PANNOS EBOOK

MERGERS & ACQUISITIONS

Communications Plan

PANNOS

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MERGERS & ACQUISITIONS
Communications Plan

The Challenge

Bank mergers and acquisitions* are extremely important and complicated events that require substantial investments of time and financial resources from both banks. How the process is planned and implemented plays a vital role in determining the success of the resulting institution.

Proactive communication is the primary driver of building and sustaining buy-in and satisfaction among all stakeholders – employees of both banks, customers of both banks, business partners and vendors of both banks, the media (print and electronic) and the general public. These stakeholders can make or break the merger process and the combined entity.

While each banks' senior management teams and Boards of Trustees/Directors, by virtue of their positions, are usually well informed of the reasons, goals and progress of the merger plan, many other stakeholders (primarily employees, customers, and, to a lesser extent, the general public) view the process with skepticism and some level of discomfort. It is the fear of the unknown, or of change, that causes this unease as many ask how the merger will affect them personally. With so much at stake, a properly executed communications plan that allays these concerns, and addresses the merger from the viewpoint of each stakeholder group is critical.

From day one the communications plan should involve all stakeholder groups and:

- **Share the vision** – a clear and concise statement of why the merger is a good thing, and how it will benefit all stakeholders.
- **Share the goal** – what the future of the combined entity looks like and what its future plans are.
- **Share the plan** – How and when it will happen. In this regard, it is important to anticipate and answer as many questions as quickly and honestly as possible.

For each group and each phase of the communications plan it is important to keep the message consistent, the progress visible and the message honest. It is also important to begin early and to communicate often. These communications can, and should take many forms, including person-to-person via conversation, telephone or email, publicly via newspaper, broadcast, direct mail and in-branch promotions, and online via special merger update pages on both banks' websites. Social media networking sites, click-through-ads on external web sites and temporary blogs started and monitored by the banks should also be considered. It is also important to monitor external blogs and respond to posts, good or bad, about the merger.

Throughout the process it is recommended that both banks stand ready to offer special pricing and services to counteract promotions that will inevitably be run by competitors seeking to gain a market advantage from the uncertainty surrounding the merger and its effects on the merging banks' customers.

*The word "merger" is primarily used throughout, however the same principles apply for acquisitions.

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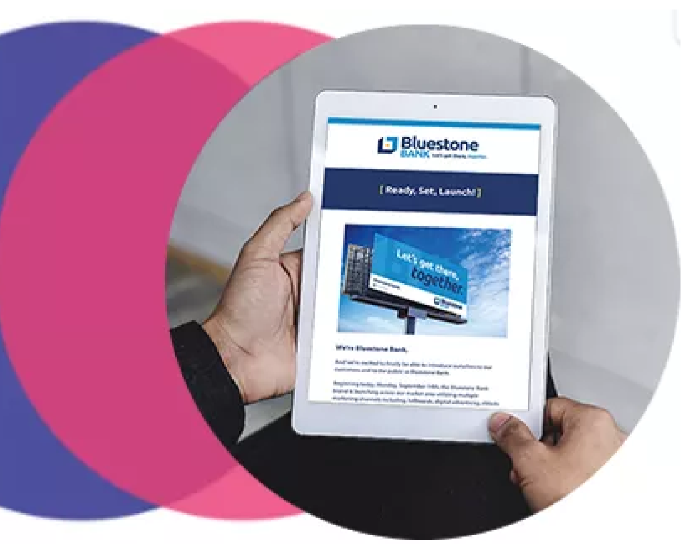
The Stakeholders – Employees

How a merger is communicated to the employees of both institutions can either position you for success, or uncertainty and fear. Though customer communication is critical, ensuring employees are aware of what changes the merger will bring, for both them and the bank's customers, is equally important. They're the face of your brand!

The primary objectives of the employee communications are to:

- Gain buy-in as quickly as possible.
- Convert employees into passionate, and informed advocates for the merger and for the acquisition.
- Retain the best and most essential employees.
- Maintain high levels of morale and cooperation.
- Maintain control of the message. Combat and discredit rumor and disinformation.



