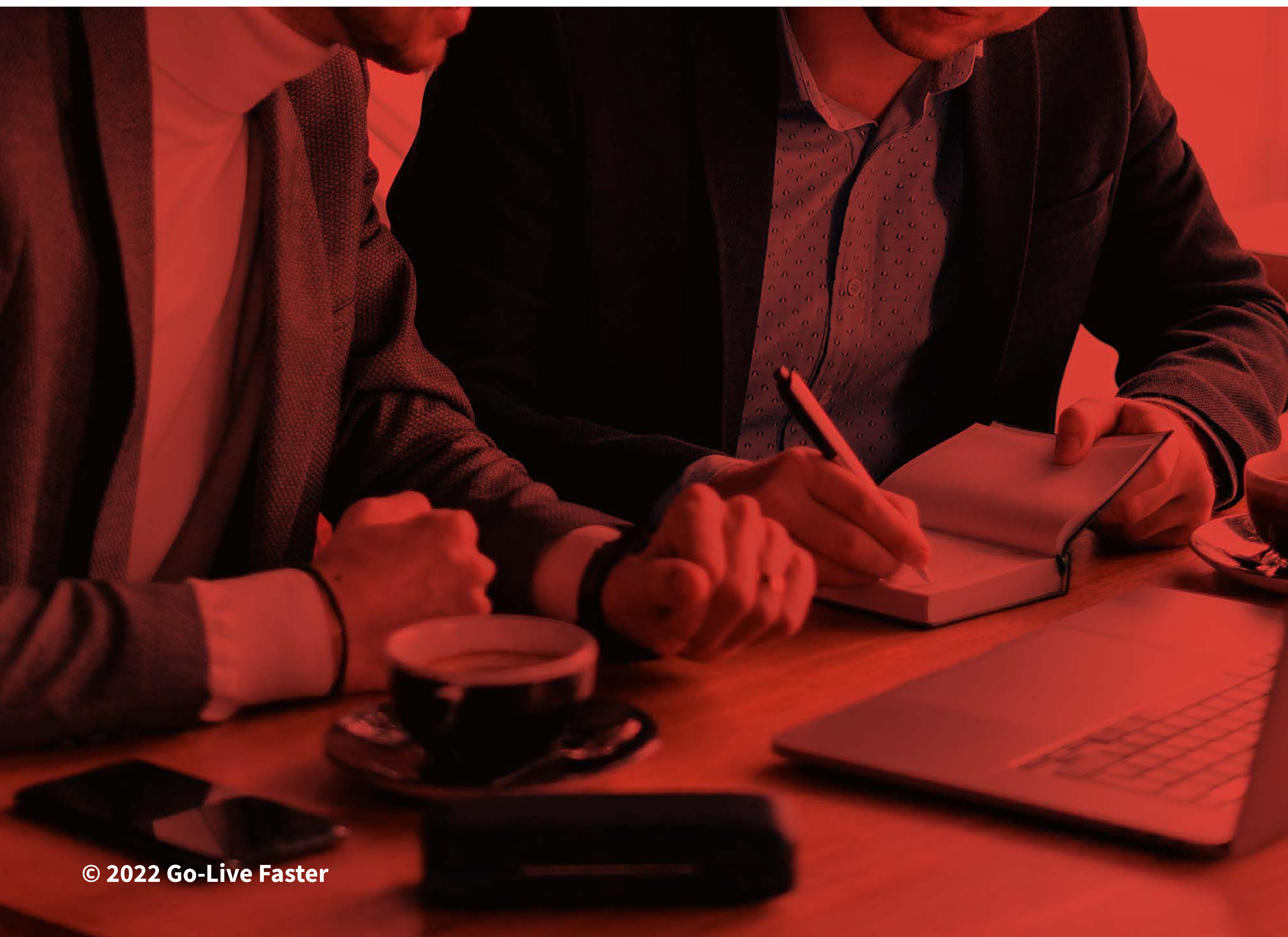


# **HOW CAN BANKS RETAIN EXISTING CUSTOMERS AND GAIN NEW CUSTOMERS DURING MERGERS AND ACQUISITIONS?**





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# INTRODUCTION

Since March 2023, there has been a substantial change, and profit margins have narrowed considerably. Additionally, the increasing cost of technology transformation combined with increased regulation, rise in customer expectations for faster financial services, and the entry of new fintech companies is driving a rapid increase in consolidation. The past 12 months has seen 159 bank mergers and acquisitions activity where buyers' assets total \$3 trillion and sellers' assets total \$2 trillion. (source: [Bank Mergers and Acquisitions Activity](#)) Mergers & Acquisitions could account for 50% of revenue growth in banking in the years ahead, an increase from the already high 35% rate. (source: [Global M&A Report 2022, BAIN & Company](#)) Some of the key drivers for these mergers and acquisitions are expansion of market share, diversified product offerings, consolidation in efficiencies and technology spend, and improved customer experience, amongst others.

When two financial institutions merge, customers tend to assume the worst, which is not surprising. Several studies and research have shown that more than half of all mergers fail to deliver the intended improvement in customer & shareholder value. According to an article produced by McKinsey & Company, “70% of merged midcap institutions underperform during integration.” (source: [US midcap banking: The shakeout ahead? By Vijay D'Silva and Zane Williams](#)) Customer churn is a factor in the high failure rate.

We all face the same dilemma; how do banks successfully retain existing customers and attract new customers. When a bank merger is announced, the transition period can last over a year. The old “integrate first and transform later” Mergers & Acquisitions mantra is being replaced with “buy and transform now.” (source: [Global M&A Report 2022, BAIN & Company](#)) There are numerous regulatory requirements to meet, and it takes time to integrate systems and data. The best customers of the acquired bank quickly become the best prospects of the bank's competitors. In many instances acquired bank customers seek out new bank providers and/or are more willing to evaluate changes to their banking relationships.



