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What Customers Expect from a Merger or Acquisition

A road map for telecoms to avoid customer churn

WHITE PAPER | AUGUST 2019

Introduction

T-Mobile and Sprint, respectively the third- and fourth-largest wireless companies in the US, recently announced they are moving forward with the merger of their brands. These two telecom behemoths have embarked on a journey that will not only see their brands unite under the T-Mobile name, but also make promises to their customers, employees, executives and stockholders.

Any time a merger is announced—in the telecom industry or otherwise—it can be an exciting time for companies as well as consumers, but it is also typical for customers to feel a great deal of anxiety, which can impact the success of a merger. While some consumers might feel excited about the promise of innovative products from the newly formed company, others might feel confused about service changes or concerned about price increases. If not addressed appropriately, these uncertainties can lead to distrust and defection if consumers aren't informed of the benefits of the merger up front.

Unfortunately, most companies get so caught up addressing internal merger integration processes that customer needs often go unaddressed, resulting in frustrated customers and high levels of churn.

Looking at the T-Mobile and Sprint merger, we see that the companies are taking a **transparent and customer-centric approach**, promoting the value of building out 5G networks for their customers as the driving force behind their merger and heavily communicating the benefits of the merger via **press releases**, **social media** and their own **website**. But is this enough, or is it even the right message?

As T-Mobile and Sprint go through their merger, we thought that we would check in with customers that have actually experienced a merger and can comment from experience about what to expect and what was good or bad. To provide a comprehensive guide to what merging companies need to do to promote customer loyalty and avoid churn, we asked 972 consumers in a self-funded study how they feel about mergers. As such, we specifically asked for consumer perception with a focus on these brands: AT&T (DirecTV merger), Verizon (with Yahoo and AOL in their history), Charter Spectrum (TWC/BrightHouse merger), and Comcast Xfinity (with NBC Universal).

This white paper will provide a road map to help telecoms effectively address these questions:

- What information do current and potential customers want to know about the new company and its products and services?
- What do customers want and need in order to feel valued by a company when a merger happens?
- How should a company communicate with its current and potential customers about the changes (both good and bad) that a merger brings?

How Consumers Feel About Mergers

When a company announces a merger, many customers feel nervous, apathetic, indifferent or helpless. Understanding why customers feel these ways is necessary to turning their feelings around and securing greater loyalty. You need to understand the differences among your customers to ensure that your messaging addresses the right concerns. For example, older consumers (55 or older) are more curious and cautious—a feeling of “been there, done that.” Younger consumers (18 to 24) are more nervous, as this could be the first time their favorite brand is experiencing a change. Those in between (25 to 34) are excited, expecting positive outcomes and likely haven’t experienced enough mergers to believe otherwise.

CUSTOMERS ARE CURIOUS BUT CAUTIOUS ABOUT MERGERS, WHILE ABOUT 1 IN 4 IS INDIFFERENT

18–24
Younger respondents are nervous.

25–34
Respondents aged 25 to 34 are significantly more excited than others.

55+
Older respondents are the most curious and cautious.

> "No matter what a company said to try to make their customers more comfortable, I don't feel like the customer is ever the one who benefits."
>
> 35 to 44, $40K to $59K, Southeast

TOP CONCERNS AROUND MERGERS

For every indifferent customer, there are those who are curious but cautious. How can a company turn indifference or concern into curiosity? To find the answer, first understand what consumers are concerned about.

To defuse negative feelings toward a merger, companies must address these top three concerns:

1. **Will the merger increase cost for products?**
2. **How will the merger impact the services the old company offered?**
3. **Will my services cost more?**

Consumers want to know how the merger will impact the products offered as well as customer support. While less than half of consumers care how long the merger will take or what the new name will be, there are clear preferences based on age.

- Older respondents (55+) are most interested in the impact on service and costs.
- Younger respondents (25 to 34) are interested in how long the merger will take and what the new name will be.

Because preferences vary widely based on many factors, knowing your customers will help you navigate their specific nuances. Going back to the T-Mobile and Sprint merger, offering 5G networks strikes at the heart of what rural Americans want and need, and there is a gap in home broadband availability that 5G wireless can fill.

