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M&A-driven sales & marketing
Know where to play and how to win

Introduction

A company pursuing an M&A transaction often has a strong growth rationale for the deal. In theory, M&A provides many opportunities for growth – expanded market presence, larger customer base, and broader product/service portfolio, among others. In reality, only 27 percent of acquisitions are able to help a company grow faster than its historical rate or keep pace with its peers.[1]

In most cases, achieving M&A-related growth becomes a question of focus, capability, and executional readiness. However, in their haste to integrate operations and reap "tangible" cost synergies, companies often miss opportunities to become more customer-centric, achieve quick-win revenue synergies, and build a long-term growth platform. Many factors can divert an organization's focus from achieving growth goals including different management visions, disparate operating models built on legacy systems and processes, outdated customer experiences that don't leverage digital or other technologies, and culturally diverse workforces.

A company's Sales & Marketing organization can play an essential role in helping to capitalize on growth opportunities across the pre-deal and post-deal phases of an M&A transaction. This is particularly true when company executives are aligned to and guided by a Sales & Marketing growth framework (Figure 1) – that aids decision-making around "where to play" and "how to win." This framework should help executives identify and validate growth opportunities; tie these to the newly combined company's go-to-market strategy to strengthen customer-related functions; and facilitate functional readiness across the enterprise.

Figure 1. Growth in M&A framework

What are our goals and aspirations?	Where will we play?	How will we win?	How to configure?	What management processes and systems?
• Confirm growth targets—growth expectations and revenue synergy goals • Develop revenue baseline for the combined entity	• Validate existing growth opportunities across markets and customer segments • Develop new growth opportunities by sizing and prioritizing combined baseline	• Define combined value proposition and messaging to drive a unified go-to-market strategy • Enhance customers experience to increase purchase decision	• Drive integrated product portfolio • Enhance pricing and profitability • Align marketing and digital strategy • Optimize sales and channels mix and access	• Drive process and system readiness to execute the plan • Enable customer and field readiness to ensure that they are ready to conduct business with NewCo

Pre-close planning and preparation

Analyzing growth goals and opportunities, defining a go-to-market (GTM) strategy, and developing a customer experience strategy are critical elements of M&A pre-close planning and preparation. A cohesive sales and marketing vision that is backed by robust data and analytics can support functional integration, leverage operational synergies, and increase deal value.

Analyzing growth opportunities

The first step in determining where and how to grow is to baseline existing capabilities and identify and prioritize growth opportunities. While the overall deal model serves as a directional goalpost around baseline growth targets, it typically provides floor, not ceiling-level, objectives. A separate but aligned growth framework identifies a structured and logical approach to analyze and quantify growth and the time-phasing required, based on prioritizing an opportunity's size and ease of execution (Figure 2). Typically, the analysis occurs in a "clean room" environment pre-deal close, given the confidential nature of the information that cannot be shared during this phase in the M&A lifecycle.

A growth analysis examines the total addressable market for the combined product and solution portfolio, the strength of the target's competition, and how well the combined company can penetrate markets going forward. By interviewing select management and customers, acquirers can identify and prioritize potential opportunities by product, customer segment, market size, or region. This disciplined approach keeps planning efforts focused on the highest-value opportunities. Effective growth analyses align stakeholders – including sales and business leaders – who, ultimately, will be accountable for and impacted by sales results.

Case study: A global technology hardware company was aiming to become the leader in enterprise asset management by acquiring an enterprise solutions business. To achieve desired synergies, the combined company needed to align its sales, marketing, and channel capabilities. After identifying growth opportunities across combined capabilities, developing growth roadmaps and a future-state vision for business functions and systems, the combined company ultimately achieved its desired revenue synergies and revenue growth. It will have about 20,000 channel partners in more than 100 countries, and will hold a robust portfolio of intellectual property (IP), with approximately 4,500 US and international patents issued and pending.

Figure 2. "Where to play" framework

Where to play		
1 What is the addressable market?	2 What growth opportunities exist and what customer behaviors to drive?	3 Which customer segments to invest in and focus resources out?
How do we define market boundaries? What high level unmet needs are we addressing?	Who are target decision makers and what behaviors do we want to change?	What are actionable and meaningful segments? How do we prioritize and sequence customers?
Opportunity sizing	Buying process	Action segmentation*

Defining go-to-market strategy

Once the deal team has identified specific market opportunities, the next step is to define a unified go-to-market strategy (Figure 3) to achieve growth objectives, maintain business continuity, and efficiently and effectively deploy both companies' talent and resources.