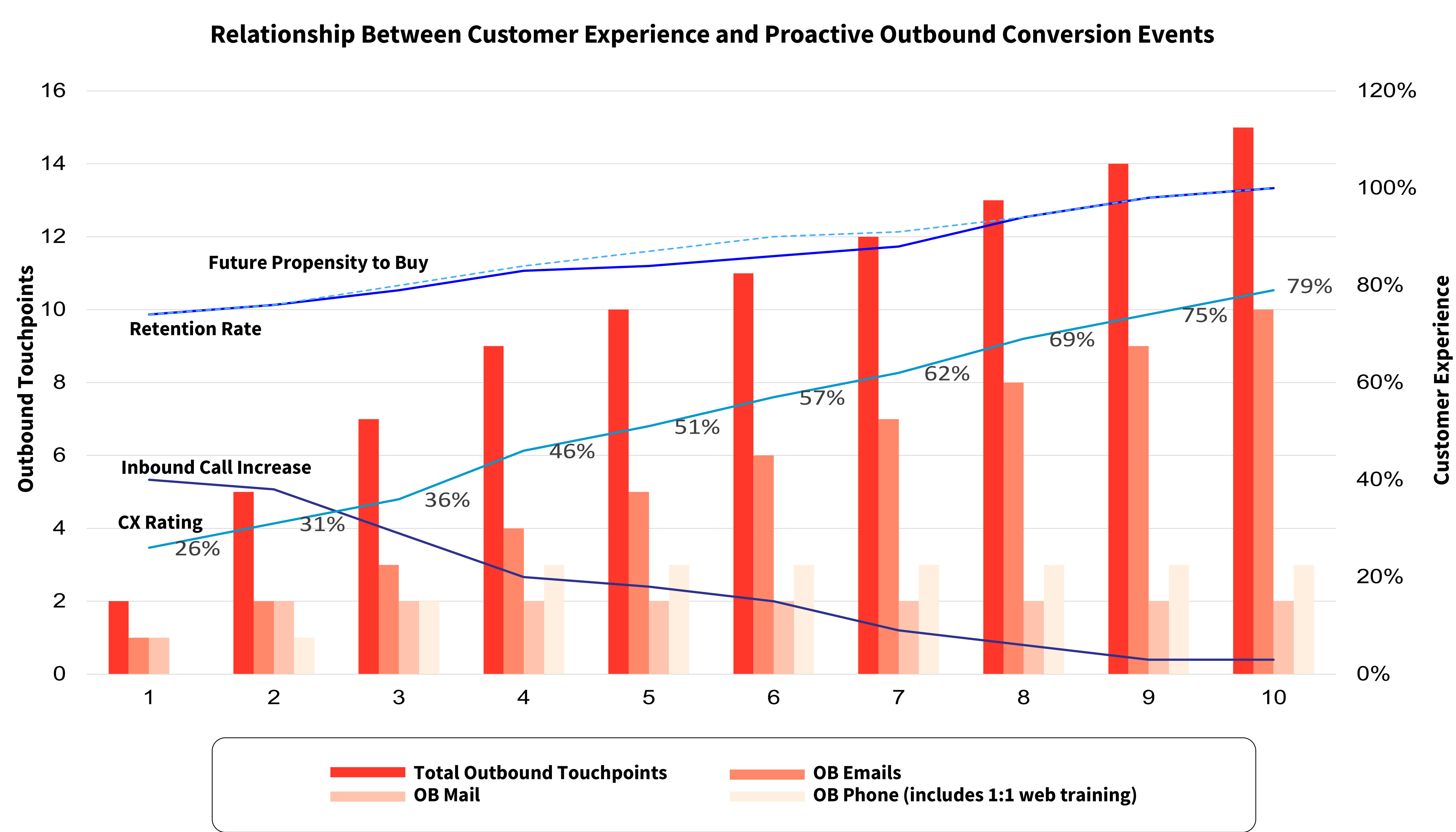
# SOME KEY CHALLENGES

## Customer engagement

Customer attrition during a merger is a key factor that defeats the purpose of the merger itself. According to one banker interviewed, “The goal should be to have about five points of contact with each client. Early outreach should include basic information about the conversion and their options as well as a written timeline. Later correspondence should strongly urge them to at least sign into the platform during the preview period as this step is critical.” Bankers interviewed