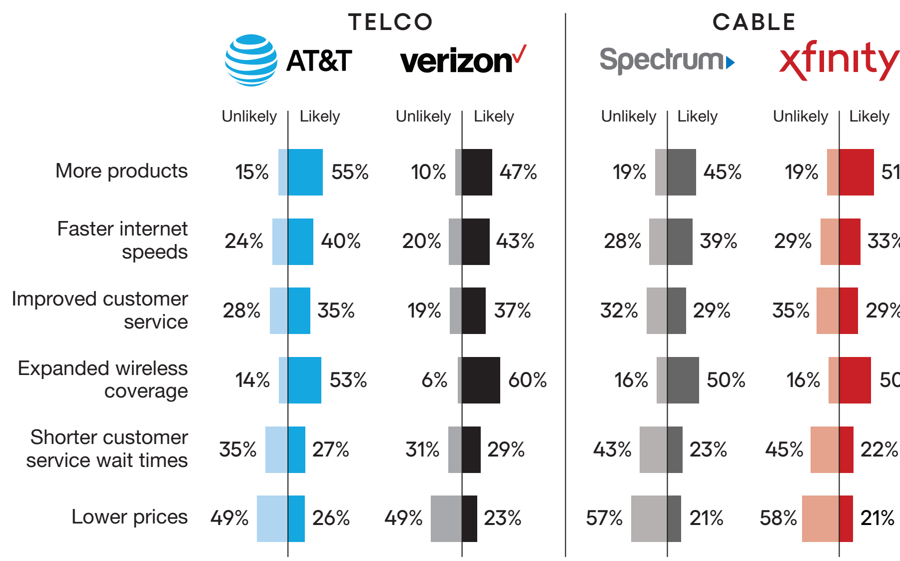
What Customers Expect from the New Company

Consumers are curious about a merger and its impact on products, services and pricing. But what do consumers expect from a merger? Over half think that wireless coverage will improve and half think that the products offered—such as the number of TV channels—will increase.

A majority of consumers believe prices will not decrease when companies merge. However, when asked about what companies could do to help customers ease the transition during a merger, many answered that companies should offer discounts and promotional pricing.

While expectations vary by provider, most customers feel that the products as well as services such as internet speed and wireless coverage offered would increase after a merger. However, most are skeptical that prices or customer service wait times would decrease.

WHAT CUSTOMERS OF TV OR INTERNET EXPECT FROM MERGERS



Digging deeper, there are distinct differences by region that telecom providers will need to account for when creating a strategy around how a merger is communicated. For example, Midwesterners are the least likely to think that services, prices, products and customer support will improve. These folks are a hard sell. Because they're upset that change is happening, it's important that they feel that the new company is going to provide them with better products and services at fair prices. At the same time, the company should demonstrate that customer service is a priority.

On the other hand, Southerners are more likely to expect a positive outcome from a merger. They assign a higher value to customer service. Therefore, messaging for Southern customers should focus less on products and pricing and more on customer service benefits.

By communicating the anticipated outcomes of a merger with customers' differences in mind, it's highly likely that companies can maintain, and even grow, their customer base. But the conversation should go beyond discussing just positive outcomes: "They should be open about explaining why any changes that might be viewed as negative [such as price increases] are necessary," notes one survey participant. "And they should at least consider offering long-standing customers some other options."

> "If the company truly has their customers in mind, they will go through with a merger with intent to lower prices and improve quality and quantity of products and services."
>
> 18 to 24, $20K to $39K, West

> “When a company merges, the customer is the last thing they worry about. All they care about is bonuses for the executives and getting more profits. Mergers are almost always no good for the customers.”

