of these businesses that are thinking of combining are so large, and their market shares are so large, that it's just hard to see it happening."

## Cross-sector deals are harder, and competition within industries is important

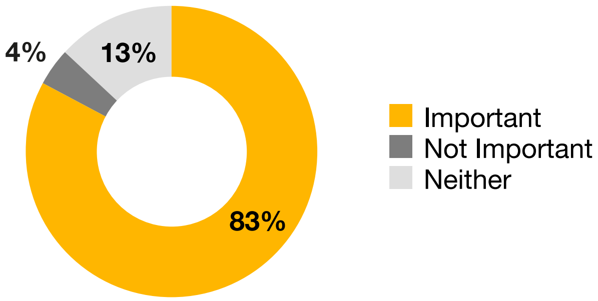
Companies from different industries have more challenges when combining




Companies from the same industry combining worries me more than cross-industry M&A




How important is it for companies to take into account whether a combination will cause a monopoly?




*Source: PwC Consumer Intelligence Series CX in M&A survey, 2019*

"You want stickiness. You want to find products that will keep your customer base loyal to you. … Because customer turnover is a big issue, and it's expensive to get them back."

**Dealmaker, Canada**

"Let the customer see that the transition will not affect their continued business with the company. And show them that they will never notice the change only for the better."

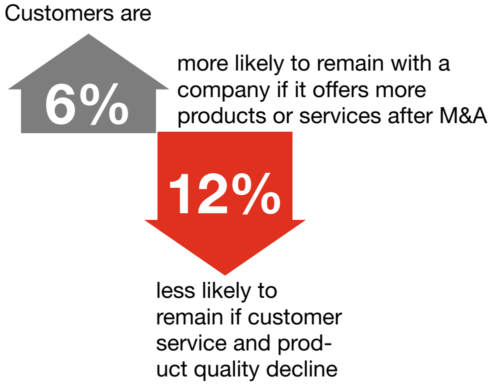
**Consumer, US**

# Improving customer experience in M&A

## Continuity can minimize disruption

Acquisitions can bring new and better ways for companies to serve consumers; one dealmaker in Japan recalled a deal that was viewed as a step up. “Customers saw it as something that would bring greater stability,” he said, “and maybe more money put into fixing whatever they didn’t like.” But issues can arise when changes affect what customers do like. During the transition that comes with M&A, companies need to keep disruption to a minimum and work to maintain the same service and quality while they improve offerings. What might seem to the C-suite like a little slip can be a big slight to customers who expect the same standards as before the transaction.

### More products won’t overcome worse service or lower quality




Source: *PwC Consumer Intelligence Series CX in M&A survey*, 2019

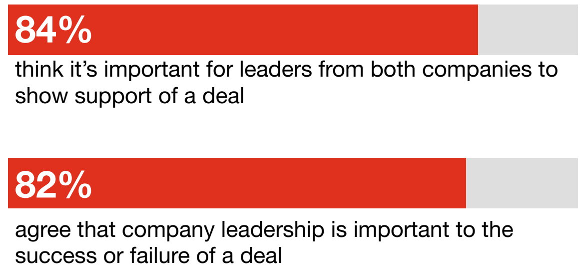

And keep in mind that more by itself isn’t always better. One woman in Canada lamented a recent deal in the transportation industry: “They are adding too many new options too quickly, and the quality is no longer there.” Moving too fast without flexibility can affect the workforce, too. One dealmaker recalled multiple acquisitions in which a “parent-child” attitude resulted in employee departures and other fallout. “You’ve basically lost everything from goodwill to the ability to execute and deliver,” he said. “With most of those acquisitions, we lost market momentum so quickly.”

## Collective leadership boosts confidence

Leaders of companies that agree to combine typically endorse the deal at the outset, and customers want to see that support on a consistent and collective basis throughout the process. They want to know that each party, not just the buyer, is excited about transaction, and that enthusiasm should ripple through the company ranks. Nearly nine out of 10 said leaders are responsible for creating a positive environment for employees, which can preserve or improve the customer experience.

With greater awareness of the importance of company culture, some deals have seen efforts to unite workforces without forcing integration right away. “Even if you buy a company that’s attractive, a mistake during subsequent integration will cause failure that can’t be taken back,” a dealmaker in Japan said. “There are cases where it’s better to give the target company room to be free to a degree, delegating lots of authority without interfering.”