saw a definite correlation between the number of outbound calls and login activity, a decline in inbound calls, and customer satisfaction.

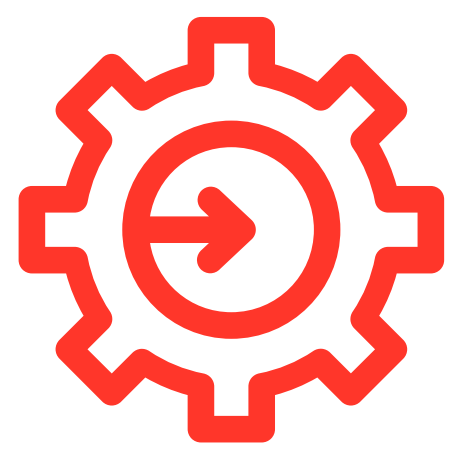
(Source: [10 Best Practices for Achieving a Successful Client Conversion Experience](#))

Fig. Relationship Between Customer Experience and Proactive Outbound Conversion Events



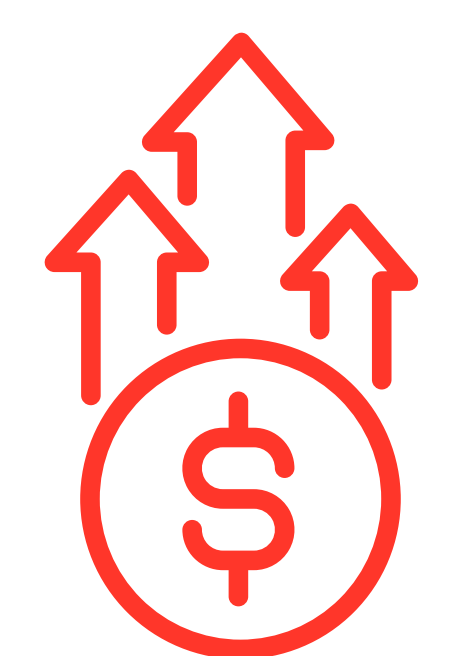
Understanding the acquired bank customer landscape and customizing communication plans around those specific needs is key to being able to lower this attrition rate.