Adding the target company's offerings to the acquirer's product and service mix can shift the GTM approach in dramatic ways. The new strategy should translate data inputs into an actionable, growth-focused structure that is defined by segment, market, product, channel, and sales. It can be challenging to identify and prioritize the most critical strategic inputs, but doing so will determine the effectiveness of the deal vision, structure, and subsequent decision-making when executing the strategy post-close.

One critical process is to develop jobs-based customer segments that reflect what the new company's target customers want to accomplish, rather than how they accomplish the goal. The segmentation model should cascade into a targeted GTM plan that encompasses:

- Overall resource allocation
- Sales and service delivery: Sales targets, sales coverage, channel mix
- Marketing: Customer messaging, branding, targeting, new value proposition
- Research and development (R&D): Portfolio rationalization, roadmap planning, product innovation efforts

A thorough understanding of new customer segments and a clear GTM strategy should enable better alignment of the post-merger sales channels with the post-merger product portfolio.

Case study: A software company that primarily operated with an indirect sales model (selling via channel partners) was considering the acquisition of a software-as-a-service (SaaS) company with a direct sales model and its own sales force. To achieve growth objectives, the acquiring company focused resources upfront to determine the right mix of direct versus indirect sales based on the market strategy it established, as well as whether it needed to build additional capabilities. Based on this assessment, the company was able to plan necessary adjustments to its sales channels after deal close, accelerating the time to results.

Figure 3. "How to win" framework

How to win		
4 What do segments do and why do they do it?	5 How to outmaneuver the competition?	6 How to effectively activate customer segments?
What drivers and barriers must we address with each target segment?	What are the differentiating benefits and attributes of our product/service?	What value proposition addresses target segments? What are the key elements of our offer?
Customer portrait	Differentiating capabilities	Value proposition and offer structure

Developing a customer experience strategy

Delivering a consistent brand promise and experience across all customer touchpoints enables a company to gain more value from its customer relationships. In the context of M&A integration planning, companies should develop and implement a customer experience (CE) strategy framework (Figure 4) that is designed to maintain business operations and allow both companies to unlock value for customers and shareholders. An effective CE strategy can increase customer retention, spur higher and more frequent spend per customer, and lessen price sensitivity. The CE strategy and framework should focus on:

1. Evaluating the current customer experience and assessing the voice of the customer;
2. Developing customer experience "personas" to build a customer-centric organization;
3. Identifying and prioritizing CE improvement opportunities; and
4. Executing and measuring the results of the CE improvements.

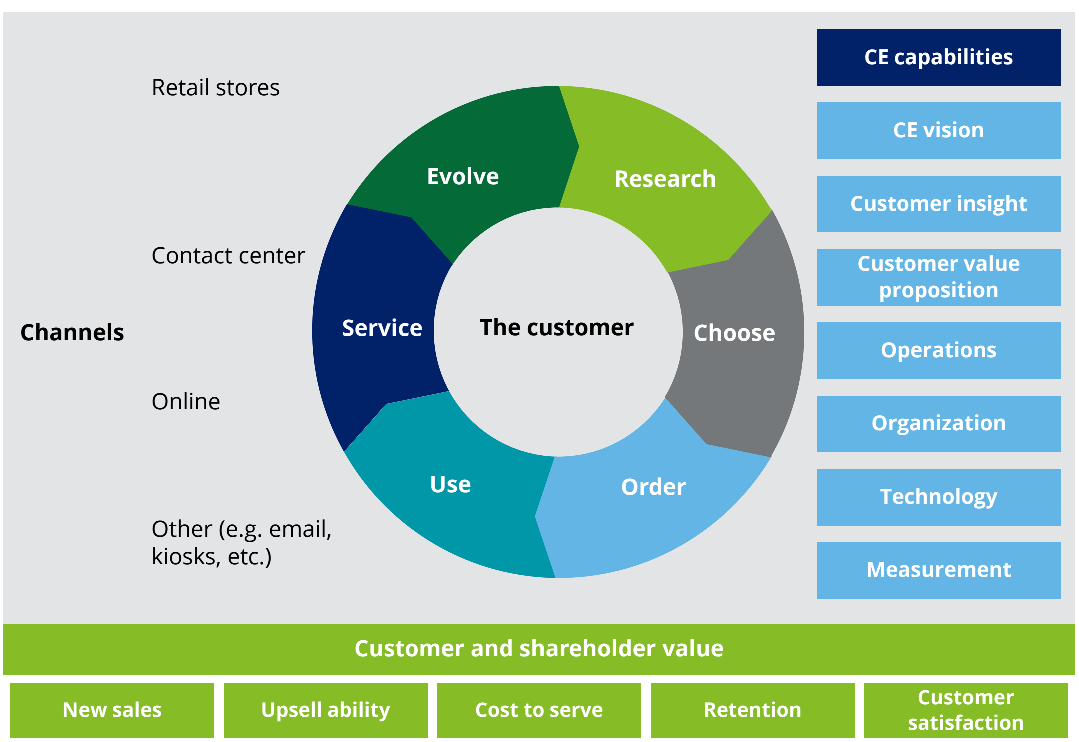
An effective and profitable customer experience strategy is predicated on delivering the right messages and services through the right channels. Common wisdom holds that it is easier and less expensive to retain a customer than to acquire a new one – within the context of a merger, a breakdown in customer experience can amplify customer retention issues.

