Bank Merger Communications

Excelling Through Change

Table of Contents

Welcome to Bank Merger Communications 3

I. Stakeholder Identification and Prioritization 4

- **Employees** 5
- **Existing Account Holders** 8
- **Community Investment** 12
- **Prospects & General Market** 13

II. Defining Your Successful Merger 14

III. Key Takeaways 16

Welcome to Bank Merger Communications

The reality in addressing all of the moving parts needed to effectively communicate a pending bank merger can be daunting. The fact is that most banks can't and won't dedicate additional resources to this "one-time project". Communication and transition activities just get added to daily activities for existing marketing, business-line, and operational staff. Combine this with the fact that each merger comes with varying success factors and it is no wonder that the change presented through mergers requires the ability to overcome some real challenges.

Bank Merger Communications: Excelling Through Change is intended to be more than a how-to guide to navigate checklists of do's and don'ts for merger communication. It was developed to be a resource for bank executives to think strategically about how to effectively plan and execute high impact communications to an array of audiences leveraging core aspects of the two bank brands – acquirer and acquired – and build a solid foundation for post-conversion alignment. In this document, you will learn about the importance of stakeholder identification and prioritization, integrating communication more deeply into the operational aspects of a merger, and how to evolve from a mindset of simply surviving the merger to leveraging it as a launching pad for all of the new customers and employees with whom you will now be able to grow over time.

I. Stakeholder Identification and Prioritization

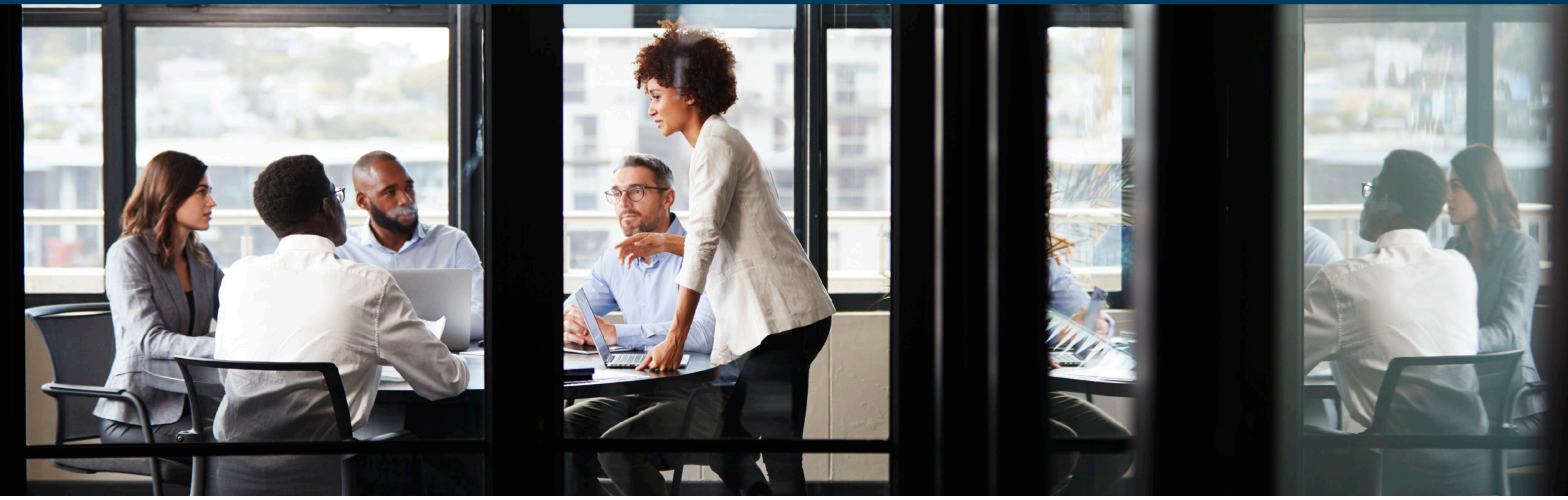
Tactically, the first step of a merger communication program typically entails releasing an announcement to the press and posting it on the merging institutions' websites. After months of confidential negotiations and due diligence, it's understandable that both parties simply want to announce the deal quickly and move forward.