### **Integration complexity**

Mid-sized banks typically integrate anywhere between 100-150 systems in a merger. From small systems to large systems selecting the right platform is key to making the integration simpler. Banks are challenged based on internal preferences, biases, and licensing cost of a platform. Customer experience and time to market tend to take a backseat in these decisions. Eventually no one likes change but someone has to bear the burden of change!



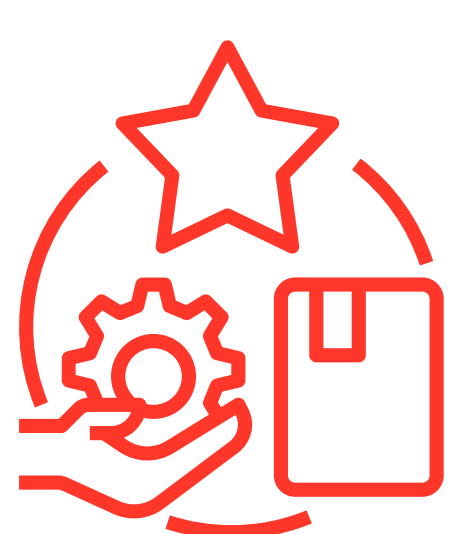
### **Increased fees**

As with any change, the biggest concern for the customer usually is a change in fees or charges that they will incur. While banks tend to keep this cost neutral in the short term, inevitably the prices do change in the mid-long term and are a major consideration for customers.



### **Lack of personalized experience**

Typically mid-sized and community banks tend to offer their customers a high touch personalized banking experience. When mergers are not amongst equals and the bank acquiring is more super regional or national, bank customers tend to lose out on the high touch personalized experience and might want to stay with other competitive mid-sized or community banks.



### **Brand loyalty**

As humans we are creatures of habit! We build long term relationship with inanimate objects like corporate brands and tend not to like change. Usually, this loyalty is invariably based on the underlying values the brands represent. Capturing the brand values of an acquired brand and embedding them into the acquiring bank story is not an easy task.



### **Employee integration**

Last but not least, the human factor of a merger cannot be ignored! Employees are impacted the most and are the vehicle that communicates all the changes to end customers. The old adage “Happy employees, happy customers” is never more accurate than in this situation. One of the root causes of any failed merger can always be found in some form of poor employee integration.



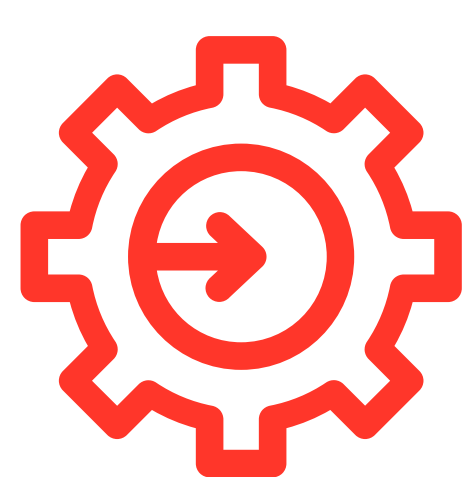
# WHAT CAN BANKS DO?

The key to any successful initiative starts with robust planning. This is critical when it comes to mergers given how short the actual period to execute the merger is. From when an acquisition is announced to getting reg approval to legal day 1 to system day 1 the process usually wraps up in under 12 months. The period between announcement and reg approval is usually the longest (up to 6 months) while the period between legal day 1 and system day 1 the shortest (usually 3 months or lesser). Across this period, it is critical for banks to evaluate, communicate, and integrate.