In addition to strengthening customer retention, an effective customer experience strategy can be a major source of differentiation in highly competitive industries such as consumer products, technology, and life sciences.

Case study: A major telecom provider was merging with another telecom provider with a large prepaid customer base. The acquirer wanted to create a seamless and integrated customer experience for these diverse customer bases across target and acquirer channels, while carefully managing customer disruptions as it integrated the companies.

The project team defined the target and acquirer's current customer experiences, including key channels, interactions, and pain points in the customer lifecycle – from learning about a product and buying it to obtaining customer care and upgrading to additional services. The team built customer journey maps for both acquirer and target customers to show how the experience would change during the integration.
The acquirer then migrated the target's customers onto its network and billing platform while enhancing the target's customer experience within its online and physical sales channels. Ultimately, this enabled the acquirer to achieve its cost synergy targets and increase customer retention.

Figure 4. Customer experience strategy framework



First 100 days sprint

Enabling customer and partner readiness, using cross-selling strategies to generate quick wins, and building the new company's brand are important sales and marketing focus areas when integrating two companies during the first 100 days sprint.

Enabling customer and partner readiness

A lengthy or complex M&A transaction can often trigger feelings of uncertainty and unease among the participating companies' customers and partners. Even long-term relationships may be negatively impacted by the slightest changes in the combined company's products, sales model, or services strategy (Figure 5).

To strengthen retention, protect revenues, and drive growth, the new company should proactively manage its legacy customer and partner relationships. Five tactics can help customers and partners prepare for the transition:

1. Talk to customers early and often, even if not all the answers are available;
2. Determine the combined customer base's needs and proactively address them;
3. Create playbooks to prepare customer-facing employees to conduct consistent but differentiated customer interactions;
4. Establish a customer "war room" as the central point for issue resolution; and
5. Prepare and support customers and partners for changes on their end (ordering, payments, etc.).

All partners need to understand their role in the combined company so that they can support operational changes and help execute the new GTM strategy. Frequent and clear communication is critical to mitigate attrition and create a foundation for long-term growth.

Case study: During the merger of two B2B technology manufacturing companies, the planning team developed communications, training materials, and enablement activities for the sales team and channel partners to address key account management and operational changes around quoting, ordering, and invoicing. A Day 1 sales playbook (Figure 5) was created to help them focus on short-term cross-selling opportunities, to consistently communicate deal value drivers to customers, and to identify potential customer risks. Specific rules of engagement were defined to govern areas of potential customer and sales team confusion (for example, accounts with overlapping sales teams positioning for similar products). These measures minimized customer confusion and attrition, which enabled the sales teams to quickly transition their focus to cross-selling and additional growth opportunities.