The reality is that marketers and bank leadership need to think more strategically about the distinct audiences impacted by the merger, what you care about, what you will say to them, and when/how you will say it. There is no one-size-fits-all approach for these critical announcements, which can backfire and migrate acquirer communication activity from proactive positioning to reactive restatements.

At BKM Marketing, we view the bank stakeholder landscape as seen in the graphic to the right. We like to call it a lens because it should drive the focus for your merger communication strategy at all times. So, let's take a look at each stakeholder in the lens in more detail.

"Each of these key audience segments are important to develop a comprehensive and successful merger communication program."

BKM MARKETING



Employees

For many years, communication around merger activities primarily focused on existing account holders and for good reason – there is a regulatory requirement to do so. Recently, we have seen a significant amount of focus on how this event will impact employees of the acquired bank as well. Not just for human resources benefits and operational roles and responsibilities, but for how the acquiring bank needs these key stakeholders to engage with customers and the market in general in a positive tone.

Let's face it, even the most well-planned bank merger is complex. Tie in the fact that information moves so rapidly – perhaps colored with a touch of fear – and a reactive communication strategy to employees is bound to create tension and loss of control.

For this reason, bank leaders need to think of this audience, not just as employees on the payroll but as the first voice most customers will hear from or talk to after the merger becomes public information. These days, employees take to social media immediately after they hear that their bank is going to be acquired. Leaders need to spend as much time, if not more, thinking about crafting their message to employees before announcing a merger to the public at large.

How should bank leadership act to get ahead of this potential issue? The following two pages contain six recommended activities to consider adding for employees to the merger communications playbook.

"Employees are the front line of merger communications to customers and they need to be well prepared from the beginning to deliver clear messages."

BKM MARKETING

1. Focus on the needs of acquired employees

Running an organization of people effectively is challenging in normal circumstances. When a segment of those employees are confronted with a disruption to their own work life and process, a range of positive and negative personal emotions such as fear, uncertainty, and/or excitement may occur. Leadership needs to demonstrate empathy with these feelings and define a proactive communication structure to keep those employees informed.

2. Form and empower a diverse set of communication channels to reach employees

Learning and processing behaviors vary from employee to employee. Recognizing that people see, hear and learn differently creates a challenge for leaders to accurately communicate a potentially challenging message to a variety of audiences. Because of this reality, it is important to understand the tools and channels that can be leveraged to distribute information in a way that is relevant, timely and consumable by employees. Consideration of each channel to communicate with employees should be consistent with how they have been communicated with prior to this event.

EMPLOYEE COMMUNICATION CHANNELS

EMAIL

Email is perhaps the easiest, quickest and most common platform for employee messaging.

ONLINE HUB

An online hub allows employees instant access to important information concerning the transition.

SOCIAL MEDIA

*Social media is timely and adaptable. Adults aged 30 to 49 mostly use Facebook (79%), and YouTube (87%), while adults aged 18 to 29 prefer Instagram (67%) and Snapchat (62%).**

VIDEO

Video is engaging and dynamic. For example, a video of the new Bank CEO allows employees to see a real person and connect with them.

VOICE MAIL

Voice mail is available 24/7, easy and cost effective.

* *"Share of U.S. adults using social media, including Facebook, is mostly unchanged since 2018", April 10, 2019, Pew Research Center.*

BKM MARKETING

3. Spend time on cultural alignment

According to the annual **Bank Director M&A Survey**, cultural fit is one of the biggest impacts on the success of a merger and is concurrently one of the greatest risks to success. Culture is a challenging element to measure, and is often underestimated during due diligence. It is clear that there are a number of factors that make a deal look good on paper, but the reality is that mergers work if the people element is treated as equally critical for that success. It isn't that cultures have to mesh perfectly, it is that leadership should not assume that the merging cultures will mesh without effort and planning.