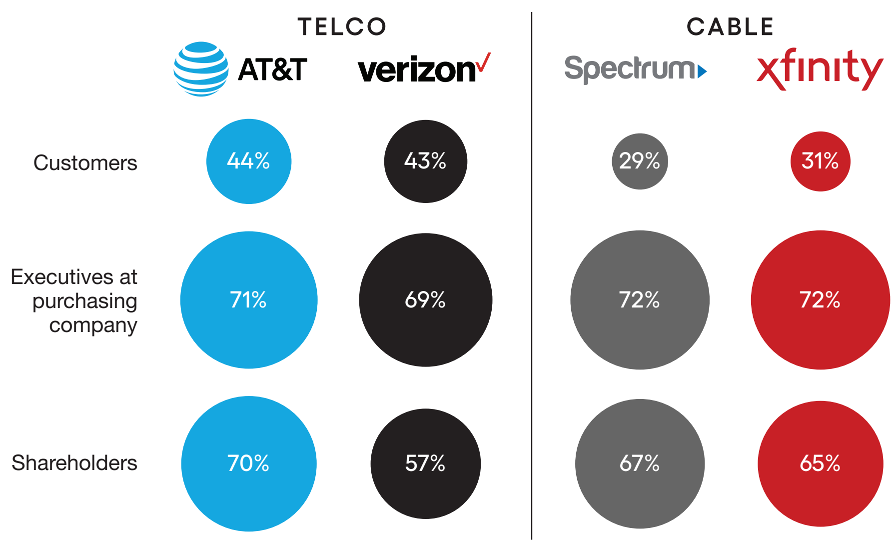
35 to 44, $20K to $39K, Northeast

WHO CUSTOMERS THINK BENEFIT MOST FROM A MERGER

Overwhelmingly, customers feel that executives of the purchasing company benefit most from a merger, along with shareholders of the companies involved. Because customers and employees at the purchased company are, in the opinion of most, the least likely to benefit from a merger, it’s important to communicate the benefits to these groups as early in the process as possible.

Depending on provider type (telco or cable), opinions differ on who benefits from a merger. For example, telco customers are more likely than cable customers to believe that customers will benefit from a merger. Customers of both types are highly likely to believe that executives at the purchasing company and shareholders will benefit the most.

WHO CUSTOMERS THINK WILL BENEFIT MOST FROM A MERGER



T-Mobile and Sprint understand how these perceptions can lead to a loss of engaged customers. That’s why they’re flipping the script when it comes to executive engagement and shareholder rewards in merger announcements. In this **video announcement**, the CEOs present a relaxed but excited view of the merger. They speak to the desires of their customers, including those around products, services, prices and people. The communication leads with product improvements—a 5G network that neither company can do on its own; an expectation to offer lower prices than their competitors, Verizon and AT&T; and the promise to create more jobs.

> “Customers need to know directly how they will become affected. They need to know if something that they ‘like’ is changing due to a merger, which may make them less likely to enjoy the service or the good.”

25 to 34, $40K to $59K, South

Call to Action for Merging Companies: How to Help Consumers Through the Transition

It's clear that consumers expect better products and services at fair prices, prioritize quality customer support, and want to feel valued by merging companies. In this section, we'll lay out a road map for merging companies to follow so they can meet expectations and help customers through the transition.

"Customers want to know what will change and when. Releasing small bits of information as soon as it becomes available is preferable to leaving customers in the dark until a large announcement is made."

35 to 54, $20K to 39K, West

1. CREATE A COMMUNICATION STRATEGY FOR YOUR CUSTOMERS

One of the most important things companies can do to address the curiosity, caution, nervousness and even excitement that customers feel during a merger is to keep them well informed. Despite the high amount of merger activity in the telecommunication industry, more than half of customers aren't familiar with any mergers for their TV, internet or wireless providers. One in three, however, did know that his or her TV provider merged with another provider.

Be prepared to answer questions about the merger before the changes happen to avoid the spread of misinformation.

Explain the benefits. Get in front of the belief that mergers benefit only executives and shareholders. Let customers know how the merger benefits them and how you'll build the trust that keeps them from abandoning your brand. The questions consumers are concerned about are:

- When will the merger be finalized?
- How will it impact the community?
- What benefits will the company provide for its employees?
- Will the company provide the same quality of products and services?
- How many employees would be retained or added?

Explain how the merger will affect products, services and pricing. Reassure customers that their service will not change after the merger—that there will be no interruption in service or increase in billing. Next, discuss price or coverage differences, answering:

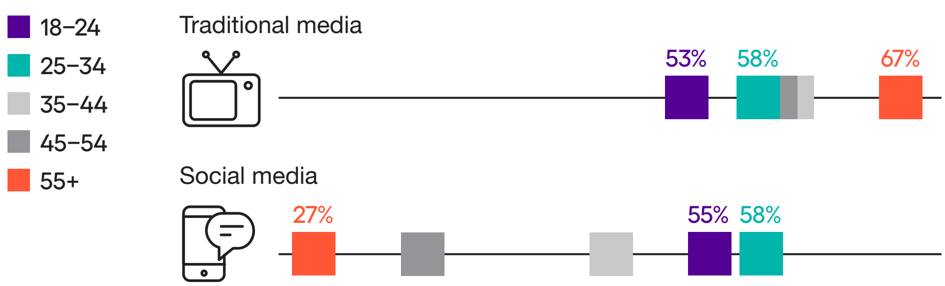
- Will service expand or shrink?
- Will current plans be erased, or stay the same?
- Will customers have to pay more for their current service, or will pricing stay the same? For how long?