Figure 5. Customer experience implications for readiness

	Customer experience implications	
	Customer	Company
Deal announced	Concerns on continued delivery of services	Focused on retention and maintaining areas of strength
Day one	Sensitive to service disruptions	Focused on maintaining delivery of core services during Day one cut over
Post-Day one	Simple, integrated experience	Planning for, and building, a compelling, seamless, and integrated CX future state

Using cross-sell strategies to generate quick wins

Cross-selling and up-selling both the acquiring company's and target company's products and services can help quickly capture post-close revenue synergies. To enable the combined sales staff to promptly act on potential opportunities, company executives will need to clearly define what to sell, to whom, and how to reach them: Will all products be sold to all accounts? What products will be best-suited for cross-selling by each of the sales representatives? Will the existing reps be allowed to sell the acquired products?

Company executives should develop key account strategies to allocate cross-selling responsibilities in specific customer segments and mitigate the risk of reverse leverage from key customers. Furthermore, sales compensation plans (incentives, spiffs, bonuses) for cross-selling and up-selling should be announced and implemented quickly after close. Promoting simplicity and transparency can help improve process efficiency and reduce legal and finance risk.

Case study: A global biotech reagents provider acquired a major biotech instruments provider, with extensive projected growth synergies for the new entity within three years through cross-selling.

Pre-Day 1, the company developed a combined list of customer accounts and distributors, reprioritized customer segments by profit pools, redeployed the combined sales force by priority segment, analyzed products from both companies and sales bags to maximize the potential for cross-sells, and developed revenue synergy estimates for cross-selling, pricing capture, and channel upsells globally.

Post-Day 1, the company reduced uncertainty in the sales force ranks by establishing a clear account management structure focused on priority segments; presenting a single face to the customer by integrating order channels and the quote-to-cash process; launching a sales and marketing handbook at a joint sales summit to drive a uniform customer experience; and defining an approach to track revenue synergy by initiative. Through these efforts, the company exceeded cross-sell sales expectations and saw greater collaboration among the combined sales forces at key accounts.

Managing pricing

Pricing management is an important sales and marketing function that executives frequently overlook during integration planning. This can be a costly oversight, as pricing projects are usually quite effective in terms of time to realization and impact. Most pricing benefits are realized within the first 12 months, which is within the critical time period during which analysts expect to see deal results. Further, a pricing project's return on investment (ROI) typically exceeds 300 percent, and most pricing projects improve gross margins by 10 percent or more– [2] too much potential value to ignore.

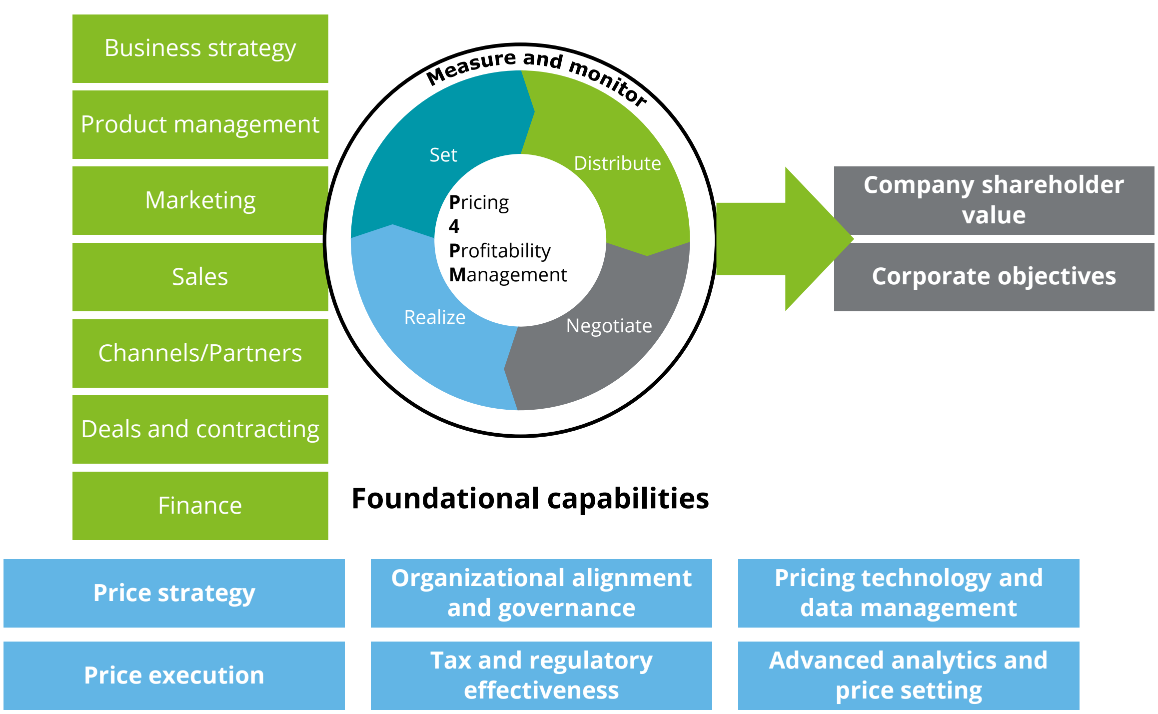
To effectively build pricing improvements into an integration plan, management should evaluate which initiatives should be completed pre- versus post-close, and how pricing strategies should be managed on Day 1. The effective use of "clean teams" in the pre-close phase can accelerate pricing integration while enabling the combined company to comply with antitrust requirements. Clean teams, composed of joint staff from the acquirer, and/or target (and, sometimes, external consultants) can receive and analyze sensitive data from both companies while remaining isolated from other integration efforts until the deal closes. Typically, companies treat pricing as their most sensitive competitive information and choose to address new pricing strategies only after the deal is complete. This can mean a delay of six months to a year or longer before taking action—leaving months of revenue and margin improvement on the table and opening the door for competitors.

