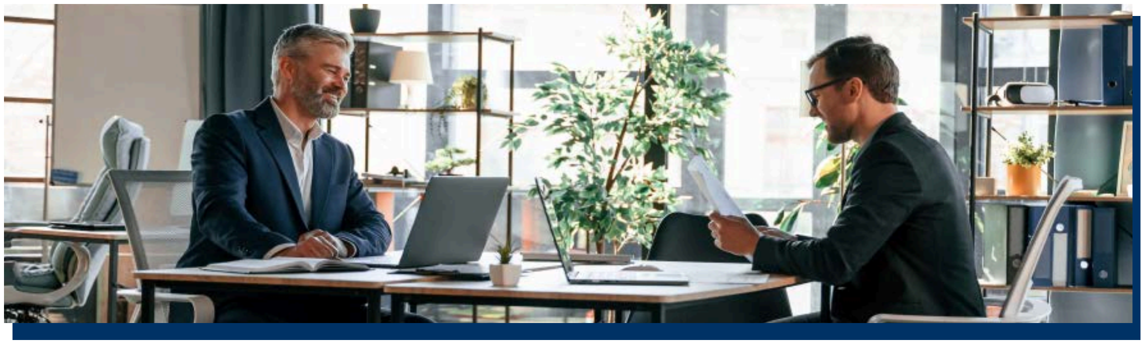
CUSTOMER RETENTION AND FEEDBACK STRATEGIES DURING MERGERS AND ACQUISITIONS

By JoAnn Lombardi, President VR Business Sales / Mergers & Acquisitions



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A company that's looking to divest to a buyer will have to examine whether they should seek out one that's either strategic or financial. In these current times where capital is tight, there are reports of companies being sold for extravagant sums to strategic buyers. Those entrepreneurs looking to invest in a company often find that strategic investors recognize higher valuations than venture capitalists, who are more financially oriented.

To understand the difference between the two, a strategic buyer believes that your business will help make theirs perform better, whereas a financial buyer focuses on the economic value that your business will create on its own. In most cases, strategic buyers will pay more, and occasionally buyers when no one else will.

1. **Conduct Thorough Research:** Understand why customers choose to do business with the company you're acquiring. Is it due to price, quality, or customer service? Will your combined organization still meet their needs? Conducting research before the deal closes will help you create a strategy that addresses these customer requirements.
2. **Retain Key Employees:** Consider the impact on the customer base if essential employees—such as the marketing director, key product developer, or lead salesperson—leave the company. This could result in losing valuable customers. Develop incentive plans to keep these crucial employees engaged throughout and after the acquisition. Be cautious of employees who remain physically present but are not mentally invested; their lack of motivation could negatively affect customer relationships.
3. **Activate the Sales Team:** Create a detailed plan for how the combined company's sales force will promote the new organization and sell its products and services. Implement this plan promptly after the deal closes; any delays could provide opportunities for competitors to gain an advantage.
4. **Maintain Open Communication:** Reassure customers during the transition by clearly explaining your merger plans and what they can expect in both the short and long term. Customers want to know who will manage their accounts and how pricing or other changes might affect them. Provide avenues for customers to give feedback and express concerns, such as through conference calls or customer satisfaction surveys.
5. **Add Value:** One effective way to retain customers is by offering them enhanced value. This could include product discounts, streamlined billing processes, or frequent-customer rewards programs.

Handling customer feedback effectively during M&A is also crucial for maintaining customer trust and loyalty. Here are some additional strategies to consider:

- Establish Clear Communication Channels: Ensure customers have multiple ways to provide feedback, such as through dedicated email addresses, phone lines, or online forms. Make it easy for them to reach out with their concerns and questions.
- Acknowledge and Address Concerns Promptly: Respond to customer feedback quickly and thoughtfully. Acknowledge their concerns and provide clear, honest answers. This helps build trust and shows that you value their input.

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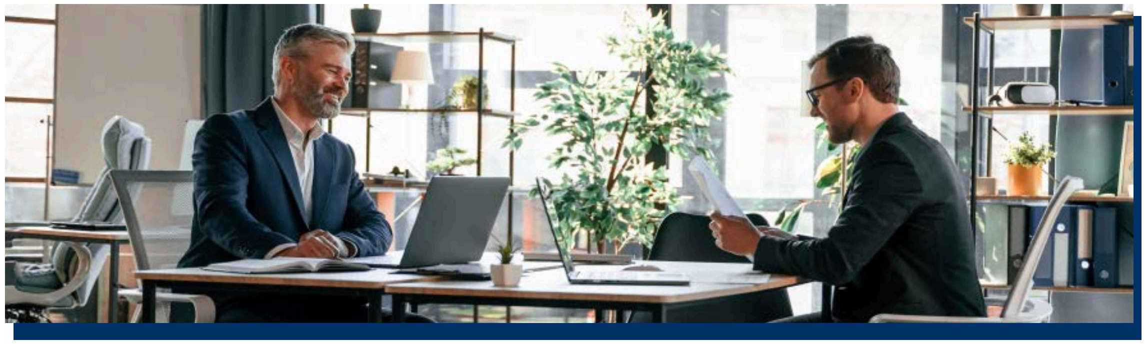

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- Monitor Feedback Trends: Track and analyze customer feedback to identify common concerns or issues. Use this data to make informed decisions and address any recurring problems promptly.
- Show Appreciation: Thank customers for their feedback and loyalty during the transition. Consider offering incentives, such as discounts or loyalty rewards, to show your appreciation and encourage continued business.

Effectively retaining customers from the acquired company and managing their feedback can be the difference between a successful acquisition and one that fails. By determining early on how to meet the needs of these customers and addressing their concerns, you're more likely to keep them engaged with your organization.

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