Ensure you have enough knowledgeable staff to quickly address customer concerns. In addition to including an FAQ on your website, informational videos and infographics, offer contact emails and dedicated phone numbers for customer service agents who can answer questions about the merger. Survey respondents also suggest hiring more customer service personnel who can immediately answer questions rather than route callers to multiple support agents.

2. USE PREFERRED COMMUNICATION CHANNELS

Though communication preferences differ by age, most respondents think that traditional media like TV and radio is most effective in communicating information about a merger. Sending updates on their monthly bill and via email are secondary preferences, while younger audiences prefer social media.

HOW AGE GROUPS PREFER TO RECEIVE MERGER INFORMATION



There are also differences in communication preferences by provider, including the types of information consumers want to receive. One thing every customer wants to know, regardless of provider, is how he or she benefits from the merger.

COMMUNICATION PREFERENCES BY PROVIDER

		Social media	Email	Monthly bill	Traditional media	What customers want to know
TELCO	AT&T	40%	48%	49%	66%	• Benefits of the merger • How long the merger will take
TELCO	verizon	48%	56%	34%	46%	• Benefits of the merger • Whether products/prices will remain same
CABLE	Spectrum	44%	48%	53%	58%	• Whether services will remain same • Benefits of the merger • Details about the benefits
CABLE	xfinity	40%	40%	44%	60%	• Benefits of the merger • Whether products/prices will remain same

"A company should be as open as possible with their customers to show them they are not forgotten. It should also inform their customers about the merger in as many forms of communication as possible."

25 to 34, $40K to $59K, Southwest

3. PROVIDE BETTER OR SIMILAR SERVICES AND PRICING

In-line with their top concerns around mergers, customers expect newly merged companies to offer improved products and services without price increases. Companies that ignore these expectations risk customers switching to a competitor: “Don’t offer new customers cheaper services while keeping loyal customers paying full price,” warned one survey participant. “It’s happened before, and a lot of people I know felt betrayed and switched [to] a different company.”

To keep prices low, consumers view the following in a positive and customer-centric light:

- Promotions or incentives
- Grandfathering existing customers into their current rates or services unless a change in service benefits them more
- Giving customers options to keep their current services or switch to new offerings
- Providing temporary discounts

“Do not interrupt services. Keep things on an even keel. Do not raise rates. Stick to established schedules.”

55 to 64, $80K to $99K, Midwest

Strategic Summary

Consumers are skeptical of corporations in general. In particular, it is **well-known** that they don't trust "cable companies" whether from a product delivery, cost or customer service standpoint. Our research shows that customers feel the same way about mergers in this space, which presents a steep uphill battle for merging telecoms.

Mergers are inherently designed to make money; therefore, retaining and acquiring customers should be front and center when managing a merger. There is a unique consumer story to be told before, during and after every merger. Consumers want to know what's going on, when it's going on, how long it will go on and the direct impact on them. This message should be consumer-focused and positively reinforce how the merger is best for the customer.

A communication strategy that takes into account the needs of your customers will help you understand where you need to be with the correct messages. By better understanding your customers—including their wants, needs and preferences for interacting with your brand—you can make the merger experience easier and build the trust that will keep customers loyal in the long run.

Given all that we have mapped out from a strategic perspective, how do we think T-Mobile and Sprint are doing with their merger communication strategy? They have certainly checked all the right boxes. They have identified a significant need that supports the reason and benefit of the merger for customers, and they have addressed customers' questions and concerns while pushing back against competitor claims. If they make good on their promises, all signs point to a positive and lucrative merger.

TALK TO THE EXPERTS

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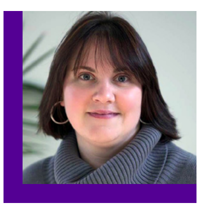

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ABOUT THE RESEARCH

Escalent interviewed a sample of 972 consumers living in a household within the United States in one of the nine Census Defined regions age 18+ between August 10-14 in 2018. Respondents were recruited from Full-Circle opt-in online panel of US adults and were interviewed online. The data were weighted by age, gender, and census region to match the demographics of the US population. Due to its opt-in nature, this online panel (like most others) does not yield a random probability sample of the target population. As such, it is not possible to compute a margin of error or to statistically quantify the accuracy of projections. Escalent will supply the exact wording of any survey question upon request.

About Escalent

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