A useful framework for analyzing and determining pricing changes is to consider the degree of market overlap and value gain for customers (Figure 6). Time can be spent in the pre-close phase analyzing data and doing high-level planning. Policy changes that may affect pricing improvements should be implemented in the post-close phase. Other post-close initiatives may include changing discounting and promotions policies to reduce inconsistencies across the two firms, and eliminating unprofitable or low-value transactions by adjusting the price of selected SKUs. Again, the key is to quickly leverage the pre-close analysis results.

Pricing improvement efforts should be driven by the sales and marketing functions, but they also require strong support from finance, IT, and operations. A dedicated integration pricing team should, therefore, be viewed as a cross-functional "SWAT" team with representatives from each function. It also should have a clear charter from the Integration Management Office and be empowered by all functions to drive implementation of its recommendations.

Case study: A major financial services company challenged with integrating a newly acquired division chose to focus on centralizing the pricing function to drive revenue generation. As a result, the new integrated business unit generated both a significant average price increase and a sales volume increase, achieving the desired impact to their bottom line.

Figure 6. Pricing for profitability framework



Building the new company's brand and digital presence

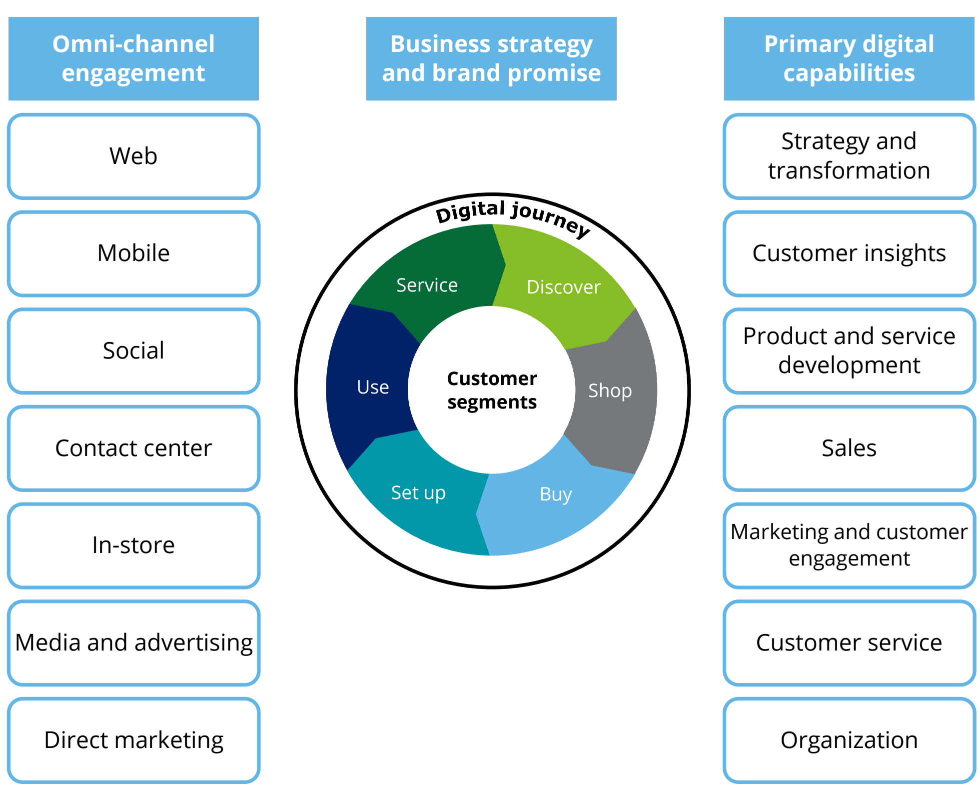
A merger or acquisition often surfaces difficult questions about the value of one brand relative to another, as well as the business areas impacted by a rebranding effort. Branding is one of the first visible indicators of a combined company's direction and, thus, should be addressed at the corporate, product, and service levels. Despite its importance, brand decisions are often rushed or based on political and emotional factors. A poorly planned and/or executed rebranding campaign can result in a "Frankenstein" brand that dilutes the power of the legacy brands; an overly long branding process can result in missed sales and marketing opportunities. Acquirers need to determine which brand is more valuable to convey to customers, employees, stakeholders, investors, and regulators. Even if one brand is centuries old and inspires confidence at home, it may be a blank slate in a new market or product category.

