NET-WORTH

TRANSFORMING YOUR NETWORK
AFTER A MERGER OR ACQUISITION

NEWGROUND

BY: SCOTT FLORINI
Vice President of Strategy

A merger or acquisition can be a hazardous road to short-term gain and long-term frustration, or a smooth drive to gainful expansion, increased market share, and prosperity. Merging right requires more than the understanding of legalities and the signing of contracts; it requires a full **branch network strategy and transformation**.

Financial institutions have to be careful. A merger or acquisition has the potential to push consumers away toward a competitor. In fact, consumers are three times more likely to switch financial service providers when their current provider merges or is acquired by another financial institution.

However, with careful planning, mergers can be a great opportunity for growth and positive change. For these changes to be the most effective, a branch network transformation should encompass the entire network and address five foundational challenges:

FIVE FOUNDATIONAL CHALLENGES

TO A SUCCESSFUL NETWORK

1. BRAND EQUITY
2. THE CONSUMER EXPERIENCE
3. RETAIL STRATEGY
4. CULTURE TRANSFORMATION
5. COMMUNICATIONS

CONSUMERS ARE SUSPICIOUS AND WARY OF ANY CHANGE, ESPECIALLY WHEN IT COMES TO THEIR FINANCES.

1. BRAND EQUITY

ASSESS YOUR BRAND VALUE

When two businesses merge, often the assumption prevails by one or both organizations that "our brand is better than your brand." This knee-jerk conjecture can cloud judgment and hinder the overall branch and brand transformation.

Just changing the name on a building is not only inadequate, but it could damage the organization as a whole – reputation and all. The first step of a branch network transformation is a thorough analysis of each institution's existing brand equity and how they fit together.

Financial institutions and retailers should learn as much as they can about the consumer perception of their brand identity and what kind of challenges a merger would place on their brand loyalty.

Brand strategy sessions should be conducted before the branch network transformation begins to determine how to develop your brand, brand promise, and the approach employees should take in delivering that brand promise. Issues, such as long-term business objectives, value proposition, corporate identity, target client profiles, product and service strategies, and strengths and weaknesses of competitors should be thoroughly examined.

Financial institutions and retailers should also consider a public brand launch nine to twelve months after a merger. At this point, the operational issues should have been worked out or are being addressed, and the initial shock has dissipated.

Public brand launches celebrate the new brand and demonstrate all its facets, unite employees, and get consumers excited about the direction of the company as the branch transformations begin to rollout.

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WHEN DETERMINING THE VALUE BEHIND EACH BRAND, FINANCIAL INSTITUTIONS AND RETAILERS SHOULD CONSIDER THESE FACTORS:

- Which is the dominant brand in the market?
- Is the acquisition driven by the gaining of new markets?
- Whose consumers are more willing to try new products or services?
- Whose consumers are more willing to pay a fee for your products and services?
- Who can better leverage distribution channels?
- Can the two brand histories mesh? In what ways?

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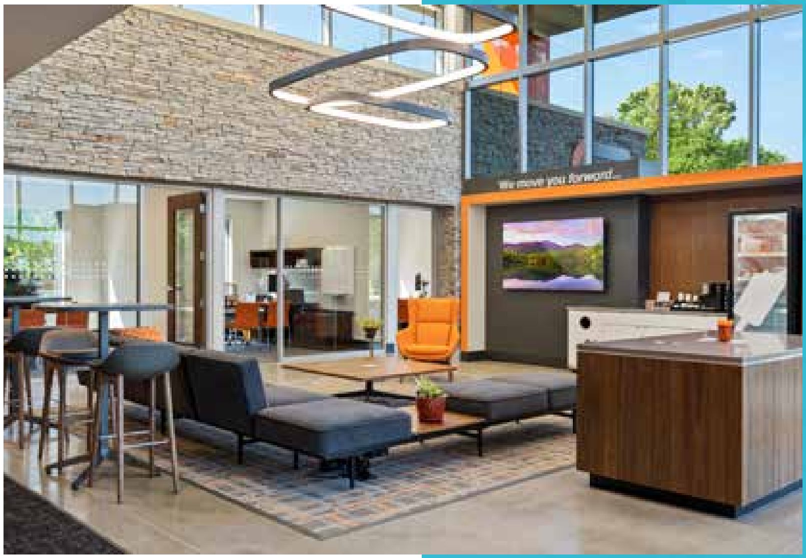
2. THE CONSUMER EXPERIENCE

THE EXPERIENCE IS EVERYTHING

One of the key factors to a successful branch network transformation is keeping the consumer experience top of mind. The COVID-19 pandemic changed the way consumers interacted with the world, especially the financial and retail industries. Focusing on the consumer experience can lead organizations to more prosperous client relationships.

"Consumer confidence has dropped, challenging all businesses to find new ways to gain loyalty and market share. For financial institutions, it has been particularly challenging," said NewGround's President and CEO Kevin Blair. "For financial institutions undergoing a merger or acquisition, the consumer hurdle has increased ten-fold."



