

## RECRUITMENT INSIDER

# Why CX Assurance Is Vital When Considering A Merger

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The global explosion of merger and acquisition transactions has placed the advisory businesses and top tier accounting firms under pressure. The demand has impacted the highest failure rates in successful mergers and acquisitions and there is often a clear error in the commercial due diligence process that causes this financial loss.

In 2016 & 2017 the global failure rates of mergers and acquisitions vary from 60% -70%. Failure is assessed from having no positive impact on bottom line or share price to a complete collapse of the merger or acquisition. one of the top 4 have assessed 1/3 fail, 1/3 no positive impact and 1/3 succeed.

Considering the massive resources and expertise that go into the Financial, Legal and Commercial due diligence of a merger or acquisition these results are very poor. Customer due diligence is one of the areas identified as a key cause of the failure rates is in the commercial due diligence process.

Depending on the business and sector the merger or acquisition applies to will determine the importance of the customer due diligence. High customer transaction values and the dependence on repeat business are a key factor, as well as business models of multiple sites, sales teams, highly competitive markets and long sales processes. When a merger or acquisition involves the assessment of the performance of marketing and sales teams it's critical to have an independent external market perspective of WHY customers purchase and return.

In many mergers and acquisitions the future revenue of the customer base is critical to the success of the strategy and if incorrect can sink the business or massively impact revenue and margin. The problem with the common process is that the future revenue security of the customer base is assessed by the financial history. It's like driving your car with the rear-view mirror, you can only see where you have been. Some of the top merger and acquisition advisory firms merely assess the change in the top 10-20 customers over the last 3-5 years as the assessment to the loyalty of the customer base. This is a very risky strategy as there is no knowledge to any past deals and strategies that have been orchestrated to make it look good.

CX Assurance is an innovative model that ensures an independent external market perspective on the sentiment of the customer base. Understanding how the customer base truly feels about the company is vital to assess loyalty. It's also critical to know if they are coming back, are they referring, how do they measure the value they receive, how much of their wallet do you have, what are their future intentions, how do they assess the performance of key departments to name a few. This information is not obtained in the current customer due diligence models and is vital to create an accurate assessment on the value of customer good will.

The other disruptive impact CX Assurance has is the timing of the customer due diligence. In most cases the merger and acquisition advisories leave this until later in the process and extensive human resources and cost have been incurred only to determine its not performing as well as first expected and cancel the merger or acquisition. The CX Assurance model assesses the customer due diligence early in the process (ideally in the first 30 days) and identifies if it aligns with the strategy and how risky the customer loyalty is.

Due to the confidentiality of this process information is not open source. The advantages of this process are; a fast exit to a dud deal, the ability to reduce purchase price due to poor customer experience data that does not support the goodwill ratio, the insights to team culture and performance as only great teams and cultures achieve great scores, the understanding of the wallet share and the opportunities from competitor analysis, how secure are the pricing models and can margins be moved safely, the clarity of how quality is defined from a service perspective.

CX Assurance enables a more accurate valuation model of the customer goodwill, Increased efficiency of due diligence time and cost saving, reduces risk by understanding the customer base, forensic assessment of sales to referrals to repeat transactions, value for money and growth forecast via market opinion. The hidden impact of CX Assurance is the connection between culture and revenue and what really is going on between the company and their customers.



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