### Visible, united leadership plays a big part in M&A success




Source: *PwC Consumer Intelligence Series CX in M&A survey*, 2019

# Improving customer experience in M&A

## Consistent communication eases the transition

Communication with consumers during M&A can be delicate. Company leaders may want customers to be excited about the possibilities, but they could worry about overpromising the benefits and executing a smooth transition. As much as possible, companies should keep customers informed of the progress toward a better experience, and in the right channels. More than 70% said they learn about M&A in the news, compared with 42% in company announcements, 29% on company websites and 17% from company employees.

The key with communication is being ahead of any disruption. That means giving customers enough notice instead of letting them know about changes as they happen. One Canadian woman said she had many updates during a healthcare company transition, but the constant changes were confusing, and she “lost trust that the new company had it together.” With consumers less likely to contact a company during M&A than to seek information elsewhere, companies need to be proactive. “How you tell the story to consumers about the value of your business” will determine success, a China-based dealmaker said. A dealmaker in Canada agreed: “If you don’t have that buy-in up front with people, they might not go along with you on the journey.”

### Customers want to know what’s going on, and for how long

**77%**
say customers should be kept informed of M&A progress

**78%**
say customers should be informed of anticipated length of integration

**63%**
are likely to seek out online reviews from other customers

**46%**
are likely to proactively contact company

Source: *PwC Consumer Intelligence Series CX in M&A survey*, 2019



# Improving customer experience in M&A

### Sentiment analysis: What do people *really* think?

The ability to capture and analyze unstructured data to identify patterns has increased in recent years. Artificial intelligence-powered tools such as natural language processing can pull common themes, key trends and other valuable insight from massive amounts of information that otherwise would be labor-intensive to review. This can include consumer reviews of companies and their products and services, employee comments on companies and management, and other collections of text that could better inform companies on how they're viewed by stakeholders.

### Cyber due diligence: Get ahead of data risks

Companies need to incorporate cybersecurity and privacy issues into their assessment of any M&A target. Between a deal announcement and closing, an acquirer has to assess the cyber capabilities of the target, its vulnerabilities and how they can impact operations, customers and ultimately the transaction value. Key risk indicators include the resiliency of a company's IT operations and which parts are in danger of attack, as well as the amount and nature of customer data a company has, what data is most sensitive and valuable, and how well it is protected. Having the right talent with experience in these and other cyber issues is crucial.

### Communications strategy: From leaders to the front line

Announcing the deal is just the beginning, and a comprehensive communications strategy ensures key audiences, including customers, will understand and appreciate how the transition is going. Communication is a stabilizer, and this is crucial after Day One of the new, combined entity, when integration begins in earnest and the parts of the two companies come together. To ensure customers aren't left wondering, M&A communications should include both broad outreach on the company brand and specific messaging on opportunities resulting from the transaction, articulated by customer-facing employees.

### Integration management office: Building a new ecosystem

Many companies have experience with creating a central project management office (PMO) for major initiatives. A merger or acquisition, especially one that transforms a company, is more than a "project." An integration management office (IMO) converts the integration strategy into actions by aligning people, processes and systems with M&A objectives. An IMO can provide both discipline and flexibility to adapt to a transaction's unique circumstances and evolving needs. Coordinating activities across teams in both companies pays dividends not only with employees of the combined organization but also customers who will see a smoother transition.

### Test and learn: Include customers on the journey

M&A is often a big investment with big expectations. It makes sense to consider investing time to go deeper with consumers on what they're concerned about and would appreciate as the company evolves. Whether it's through an IMO or another process, surveys, focus groups and pilot programs can yield useful insight on a small level that can better guide the larger transition.

## The bottom line

Customer satisfaction can contribute mightily to company success, and keeping customers happy in times of change can be challenging. M&A professionals have plenty of stories about deals that didn’t deliver the anticipated value. A company exploring a merger or acquisition can take steps to avoid that by adjusting its deal process to better account for consumers’ needs, and ultimately position itself for a stronger future. “If you’ve got customer success, you’re going to have the financial returns,” one dealmaker said, “and your investors would see that.”

## Methodology

PwC's Consumer Intelligence Series enables greater insight into consumer and executive attitudes and behaviors in the rapidly changing technology landscape. As part of our series, PwC conducted an online survey from February 8 to February 27, 2019, of 7,801 adults from Canada, China, Japan, South Korea, the United Kingdom and the United States. Respondents qualified if they were at least 18 years old and said they were familiar with mergers and acquisitions. To validate direction for the survey, PwC conducted more than 80 in-depth interviews of the informed public and M&A professionals from November 20 to December 7, 2018.

pwc.com/us/CX-in-ma

## Let’s have a conversation

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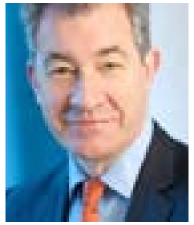

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