Websites, mobile applications, and social media channels are digital representations of each company's brand and should be carefully managed alongside other branding changes. A digital roadmap (Figure 7) should define all changes across all online channels to confirm a seamless customer experience and ongoing engagement. For Day 1, marketing executives should update landing pages and site linkages, refine their advertising targeting strategy, and adjust the online execution of new brand campaigns. Following deal close, they should communicate any impending changes to their digital assets to customers and partners to support a smooth transition to new sites and online services.

Case study: When two technology conglomerates – providers of hardware, technology and cloud solutions – merged they needed to develop an end-state system of tools to support the joint organization's marketing strategy. To identify the right tools the planning team first created a master inventory of tools across both companies and a filtration system to identify which tools were within the marketing function's scope. The team then interviewed a number of tool and capability owners across both organizations, which helped to identify and prioritize decision-making criteria to enable the marketing strategy.

Team members from both organizations held joint working sessions to align on the selected tools, identify common tools for contract consolidation and synergies, and set broad assessment processes to aid future decision-making to achieve the end state.

Figure 7. Digital roadmap



Post-Day 1 environment

Sales and marketing's role in generating M&A deal value typically kicks into high gear in the post-Day 1 operating environment. Important contributions include planning and executing a product/service roadmap, transforming the combined companies' sales force, managing product/service pricing, and capturing long-term revenue synergies.

Planning and executing a product and service roadmap

Composition of the new product and service portfolio that the combined company will take to market typically is driven by the market opportunity validation conducted at the deal's outset. In the short term, sales and marketing leaders may take steps to quickly create new product bundles or solutions and identify product improvements brought in by the acquired business (Figure 8).

Making longer-term product decisions is inherently more difficult due to the potential influence of customer preferences and technical or operational complexity. However, it is important to put a stake in the ground early to better integrate products and improve R&D collaboration

Four tactics can help guide product roadmap decisions and manage customer expectations during an M&A transition:

