eBook

M&A ACTIVITY

Why Managing the Message Matters During Your M&A Planning

An M&A boom is underway in the wealth management space.

The year ending November 30, 2020 saw 220 wealth management and asset management deals, with a total combined value of $53.4 billion.

That's up from 125 deals worth just $10.1 billion in the same period four years earlier.

It's well established that the combination of wealth management firms can create tremendous value for clients, team members and investors. What's often underappreciated is the critical role that communication and brand unification play in the success of M&A deals.

The first hint of a deal sets off a furious quest for information from stakeholders, business rivals, media and others. Clients need to know if and how services will change. Employees want to know if their positions are at risk and how their duties might change. Reporters want to know the reasons for the deal, who'll lead the company and which brand will prevail.

Managing the M&A narrative is critical: Succeed, and you define the story of the merger, pave the way for retaining and adding business and ultimately help facilitate the merger magic, where one plus one can equal three. Fail, and contradictory narratives and confusion are likely to arise, impacting everything from sales to employee morale to day-to-day operations.

Adding to the pressure around M&A messaging and branding is the reality that the work must be done on the fly, as both businesses continue to operate and come together through integration.

During almost two decades as a marketing leader, I've participated in six wealth management transactions, both on the acquirer and acquiree sides of the equation. The most important lesson I've learned is this: If you wait until an acquisition is underway to start familiarizing yourself with the branding and messaging process, you'll regret it. This paper provides an overview of what merging companies can expect from a communications perspective, and lays out the keys to smooth and successful brand consolidation and messaging process.

Who Will Tell Your Story?

Mergers and acquisitions are born in pure optimism: Leaders of the businesses and their investors see compelling benefits for clients, businesses and investors alike, and they're eager to tell the story—once the time is right. The reality is that we almost never get to decide when the time is right.

A deal, even a potential one, is impossible to keep secret for long. Within hours, you should expect clients, prospects, team members, consultants and rivals to begin clamoring for definitive information. Phones will start vibrating, inboxes will blow up, media will begin calling.

What happens if the merging businesses aren't prepared? Without a unified script, they may be unable to comment, creating a vacuum to be filled by speculation. Or they might offer competing narratives, sowing confusion and undermining confidence. Ultimately, the companies' communications team will have to play catch up and smooth out the inaccuracies. Ultimately, the opportunity to tell the story first will be lost.

And the problem isn't that marketing leaders can't handle the responsibility of adapting and responding to accelerating consumer demands. The problem is lack of understanding and support from the businesses they serve.

- **Quick Tip:** Don't hype your companies' "cultural alignment" out of the gate unless you have real examples and illustrations to share. Your credibility is central to successfully telling your story.

This isn't a far-fetched scenario by any means; in fact, being caught in a reactive stance is more like the norm, especially for firms that are new to M&A. It's hard to overstate the importance of planning ahead. By proactively mapping out and preparing to disseminate a unified story, combining companies lay the groundwork to unlock their potential as swiftly and smoothly as possible.

The Constituents and their Concerns

Our industry is admirably focused on client experience. Merging businesses should view M&A messaging strategy through the same lens they use for client experience. That means putting ourselves in our clients' shoes during the M&A and integration process. In some cases they'll likely be excited that change is occurring—but often they'll be wary. Here's what different client segments will probably wonder when they first get wind of a deal:

Clients of the acquiring firm:

- Will integration of the new business disrupt my service?
- Will they be able to handle the added workload?
- Will the cost of their offering go up?
- Will they be spread too thin?

Clients of the acquired firm:

- Are the people I work with going to stay in place?
- Will the service offering be disrupted?
- Will the new company sustain the quality of the existing product?
- Will fees and costs change?
- Are all of the reasons I chose to work with this company going to hold up through the transaction?

Prospects:

- Will they be able to bring their offerings together in a way that's seamless for my business?
- Should I just stay with my existing provider until I see how everything plays out?