**EVALUATE**

**COMMUNICATE**



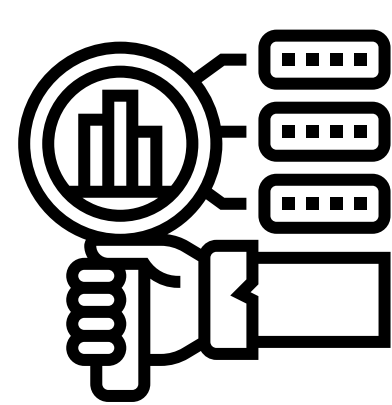
**INTEGRATE**





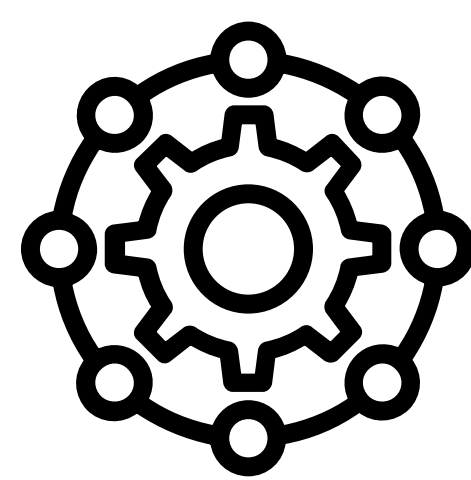
# EVALUATE

## Product gap & Customer impact analysis



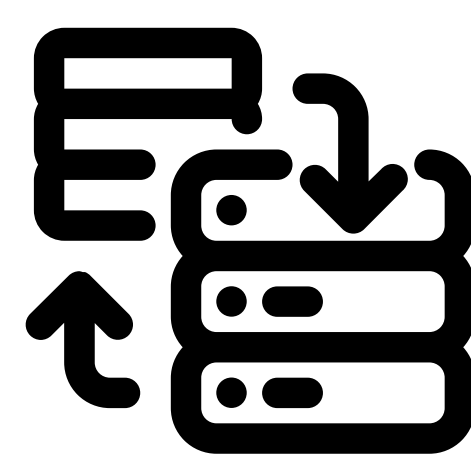
Understanding the product offerings of the acquired and acquiring bank are critical to arrive at the consolidated list of products the new entity would offer. While these might not be distinctly different from what both banks are already offering, it is key to capture the subtle nuances including fees, naming conventions and branding. In addition to this, in some instances a reduced set of services and the impact to customers may be high. Also, impact to 3rd party integrations (i.e. Quickbooks or Bill Pay) can be meaningful as well.

## System integration



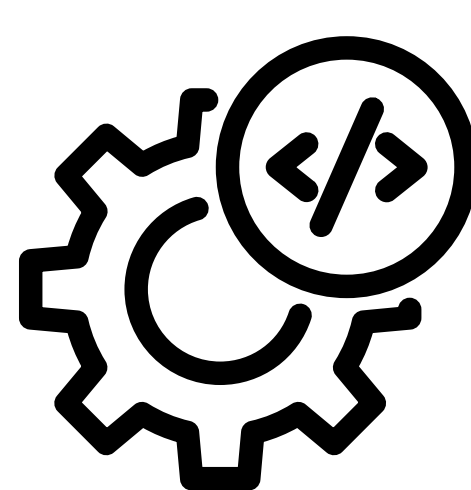
On average, mid-sized banks run well in excess of 100 applications across the front office, back office and enterprise functions. Evaluating each of these applications for both the entities and deciding on which one survives is more than a function of personal choice and political capital. Product roadmaps and technology capabilities should be evaluated in depth in retaining systems. The impact on customers and their complexity of adoption also needs to be taken into consideration.