Effective employee communication:

- Clearly explains why the merger is being undertaken. Detail its benefits for employees, customers and communities.
- Makes it clear that the merger is fully supported by senior management and the boards of both banks.
- Alleviates any concerns for personal job security as quickly as possible. Be honest if those decisions have not yet been made, and promise to communicate that information as soon as it becomes available.
- Explains the merger plans in as much detail as possible, including projected timelines and deadlines.
- Explicitly asks for their buy-in and support.
- Communicates that each bank has established means by which employees can receive periodic updates and ask questions of management.
- Encourages open lines of communication.

Communication strategies and vehicles:

- All hands meeting, addressed by president and chairman of the board.
- Letter to all employees from the president and/or chairman.
- Special, password-protected section on the bank's website, or employee intranet if one exists, where updates can be posted and periodically viewed at the employee's convenience.
- Special merger-related employee newsletter, printed or published online.
- Email updates sent directly to all employees at their workstations.
- Frequent information-sharing meetings between senior managers, middle managers and supervisors where ideas can be exchanged, questions asked and answered, and feedback given. These lead to subsequent staff meetings with small groups of employees conducted by their immediate supervisor.
- Saying "I don't know at this time", or "That decision is yet to be made" is preferable to making up an answer or ignoring the question.

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Timing

- Ideally, employees should be made aware of the merger prior to it becoming public knowledge, or at least simultaneously. This avoids the embarrassment, and possible unfortunate comments or reactions that may occur if an employee hears the news from a customer, friend or neighbor.
- Employees should be adequately informed about the reasons and benefits of the merger to address basics customer questions that will be asked as soon as the merger is made public, even if they nothing more than "I don't know at this early date, but I will have someone get back to you with an answer."
- At the discretion of the bank, employees can be instructed to direct all customer questions to certain higher-level staff members.
- Frequent updates (written or verbal) dealing with the messages listed above, or other matters of interest surrounding the merger and its progress from management are critical to maintaining buy-in, alleviating undue employee anxiety and combating the rumors that will inevitably spring up and circulate. In this regard, management should have a method of knocking down rumors quickly. The website or intranet special section coupled with an update email to all employees can handle this effectively.

The Stakeholders - Customers

Customer communications should happen early and often, and in many different forms. Don't limit your communications to what's required by regulations, take advantage of every channel you have to reach your customers. While the merger may be top-of-mind for you, assume your customers are unaware!

The primary objectives of the customer communications are to:

- Retain and protect as many customer relationships during the merger process as possible.
- Prohibit "bad mouthing" to other customers or non-customers.
- Make customers want to do business with the combined entity once the merger is complete.

Important messages for customers:

- Clearly explain why the merger is being undertaken and what its benefits are for customers and their communities.
- Explain what customers can expect from the new entity.
- Make it clear that the merger is fully supported by the senior managements and boards of both banks.
- Alleviate concerns about the future of accounts, loans, fees, rates, debit cards, online banking, facilities, people and the like as quickly as possible. Be honest if those decisions have not yet been made, and promise to communicate that information as soon as it becomes available.
- Explain the merger plans in as much detail as possible, including projected timelines and deadlines.
- Explicitly ask for their continued business and patience. Promise to make the entire process as easy and transparent as possible.
- Communicate that each bank has established means by which customers and other interested parties can receive periodic updates and ask questions of management.

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- Encourage open lines of communication.
- For those things that directly affect customers, communicate frequently about what has been accomplished, how the customer will be affected next and when it will happen. Letting the customer know what to expect, and when to expect it is very important.
- Publish and periodically update relevant FAQs.
- Offer special rates or bonuses if competitors begin to make inroads due to the merger.

Communication strategies and vehicles:

- Press conference and releases at time of announcement.
- Letter to all customers from the president and/or chairman.
- Special section on the bank's website or dedicated microsite where updates/FAQs can be posted and periodically viewed at the customer's convenience.
- Special merger-related customer newsletter, emailed and published online.
- Permission-based email updates to customers for which the bank has addresses.
- Multiple forms of direct mail , including letters, postcards and a welcome book.
- Print and broadcast advertising.
- In-lobby and in-statement communications.
- Digital marketing including search engine marketing, display advertising and social media.
- A landing page to communicate the new bank's brand and messaging.
- Customized messages to retail and commercial customers.
- Saying "I don't know at this time", or "That decision is yet to be made" is preferable to making up an answer or ignoring the question.