Expansion into new markets by means of a competitor's failure can be a minefield of consumer loss. Consumers can feel angry, confused, estranged, and most likely wary of the new leader offering to help them get back on solid ground. Consumers seek out authenticity and dependability during these uncertain times.

"Winning and maintaining the trust and confidence of consumers starts and ends with the experience," says Blair.

"It plays a critical role in the effective integration of two companies."

Creating an engaging, personal, and memorable consumer experience is still the key to increasing market share and the bottom line. No matter what the situation, the consumer experience plays a great role in times of change. By integrating the consumer experience into your branch network transformation, you're allowing the combined brands to speak to both sides of consumers and find a way to keep consumers happy.

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road map for transformation

Financial institutions and retailers need to create a road map for the merger of the two companies and the branch network transformation that follows. The transformation of the two companies and the connection for consumers must be communicated for a seamless integration process. Both employees and consumers must be informed of the new direction the organization is advancing toward. Clearly lay out the path of transformation and conversion you will be taking and what the new organization will look like when you arrive.

- What will be happening?
- When will it happen?
- How will it happen?
- What are the expectation levels along the way?

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3. Retail Strategy

LEVERAGE YOUR RETAIL PLATFORM

Each organization has DNA that is unique. They have a defined consumer base, a brand promise and identity, a culture, and a unique market position. Combining the DNA of two organizations only complicates the ability to translate the brand.

"Think of the challenge that McDonald's would have if they merged with Burger King. Both serve burgers, both have similar distribution strategies, yet the two organizations are diametrically opposite as it relates to their brand promise," says Blair. "Banking is the same way. A clear retail delivery strategy must be developed that integrates and leverages the strengths of both organizations."

NewGround advises that a recently merged financial institution or retailer create a retail platform made from branded elements that define the organization. From this platform, each space can draw from the retail tools to create a branded and consistent consumer experience. To maintain a cohesive and dependable brand presence and experience, each location should follow a prototypical design in similarities that can be translated across the network.

Within the physical retail space, 'Points of Experience,' defined as retail tools or designated engagement areas designed for consumer interaction, can be created in a kit-of-parts model that can be broken down and distributed across the entire branch system.

Self-serve kiosks, mobile banking, digital signage, hospitality bars, wealth management centers, online banking stations — all these retail tools can be integrated into the environment to construct a branded link across all locations that demonstrates who you are and what makes you different in the marketplace. These retail platforms also facilitate the ability of the frontline to personalize and elevate the consumer experience. Staff can enhance personal service and build stronger relationships with these tools.

"Today, more than ever before, relationship management must be customized to meet specific consumer needs. This heightens the consumer's perception of the quality of interaction received, resulting in an increase in their overall receptivity to a deeper relationship with the organization," says Blair.

In addition, other retail elements like an on-stage/off-stage platform, branded merchandising, and comfortable environments all work in conjunction to create an open and inviting retail environment that allows employees to dedicate more time to consumer engagement, leading to greater client retention and satisfaction.

Meanwhile, as the retail platform is being designed, the organization must also prioritize the entire branch system. Define performance measures on which to base the hierarchy on. Underperforming locations may need to be closed, but this will help prioritize how the retail strategy can be developed through in-depth market research.

Once the new brand promise and retail strategy have been clearly defined, translating that into a retail experience is the next big challenge. Creating a brand strategy and retail platform and not implementing it across all delivery channels is a set up for failure. A disconnect among locations sends a subtle message to consumers and employees that the organization's priorities are not aligned. However, a cohesive branch network transformation that merges the two organizations and their two brands is the first step to success.

"An investment in the creation of a new brand strategy and a more relevant look and feel in store design needs to be implemented across all locations. This is where we have seen many organizations implode as stores were misaligned and sent mixed messages to the market," says Blair.

PRIORITIZE THE BRANDED SPACES

Combining all locations of the two organizations must be prioritized when merging. Once priority markets and consumer segments have been identified, a retail strategy can be developed on where and how branded merchandising and retail elements should be implemented for the most effective channel distribution.

Establish a hierarchy based on market analysis. Determine the measurements that will serve as a basis for the ranking. Consider these indicators when examining the locations:

- Profitability
- Activity
- Cross-sales
- Appropriate service level
- Market position
- Growth potential
- Market evolution

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4. Culture Transformation

AVOID THE CLASH OF CULTURES

With two workforces and two cultural mindsets that must unite, tensions run high among employees during a merger. First and foremost, employees must feel secure about their own jobs. Offering an incentive to stay on board during and after the merger will put employees at ease. Explain to employees the integration and transition process that will take place, what it means for them in regard to their job and responsibilities, and how it will affect their working environment. Give them a roadmap for the process ahead, which includes letting them know that a branch network transformation is on the way.

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An onboarding program should also be considered. All employees, independent of whether they are coming from the acquiring organization or the organization being acquired, can benefit from a program centered on what the organization stands for and the history and vision for the future. These initiatives might be exactly the excitement and experience that employees need to start fresh on the right foot.

"How your frontline embraces and explains the acquisition will have greater impact on the success of the deal than any other single factor," says Blair.

