



## Deloitte's Mutual Benchmarking Service Offering

### **Use-cases in M&A**

# Content

Why is cooperative benchmarking useful for companies prior to joint ventures or M&A? .....	03
Testing value creation hypotheses for future M&A purposes .....	03
Pre-deal synergy potential identification and validation .....	04
Synergy acceleration between signing and closing .....	04
Contact .....	05



## Why is cooperative benchmarking useful for companies prior to joint ventures or M&A?

We hope you have found insightful our [post](#) on the general benefits of cooperative benchmarking, the importance of [an anti-trust advisor](#), the importance of a [data-escrow agent](#) and how Deloitte can

serve these functions in addition to providing our renowned analysis of the data being used in the benchmarking. Here, we will continue the topic, discussing specifically why cooperative benchmarking provides

unique and high-impact opportunities for companies looking to embark upon a joint venture or growth through a merger or acquisition.

## Testing value creation hypotheses for future M&A purposes

This section is about conducting the cooperative benchmarking prior to transaction process. We recommend considering cooperative benchmarking and engaging very early—as soon as the M&A strategy is set. We have even helped clients test the hypothesis of whether inorganic growth is the right strategy through engagements in cooperative benchmarking facilitated by Deloitte.

The reason why earlier is better is that at this phase, most companies have multiple candidates in mind to pursue a potential transaction (even if the goal is to find one whose size and other characteristics are the right fit). As such, the representatives from your company who are leading the benchmarking can congruently present it as a multiple-party cooperative benchmark-

ing around the datasets relevant to the operational metrics which would be sought to be improved if the hypothesized synergies were realized.

Even if you have only one target in which you would be interested in order to fulfill the strategy, there are multiple reasons to invite additional companies to the benchmarking along with the target. First, it challenges your company to carefully consider whether, indeed other companies couldn't fulfill your strategic goal if your target were to prove uninterested in the transaction. Other invitees, thus, could be competitors of your target or operational [peers](#) of your target if you are seeking synergies other than strategic roll-up, such as specific capabilities. Selection of additional invitees and presenting and completing the

benchmarking requires [finesse](#) where there is a confidential strategic intent on the part of the benchmarking sponsor. As you likely know, Deloitte has the business expertise to help you choose the correct invitees and propose the correct datasets to be benchmarked. Deloitte also has the experience to hold the strategic intents of our clients in utmost confidentiality to conduct the benchmarking with the necessary finesse. Second, the involvement of additional participants mitigates the risk of an unduly high valuation down the line on the part of your target, especially in the situation where you would be the acquirer (rather than in a merger of equals or in a JV). The involvement of additional participants in the benchmarking phase prewires the signal that if the target does not right-size the valuation, you have other options.



## Pre-deal synergy potential identification and validation

This section is about conducting the cooperative benchmarking after transaction discussions have already started. If you are visiting us at this post only after you have already started discussions with a single target, we recommend that you proceed according to how the discussion is going. If it is tenuous, contentious, or even slightly adversarial, you may wish to still consider inviting a multi-party benchmarking according to the section immediately above.

This section is about how to proceed when you and the target are on the same page, having aligned goals and wanting to pre-validate the synergy hypothesis. With intentions fully out in the open and mutual, you are in the position and need of conducting much, much deeper bilateral benchmarking than a multi-lateral, confidentially motivated benchmarking would allow. However,

with the depth of benchmarking comes the need for many, many more datasets. Deloitte is happy to provide analysis of the additional datasets, but as you share more data, the criticality of our role of gating the data so that you can remain [anti-trust compliant](#) multiplies. We execute this for you with our scalable [data escrow service](#). In this scenario, it is less about protecting you from premature sharing with a benchmarking invitee who pulls out early and more about protecting you and your trusted benchmarking partner at each and every data point from wrongfully revealing, for example pricing from suppliers, vendors and service providers ("providers") by name, overly detailed (insufficiently aggregated) costs of products or services, confidential commercial agreements or trade secrets of providers.

## Synergy acceleration between signing and closing

You might be visiting this post after serving on a team for your company which has successfully completed signing. (Congratulations, if this is the case.) In fact, you may have been one of the experts or strategists who conceptualized the synergy. Now you are in the less-than-exciting waiting period until the closing. You would have been eager to push the synergy concept closer to reality, but other strategy work is waiting on your desk from other business areas. In fact, an unfortunate but simple reason synergies are suboptimally realized is the lack of connection between the team that conceptualized the synergy and the team that eventually gets the responsibility of realizing the synergy. The exacerbating factor is the long wait between signing and closing. By then, the first team are often fully engaged on new work, especially if the acquirer is a conglomerate or the experts were external advisors. And the latter team

has the tangible, overarching, primary responsibility of getting the operations integrated and functioning. Tracking the synergy capture is almost an afterthought or secondary concern.

We definitely agree with your eagerness to accelerate the work on synergy capture and are able to provide you with a way to do so between signing and closing through our data escrow process adapted to a clean room context. As you know, you must still meet antitrust requirements, but that leaves a lot that can actually be worked on.

Let's consider one of the most challenging domains from an antitrust perspective as an example. The two companies would want to consolidate and rationalize their spending. In a typical post-merger (post-closing) workflow, the newly married sourcing and procurement team would

look at how much combined spend is with each provider with the intent to renegotiate with each provider under the higher spend volumes and carry forward the more favorable terms from each legacy company. A combined synergy-delivery-motivated sourcing and procurement team might even look, in each category of spend, to migrate the smaller legacy spender over to the provider of the bigger legacy spender to extend economies of scale. You may think that nothing like this is feasible because you might not be able to talk about providers by name and specific rates in a clean room setting between signing and closing. In fact, under these constraints, you could actually develop your post-merger plan more strategically and simplify the integration work that will have to be done. While you might not be able to talk about who the providers are or what rates you pay,

you are able to share how much you spend in each category, how many providers you have, where the expenses are incurred geographically and in terms of business area. In most transactions, we find that one, if not both parties have a long tail (small amount of spend with very many providers) in multiple key categories of spend. Analysis of this benchmarking data would allow you to contemplate how many strategic providers you would want to have in the future state for each category and set targets accordingly for the integration team. All of this should be under the strict guidance of the cleanroom advisor, of course. And finally, we recommend making arrangements for revealing the data and passing the detailed analysis and recommended course of action to the integration team immediately after closing.

## Contact

The authors welcomes your comments and questions.



**Dean Rahman**  
Deloitte Oy Consulting  
drahman@deloitte.com



**Tapio Koivumäki**  
Deloitte Oy Financial Advisory  
tapio.koivumaki@deloitte.fi



**Filip Brenner**  
Deloitte Oy Financial Advisory  
filip.brenner@deloitte.fi



**Deloitte Finland,  
Salmisaarenaukio 2, 00180 Helsinki**

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited (“DTTL”), its global network of member firms, and their related entities (collectively, the “Deloitte organization”). DTTL (also referred to as “Deloitte Global”) and each of its member firms and related entities are legally separate and independent entities, which cannot obligate or bind each other in respect of third parties. DTTL and each DTTL member firm and related entity is liable only for its own acts and omissions, and not those of each other. DTTL does not provide services to clients. Please see [www.deloitte.com/about](http://www.deloitte.com/about) to learn more.

This communication contains general information only, and none of Deloitte Touche Tohmatsu Limited (“DTTL”), its global network of member firms or their related entities (collectively, the “Deloitte organization”) is, by means of this communication, rendering professional advice or services. Before making any decision or taking any action that may affect your finances or your business, you should consult a qualified professional adviser.