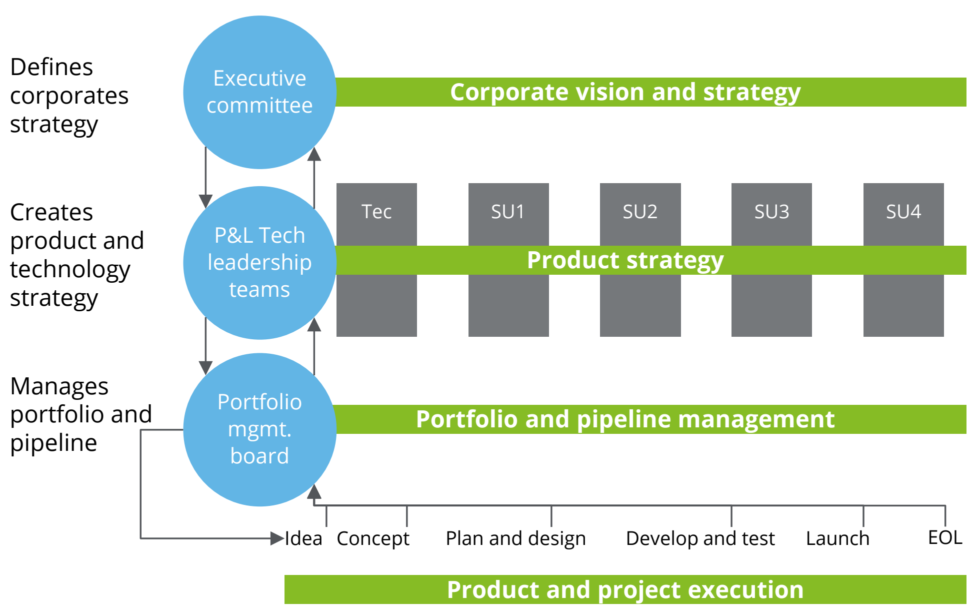
1. Eliminate product overlap based on customer and market requirements;
2. Look to non-customers as well as current customers to build a longer-term roadmap of market-sustaining and -creating products;
3. Conduct go-to-market (sales, marketing and product) summits to educate teams on competitively sensitive information (previously not shared or assessed via a clean room) and to align leaders around a go-forward vision; and
4. Announce product roadmaps as early as legally possible.

Sales and marketing departments should convey messages about the new company's growth story quickly to reassure customers and other stakeholders. A high-level product roadmap provides a starting point but it needs to include a services component. The acquirer should define a unified and consistent strategy regarding services positioning and decide how the combined services will be described, packaged, and sold.

Inevitably, some existing products and services may need to be retired or divested. In such cases, delivering the news early and in a constructive way to both customers and sales personnel will reduce confusion and anxiety, and begin the conversation about migrating to other solutions.

Case study: A global medical device company acquired a competitor with an overlapping product portfolio. As part of the post-deal integration, the company needed to align and optimize the two product portfolios. The integration team identified product rationalization opportunities and built a resulting set of analyses into a product optimization business case. The team also developed a detailed roadmap to realize savings by executing quick-win deletion and optimization opportunities. As a result, the team identified significant margin improvement and cost savings opportunities

Figure 8. Product portfolio management decision-making bodies



Transforming the sales force

Integrating sales forces and developing a sales transformation framework (Figure 9) are significant post-Day 1 processes for virtually every M&A transaction. Effective integration should minimize disruption to sales teams and accounts, and accelerate revenue growth; in contrast, poor execution may adversely impact customer satisfaction, retention, and revenue synergies.

Integration should begin by identifying the drivers behind customers' purchase behaviors and developing a flexible channel strategy. Customers may seek arbitrage opportunities and behave in unexpected ways – understanding the customer is essential to unlocking the combined company's competitive differentiators.

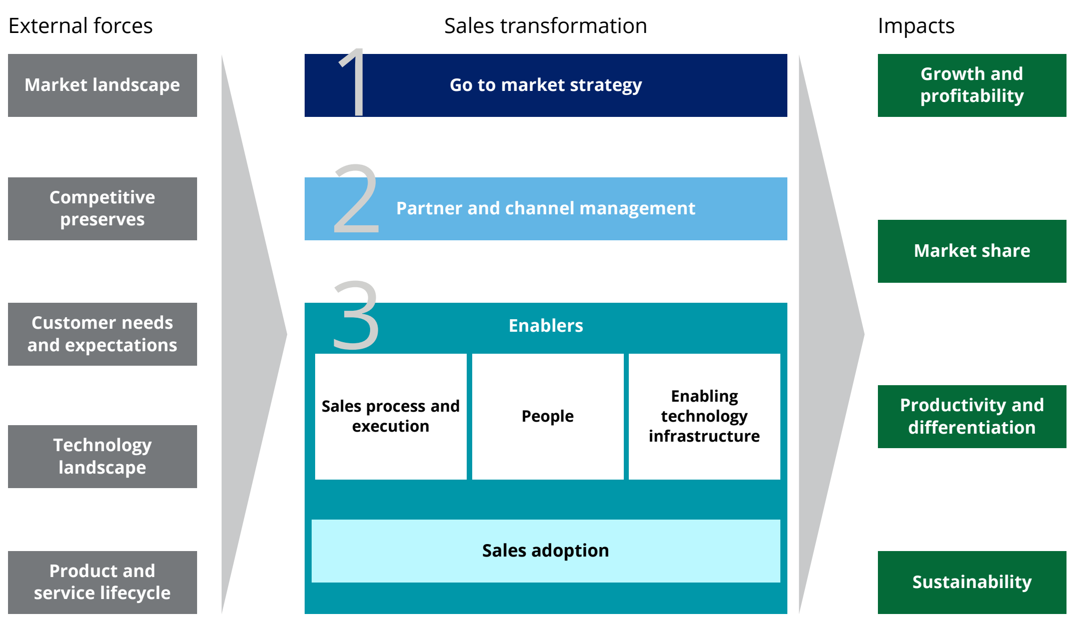
The next attention area is the sales channel, which should be viewed as a strategic partnership. A symbiotic relationship with partners is important so that both parties mutually benefit. Agreement terms should be based on profitability analyses and the importance each channel plays in the overall sales pipeline.