## Data migration



Data accuracy is one of the most important aspects of any conversion. On system day 1 when a bank user logs in, they might complain about a missing feature functionality however if the data is missing or inaccurate, it invariably will lead to customer escalations and potential loss of the relationship. Banks need to plan for a multi-phase migration and validation process including several mock cycles leading up to system day 1.

## Program management and governance

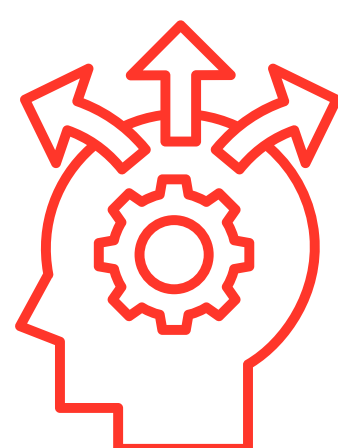


Last but not least, banks need to customize a management and governance structure specific to mergers. Using the regular project management and governance framework for mergers is usually not a good idea. The key difference in mergers is that it cuts across every function, system, and employee of the bank. It also needs to factor for culture differences between how programs are managed and governed at two different institutions.



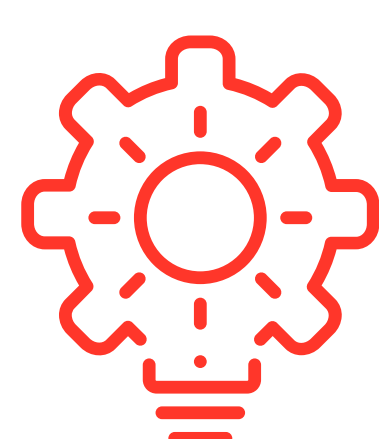
# COMMUNICATE

## Audience mapping



The first stage in any merger communications plan is to identify all your target audiences, which typically includes internal stakeholders and customers. The customers need to be further broken down by tiers of clients, commercial value of relationships, growth potential and other subjective factors such as customer loyalty, brand value, etc. Banks should design a communication plan with custom client transition journeys unique to each market segment i.e. commercial v consumer, then break down by LOB (Treasury Management, Lending, etc.). Also, it is important to streamline communication so that bank customers are not inundated with uncoordinated messaging.

## Proactive outreach



From the day an acquisition is announced, banks need to proactively reach out to their employees and customers to communicate the impact of the merger. It does not stop at the one-time communication when the merger is announced. As banks go through the process of reg approvals through integration, legal day 1 and system day 1, a series of communications need to be sent out on a regular basis. Internal bank-to-bank and bank-to-customer communications and timing there of are governed by a variety of regulations. During conversion on system day 1 banks should not rely on customers having to call their contact center to resolve queries. Designing a proactive outbound outreach program is key to delivering a great customer experience during any merger.

## Multi-faceted communication strategy



A multi-faceted communication strategy usually includes different forms of communication including reading material, visual material, and personal communication. Emails are a great tool for a one-to-many communication, webinars are a great tool for a visual communication, and proactive phone calls are a great one-to-one form of communication. A transition web site that keeps customers up-to-date on all M&A activities goes a long way in delivering a great experience.





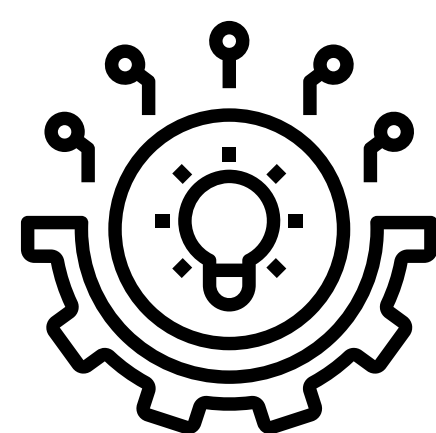
### Post conversion experience



Communication does not stop once a client is converted. Continuous engagement post conversion is key to ensuring that the customer experience is delivered. The post conversion experience goes a long way in determining if a customer will continue to grow their business with your bank. A proactive call to key clients post conversion to gather feedback on their conversion experience is one of the simplest tools banks can use.