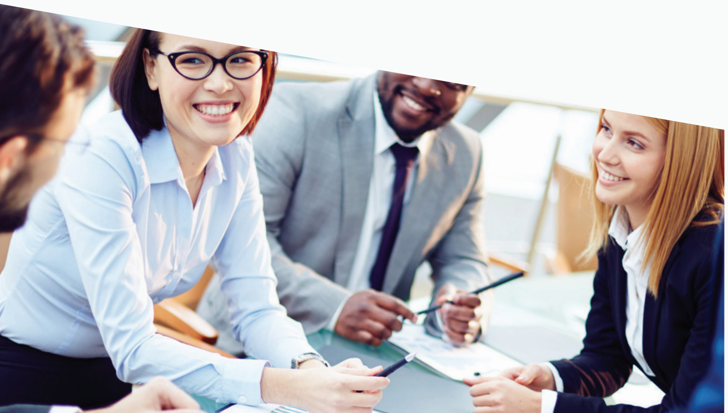
Meanwhile, employees of both firms will wonder about their roles, their client relationships and their job security. Remember, if you can't provide authentic answers to their questions, clients and employees will look for clues elsewhere—from the media, from consultants, from under-informed colleagues, from rival companies.

- **Quick Tip:** Avoid the inclination to tell clients or employees that nothing is changing. It will contradict their common sense and damage your credibility when changes are inevitably decided on.

The solution, of course,

is to **take control of communication**, using an organized,

disciplined process. And **the earlier you get started, the better**.



The Best Practices

Best Practice 1: Assessing Brand Equity

As soon as possible following an agreement, a brand equity assessment should take place, encompassing all brands throughout both businesses. This will provide objective information about whether maintaining the acquired brand or brands will add additional value to the company or not.

While acquirers often fold new brands in reflexively, it’s usually wisest to follow the data gleaned from brand surveys and other research. In some cases, rebranding adds value to a business unit. In others, maintaining separate branding may be the right move because it helps maintain the acquirer’s core identity. In some cases, a family of brands may be the most effective structure.

Best Practice 2: Getting Aligned

As businesses merge, there's almost always an outward show of harmony, cultural alignment and agreement on all things. Internally it’s a different story:
Both parties within the transaction are protective of their clients, their brand story and their reputations, as they should be. And the investors involved in deals sometimes spin a third narrative, from their own point of view. It’s easy to see how conflicting stories can arise.

- **Quick Tip:** Go into every acquisition with a pros and cons list for each business’s employees and clients. An eyes-wide-open approach positions you to proactively respond to questions and concerns with authenticity.

Employees and clients aren't naive: They will brush aside butterflies-and-rainbows messaging and quickly sniff out disconnect and misalignment. So before a single word is spoken internally or externally, it’s critical that the leaders involved in the communication of the acquisition align their narratives and messaging. To be effective, this process requires unambiguous leadership.

Best Practice 3: Choosing a Communications Leader

A marketing leader within the merging companies typically oversees the M&A communications process, taking on a demanding role on top of his or her existing responsibilities.

- **Quick Tip:** Identify why clients of the acquired company both joined them and stayed with them through the merger, and convey that in your messaging.

I typically advocate for the marketing and communications leader in the acquiring business to run this process. But it's most important to clearly identify, to both businesses, a point person. The last thing you want in the midst of combining stories and value propositions is a tug of war.

The M&A communications leader can't flinch from uncomfortable conversations; in fact, their role requires them to push uncomfortable questions forward and resolve them. Avoiding unpleasant topics, while understandable, undermines positive long-term results. Particularly when the merging businesses of similar scale, it can sometimes make sense to tap an objective, outside expert to bring the groups together, lead the process, and identify the best way forward.

Best Practice 4. Being Proactive But Not Premature

We know that narratives about your deal will start to appear within hours of the agreement, and that you should be the one driving them. So it's important to prioritize conversations and decisions about process leadership and messaging quickly in the wake of an agreement. Doing so will save you time, stress and re-messaging along the way, and will set the tone for authentic partnership in a joint message.