Developing a robust infrastructure to support the new sales team is another critical element. Sales processes, enabling technologies, and tools need to be harmonized and support the overarching channel strategy. Communication between executive leadership and customer-facing sales and marketing teams needs to be tight to enable seamless delivery of the expanded product and service suite on Day 1 and beyond.

Case study: A major biotech company acquired a bioinstrumentation firm with goals of expanding its market presence, capturing revenue synergies, protecting revenue, and minimizing churn. The acquisition doubled the organization's size and targeted hundreds of millions of synergies across geographies and business units. The major challenge was choosing a GTM strategy for the legacy companies' distinct brands and disparate, regional sales processes and channels.

The project team evaluated multiple options across customer segments and developed an optimized sales operating model that established governance and cross-functional strategy and planning mechanisms. The team also developed rules of engagement, including defining quota/compensation plans for the sales force; revised the order-to-cash process to support a dual-brand strategy; and facilitated global sales manager readiness. As a result, the new company had a successful Day 2 dual-brand launch and exceeded revenue targets.

Figure 9. Sales transformation framework



Capturing long-term revenue synergies

M&A transactions should be based on a clear understanding of desired short- and long-term revenue synergies. Cost reductions typically are a factor, but they should not be confused with synergies—which are motivated by a vision of how the combined company will be able to increase revenue and market share at a faster clip than either company could do on its own.

Many companies tend to track M&A-driven cost savings more closely than revenue improvements, simply because these savings produce a shorter-term impact and are specific and measurable. In many cases, revenue and margin goals for the new business are adjusted and there is no separate tracking of post-deal synergies – company leaders may know they are obtaining some growth but may be unaware of what is left on the table or whether the business unit is executing against the strategy that led to the acquisition.

A good approach involves setting accountability and measurement criteria to make certain that the company is focused on capturing long-term revenue synergies.

According to Deloitte's 2015 Integration Survey, 10 percent of executives reported that they did not know if their synergy targets were achieved. Successful acquirers create effective measurement criteria as part of their post-merger plans. These metrics make it easier to track results and keep companies focused and accountable over the long term.

Case study: A major chemical company wanted to capture revenue synergies and analyze sales and marketing functions to identify cost-saving synergies across its priority markets. The project team conducted a baseline review of the current state, competitive set, market, and customer segments. The team identified synergy drivers and derived potential synergy values to help prioritize the relevant integration activities. It also identified Brazil as the key market and uncovered sizable complementary product opportunities across its portfolio. Subsequently, the company was able to unlock previously unidentified synergies and improve its profitability with minimal disruption to its customer base.

Closing

An M&A transaction can be a huge catalyst for revenue and market growth; however, success is never guaranteed. Growth-oriented M&A may require taking a disciplined approach to sales and marketing based on a real understanding of the drivers of short- and long-term value – where to play and how to win. By addressing the priorities outlined in this article, both early in the deal process and throughout post-deal integration, companies can emerge as high performers and capture long-term revenue synergies.

End Notes

1. "Growth through M&A: Promise and Reality"; Deloitte Review; https://www2.deloitte.com/content/dam/Deloitte/global/Documents/Mergers-and-Acquisitions/gx-ma-growth-promise-and-reality-021915.pdf

2. Deloitte Consulting analysis based on Fortune magazine's Fortune 500 list (April 18, 2005); Deloitte Consulting experience tracking merger synergies; and AMR Research, The Customer Management Applications Report, 2004-2009, August, 2005.

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