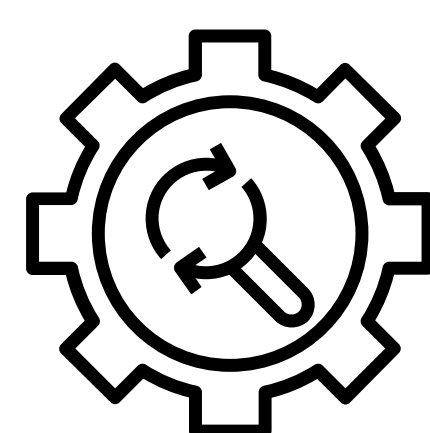
## INTEGRATE

### Application vendor(s) alignment



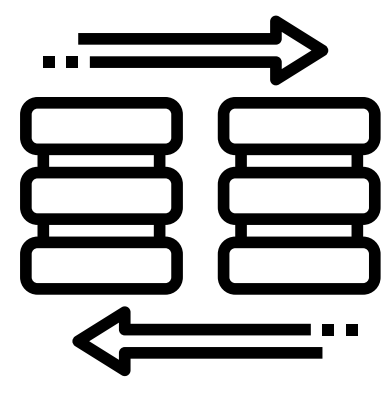
From the day the merger is announced, both banks need to reach out to their respective application vendor(s) and ensure alignment across both entities. Communication during this period is limited due to the regulatory nature of the process. Acquired and acquiring bank are allowed to share some information but have to maintain customer privacy and confidentiality till the merger is approved. This may at times limit the amount of pre-work that can be done. Irrespective of the system that survives, collaboration between all interdependent vendors is critical to ensuring that systems integrate on the bank desired timeline.

### Quality assurance & testing



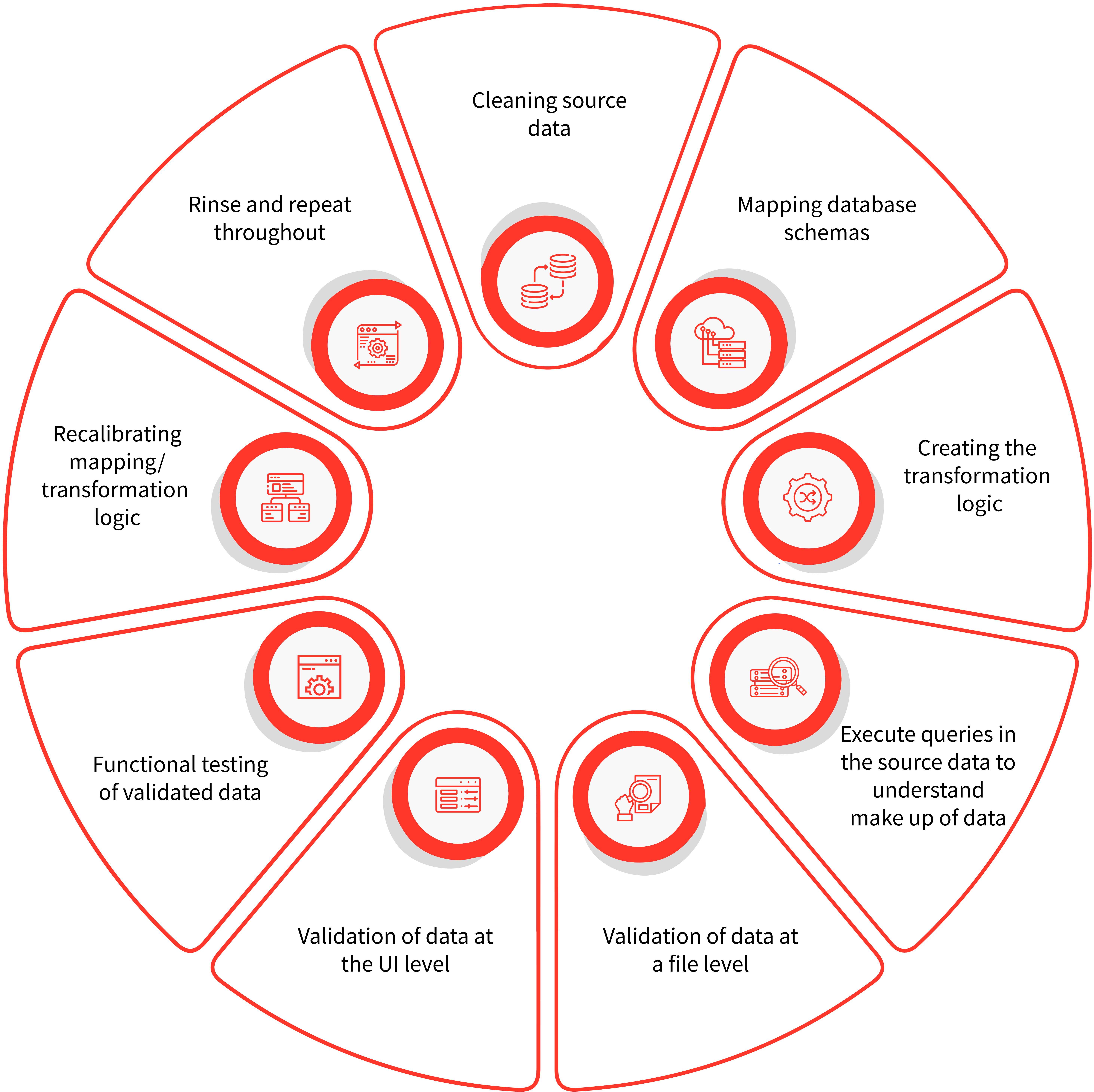
The role of Q&A testing in a merger is often under stated due to the number of different workstreams that run in parallel. Nothing destroys an experience like a glitchy system! Banks need to invest in the QA process by ensuring teams are testing systems comprehensively across how users use a system, day in the life of and negative scenarios. Investing in automating the testing process also helps significantly in reducing the time taken to test and fix.