Timing:

- Early and often.

The Stakeholders – General Public (non-customers)

You want to retain customers, but wouldn't it be great to get new customers too?!

Don't forget about the general public! Make them aware of the merger, and how it will benefit them and their communities.

The primary objectives of the general public communications are to:

- Begin the process of raising market awareness for the combined bank.
- Position the new bank as a viable market player.
- Encourage non-customers to do business with new bank.

Important messages for the general public:

- Clearly explain why the merger is being undertaken and what its benefits are for non-customers and their communities.
- Explain what non-customers can expect from the new entity, and why they should switch.
- Assure the public that the combined bank will continue (or increase) the level of community support donated by the two banks when they were independent entities.

Communication strategies and vehicles:

- Press conference and releases at time of announcement.
- Special section on the bank's website or a microsite where updates can be posted and periodically viewed by interested parties.
- Direct mail to a targeted mailing list.
- Print and broadcast advertising.
- Digital marketing including search engine marketing, display advertising and social media.
- A landing page to communicate the new bank's brand and messaging.

Promotions and giveaways:

- Product specials, such as CD or Checking offers, can help drive traffic to the bank branches and website.
- Giveaways, such as a sweepstakes for a cash prize, can also help generate excitement and interest in the merger.
- Traffic should be directed to a dedicated landing page.
- Use a secure form on a landing page to capture entry information.
- Promote the giveaways and specials using digital marketing including search engine marketing, display advertising and social media.

Timing

- Press event and releases at time of merger announcement.
- Explaining the benefits of the merger should come shortly after the announcement, and can be accomplished primarily through paid advertising.
- Web updates periodically throughout the process.
- Outreach communication encouraging switching can be done toward the completion of the merger process, and can be accomplished through print, broadcast and online paid advertising. Direct mail to selected geographies or demographics should also be considered.

The Stakeholders – Vendors and Business Partners

Many vendors and business partners play an active role in the merger process, and are, as a result, critical to its success. A list of these should be compiled prior to the merger announcement. A letter or phone call alerting them to the merger and to their expected role in the process should take place immediately after the public announcement is made. If a good two-way dialogue with each vendor is established, little other communication efforts are necessary as the merger progresses.

The Stakeholders – The Media

The primary objectives of the media communications are to:

- Disseminate information as quickly and accurately as possible.
- Control the message.
- To lead the communications effort, not simply respond.
- Reinforce messages to key stakeholders.
- To gain credibility and exposure for the new organization.

Important messages for the media are:

- Expected benefits of merger.
- The changes to come and rationale behind those decisions.
- What the combined bank will look like – how many branches, asset size, market share, geographic markets and the like.
- Impact on local economy (will lending practices change, will branches close? will there be layoffs?) . Expect these questions if they are not addressed in the materials to the press.
- What is NOT known at this time (name of new merged organization perhaps as an example).

Communication strategies and vehicles:

- Press conference and releases at time of announcement.
- Deliver updates periodically to the media, especially if something major happens or changes.
- Never avoid media calls. Respond promptly and honestly. Saying "I don't know at this time", or "That decision is yet to be made" is preferable to making up an answer or ignoring the question.

Timing (In the broadest sense)

- Formation of merger communications team/establish spokesperson
- Send media advisory & hold press conference
- Post news conference documents and video online
- Follow up contacts to media outlets
- Monitor and respond to social media sites immediately following press conference and then on a regular and timely basis thereafter

Conversion

Most times, following the merger, the focus will shift to communicating the core systems conversion to customers. At a minimum, customers must be notified of this conversion and informed as to how it will impact their accounts no less than 30 days prior to the conversion taking place. Knowing that one touchpoint is not typically enough, however, we recommend additional communications via both traditional and digital channels to ensure the message is received and customers are well-prepared and not caught unaware of any upcoming changes to their accounts. Additional information regarding conversions can be provided upon request.