One challenge here is that there will be many unknowns early on, and it will take time for the team to think them all through. Don't yield to the temptation to communicate answers before they're solidified. Remember, everything you communicate in M&A deal is seen by your clients and employees and the whole industry. The goal is to be proactive in messaging, without rushing answers to difficult questions.

Best Practice 5: Creating a Unified Calendar

M&A communications go far beyond putting out a press release. Once the overarching messaging is agreed upon, and you've worked out some of the answers to branding and integration questions, a single, centrally managed communications calendar should be adopted.

- **Quick Tip:** Create an FAQ and Talking Points document to be shared between the two companies and provided to all those talking externally about the transaction.

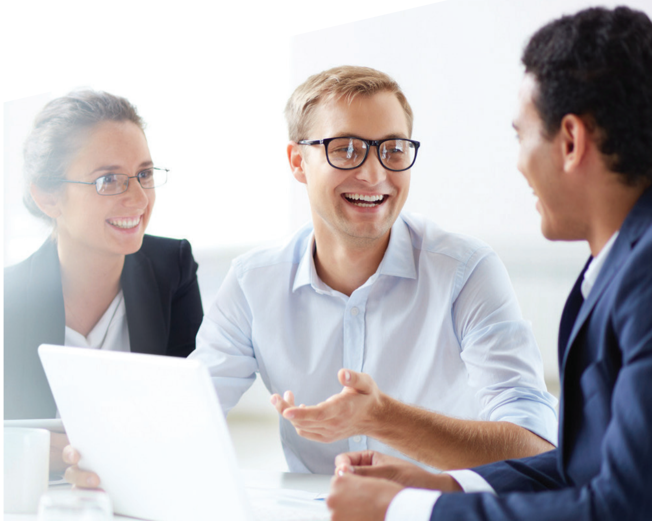
The calendar will ensure that detailed, aligned messaging from both businesses is disseminated, both internally and externally, as merger and integration questions are worked out. Early in a merger, both companies may still be operating separately—and they may even plan to operate independently moving forward—but clear agreement on the timing and channels for the messages you've agreed on will help prevent rogue messaging.

Best Practice 6: Saturating Your Story

While the headline may be simple, the story of your newly combined businesses is complex and multifaceted. To ensure it all sinks in, among your internal and external audiences, think in terms of saturation messaging.

Don't just rely on traditional media to get the story out; think through every communication channel and touchpoint, and spread your message far and wide. Irecommend getting business leaders in front of clients, employees and the industry through in-person meetings, video and webinars.
Nothing makes an impact like direct communication from the most authoritative sources.

And be prepared to repeat your story often. Marketing 101 tells us that the average individual's attention span is short, and that's never been truer than it is today. To ensure that your target audiences absorb and retain your messaging, repetition is essential.



Best Practice 7. Evaluating and Course-Correcting

M&A communication is a process, not an event. Be prepared to refine or re-communicate key themes as necessary to ensure you're creating awareness and stickiness around your new story. Surveys can help you gauge what's working and what's not.

- **Quick Tip:** Introduce your new partners to your clients and employees. An opportunity to see the big picture is missed when employees and clients of the acquired company continue to hear only from their existing contacts.

The far-reaching impacts of M&A go beyond the first few weeks, months or even years. Keep checking to confirm that you're hitting the mark with the right messaging as your businesses truly fuse together.

Conclusion:

Surging M&A activity makes this an exciting time to work in the wealth management industry. But proactive management of branding and messaging is an often-underappreciated part of the merger process.

It's critical to shape and control your firms' story, in order to define the merger, set clear expectations for clients and employees and pave the way to unlock growth potential. The process for doing so hinges on early alignment of narratives and messaging, clear identification of a leader for the communications process, and a centrally managed communications calendar.

Committing to a clearly defined process early will save you time and stress, head off conflicting stories, and eliminate the need for re-messaging in the weeks and months after the deal comes to light. Most importantly, it will enable you to highlight the ways in which the sum of the merging businesses will be greater than their parts.