**Data migration & validation**

A multi-phase migration and validation process including several mock cycles leading up to system day 1 is the way to go when it comes to data migration and validation. Steps in the process include:





A background image showing a person's hands writing in a notebook, overlaid with a semi-transparent red filter. The word "CONCLUSION" is written in large, bold, red capital letters on a white rectangular background in the upper left.

# CONCLUSION

The financial services industry is in a state of transition, and it is pretty evident that customers who engage with banks demand a seamless and frictionless interaction. Gone are the days of “convert and hope for the best”, inordinately staffed-up call centers, which often lead to customer frustration, attrition, unnecessary costs, and experiences that haunt banks, the employees, and their customers for years to come.

As mentioned at the beginning of this paper, the past 12 months has seen 159 bank mergers and acquisitions activity where buyers assets total \$3 trillion and sellers assets total \$2 trillion (source: [Bank Mergers and Acquisitions Activity](#)). This trend is only going to accelerate in the months to come. As banks seek out the best technology platforms and partners to meet new market expectations, providing the best client experience is at the core of every decision. In doing so, banks are now adopting the right technology and switching to the latest platforms where the focus lies on providing the best customer experience that ultimately leads to client retention.



# ABOUT GO-LIVE FASTER

Go-Live Faster's "Ideation to Adoption" productized solutions combine deep domain expertise, analytics, proprietary accelerators, and strategic program management to accelerate the time it takes for banks to select, implement, adopt, and improve digital technology systems. Working with commercial banking teams, Go-Live Faster predictably accelerates transformative digital banking initiatives while keeping risk to the institution and its customers low.

Our ZenCX Conversion Solutions provides your financial institution with the most advanced suite of capabilities ensuring your customers experience is optimized.

Whether you are planning your next platform conversion or find yourselves in the middle of a merger, please reach out to us at Go-Live Faster!

## GO- LIVE FASTER CONTACT

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