4. Establish clear communication and timing expectations and stick to them

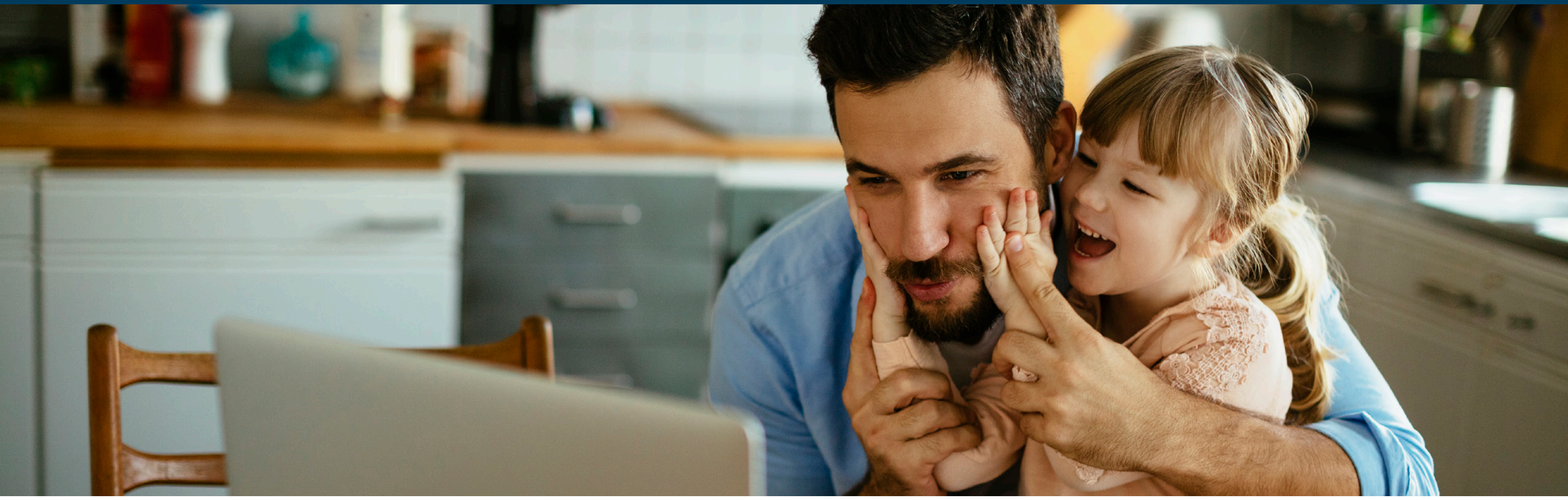
Merger communication relies heavily upon the effectiveness of the deliverer of the message. In change management cultures, trust is built through meeting the perceived expectations of the receiver. One of the most effective tools that leaders can use during a merger is a consistent cadence of messaging to employees. To build value, this inclusive strategy helps to establish trust with a new audience and positively demonstrates how they can expect to be communicated with beyond the merger.

5. Be as candid and transparent as possible

Leaders' messaging during a merger needs to be as candid and transparent as possible for all audiences. The key is less about the specific timing and more about the honesty contained within the delivery. Effective merger communication strategies embrace the philosophy of "we don't have an answer at this point". While this may seem obvious, in practice it isn't. Certain stakeholder audiences that have not been through a merger before may expect that management worked through every detail before announcing the deal. This is simply not true and leaders need to build this into their internal communication strategy.

6. Follow through

This last item for employees, is the simplest, and the most important. If leadership makes a statement or delivers a commitment to employees, they need to own it, report out on it and follow through on it. Period.



Existing Account Holders

This is a no-brainer, right? A bank acquires another bank – and their customers – so you have to communicate the merger to them…sure. There are regulatory requirements that outline everything you need to do and when you need to do it. Box checked? Not really.

There are inevitably a number of assumptions related to what customers need to know, but the reality is that each acquired bank has established a series of long-tenured and potentially complex relationships with customers over time. It would be unwise to ignore this fact in the course of building communications with them because ultimately, that is one of the core values for why you want to merge with them. Once you have solved for the employee challenge, bank leaders need to determine their intentional path for communications with customers of the acquired bank. So, where do you start? Here are some foundational recommendations to move forward.

"The more you understand the relationship between a customer and their bank, the better your institution can communicate relevant and timely merger information to them."

1. Establish a target audience matrix

Create a matrix by customer segment with the honest (and occasionally hypothetical) impacts for each. Every decision to merge comes with some form of impact to customers. In some cases, markets do not overlap and this helps simplify a message of growth. In other cases, there is market overlap and therefore the distribution and servicing models for those customers will need to change.