Among consumers, questions will arise on the safety and soundness of the organization. The frontline needs to be able to talk about the health of your organization. In the current world today, employees should be able to convey that the financial institution is in the position to help consumers, no matter their financial circumstance. Employees should be excited about the changes to come and the following branch and retail updates.

The brand is a critical factor in the presentation of a solid organization. A united front and a well-crafted consumer experience are absolute musts for success. Brands are what consumers connect to, identify with, and stay loyal to for a lifetime.

Employees should be aware of all communications being presented to consumers on the merger. Staff should also be able to talk to consumers about why the organizations merged, and the benefits that have occurred as a result. Keep the language and perception positive.

Employees are your most direct channel of communication with consumers. It is critical that they understand that the merger and following branch network transformation is a business enhancement that will benefit one and all.

The new brand needs to be united and connected across all communication channels. Educate employees on the organization's new or enhanced brand basics. Staff needs to understand the overall definition of the brand elements. Train employees on the:

- Definition of the brand
- The workplace vision
- How everyone (no matter what position) is a provider of service
- Brand strategies and attributes
- Leveraging visual components and messaging to engage consumers
- How to build deeper and lasting relationships through the new brand
- How to deliver on your brand experience

When employees are informed and educated to deliver on your brand promise, they are better prepared to understand who you are in the marketplace, how your brand promise is delivered, and how to effectively build opportunities for the new brand.

Contextualizing values, products and service offerings goes a long way in bolstering confidence among employees and consumers. For example, the last thing you want is a consumer asking an employee why a product or service is gone, and have the employee shrug their shoulders and reply, “they decided to get rid of it.” Staff should never be allowed to disconnect from the organization in this way. Instead, employees should be aware of upcoming changes in a positive light, such as new technology, new brand standards, or new designs that excite them across the network.

Providing a real and thoughtful answer makes a substantial difference in consumer confidence. When employees have the reasoning behind decisions, they can present a clear and unified approach in their interactions.

Keep the lines of communication open. Trust and knowledge go hand-in-hand. The more information and education your employees have, the better equipped they will be in creating and solidifying an authentic and engaging consumer experience.

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5. Communications

THE POWER OF PROPER MESSAGING

Communication is the common denominator for successful mergers. It is important that you take control of the message being delivered to all your stakeholders, internal and external. Stay ahead of the story in the press and rumor mill. Speak to consumers early in the process and speak to them clearly. As a whole, these changes will positively impact their daily experiences interacting with financial branches. Processes will be made easier, technology will continue to increase, and their comfort and trust in the institution can grow.

"If employees and consumers don't see the value of the merger within the first three months, their support will be lost, as well as the opportunity for business growth."

Direct communication makes consumers feel important and cared for. Oftentimes, consumers feel like bystanders when mergers happen. The perception is that the financial institution is more involved with the contracts and procedures of merging than on meeting their needs. Remember that the consumer experience is key to retention when undergoing a merger.

Communicate your business strategy. It will anchor employees to a common goal and articulate the rationale and reasoning behind the merger. Be careful with the tone of these communications. Rash and aggressive statements can create negative and lasting impressions in the marketplace. Remember that first impressions always count.

"If employees and consumers don't see the value of the coming branch network transformation within the first three months, their support will be lost, as well as the opportunity for business growth," says Blair.

Shape messaging by highlighting the benefits of the merger to the consumer. Address timelines, frequently asked questions, and any product or service changes. Should there be any major problems or delays, be forthcoming and communicate the issues at hand. And make sure that all communication channels convey consistent messaging, including:

- Staff
- Direct mail
- Web
- Digital
- Electronic
- Merchandising
- Advertising
- Press

Finally, be visible. Senior management needs to be seen. According to Kevin Blair, the entire leadership team should spend a minimum of 10 hours per week on the frontline, interacting with employees, consumers, and the community.

"Nothing is more powerful than leadership that is accessible," says Blair. "Time spent with employees and consumers is invaluable in understanding the challenges the organization faces and provides insight on what is working and what is not, as it relates to overall strategy."

The Journey Ahead

Merging two different organizations can be a scary and dangerous undertaking - but with a full branch network transformation, it can be an extremely fulfilling journey that benefits consumers and clients alike. A smooth transition requires a sense of confidence, security, and trust given to your employees. The critical elements of Brand, Place, and Culture must all converge to create a united organization. “In the end, it all circles back to the experience. Brand, experience, retail, culture, communications – it all merges to demonstrate to consumers that they are a part of this transition, too,” says Blair. “Ultimately, their financial needs, concerns, and wants should be at the forefront of this advancement.”

Transform your brand and bring your consumers along for the ride.

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NewGround is the industry leader in branded spaces for financial institutions, organizations, and retailers. With over 100 years of experience, we deliver dynamic, customized solutions for clients across North America, with a regional presence from coast to coast.

For more information about NewGround, please visit us at **newground.com**.

Scott Florini
Vice President of Strategy
sflorini@newground.com
314.346.2102

Julia Weigard
Director of Network Transformation
jweigard@newground.com
314.707.4296