Now is not the time to assess the risk of impact for each segment, it is the time to acknowledge the potential change that may take place and then assess risks. Building a matrix allows the communication plan to reflect sensitivity to high-value segments. For example, if the acquired bank has a well-performing small business portfolio or consumer deposits with ultra-low funding costs, communication must help preserve these accretive contributors to the merger.

2. Assess the process for key customer impacts

Banks spend a considerable amount of due diligence looking at items like financials, loan quality, distribution network, technology capabilities etc. These are all extremely important. But what must also be remembered by the acquiring bank is how the transition from one bank's platform to the others will actually work. The fact of the matter is that bank mergers inherently come with a WIFM (what's in it for me) feeling for customers. They often want to know details far before you can give them.

As it is with employees, the answer when you first announce the merger to the public and to customers is likely to be "we don't know yet". If that concerns you, then you need to realize that this is often the answer but you will eventually be able to address them in plenty of time before conversion. Again, all communications need to be honest and transparent as you address uncertainties.

FREQUENTLY ASKED QUESTIONS TO CONSIDER

Include an FAQ section across print and online communications to help existing account holders feel informed about the changes that will effect them the most. Be prepared at the onset to have solid answers to items like the following:

GENERAL MERGER QUESTIONS

- Why is this merger happening?
- When will the conversion take place?
- When will the merger be compete?
- Will there be changes to the bank branches & staff that are being acquired?
- What is the new Bank Routing number?

QUESTIONS SPECIFIC TO ACCOUNT HOLDERS

- What will happen to direct deposits?
- What changes to Online & Mobile Banking can they expect?
- Will they receive a new Debit Card and when can they expect them?
- Will account numbers stay the same?

3. Develop a communications channel strategy and plan

In today's digital world, people consume information through a variety of devices and platforms with a focus on headlines and short-version content. While many banks lag behind other industries in the adoption of digital-first communications, it cannot be denied that digital channels are now critical for communicating important messages to customers and other audiences in the marketplace.

Historically, most merger communications rely on traditional distribution channels such as in-branch, contact centers, and direct mail/email. While traditional channels remain essential, digital formats such as social media, online content hubs and video help hone messaging and manage expectation setting.

Banks must also be strategic and intentional when balancing merger communications and business-as-usual marketing activities across digital channels. Ignoring this reality due to fear of message confusion or a failure in resource alignment shortchanges the benefit they can provide. Effective deployment of digital elements will enhance the effectiveness of your merger communications and the first impressions of the acquiring institution's stakeholders.

WHAT TO CONSIDER WHEN CHOOSING DIGITAL COMMUNICATION CHANNELS

ONLINE CONTENT HUBS	• ***Online content hubs can become a centralized source of useful information for customers*** *including key dates around the conversion, the most up-to-date answers to frequently asked questions, informational downloads, and access to helpful videos.*
SOCIAL MEDIA	• ***Assuming the acquired bank has a strong social following****, social channels can be a great mechanism for communicating key dates around the merger, especially as the conversion date approaches.*
VIDEO	• ***In a time where people have less to read, videos can act as tutorials.*** *For example, guiding someone through logging into or enrolling in online banking.*

BKM MARKETING

4. Get personal

Effective customer communication during mergers is relatively simple in its objectives; let customers know what is going to happen and when, let them know what they need to do and keep them apprised of developments that may impact them along the way. Simple right? Actually, yes and no; we are not just talking about referring to customers by name – those are table stakes in customer service. If the first three steps are addressed comprehensively, bank leadership should then be able to have a foundational framework which will enable a more personalized set of communications using relevant data to address what matters to each audience segment and establish clear expectations on the part of the customer for how this merger will impact them.

5. Remember where these customers came from

While it is understandable that acquiring bank marketers want and need to integrate new customers to the bank and begin to build these relationships right away, communicating to these customers in a way that shows that you aren't just lumping them in with all of your other customers is a thoughtful and effective way to build more credible rapport with them. Recent efforts of acquirers to create a subtle six–month messaging plan to these customers have proven to be very successful. The conversion of relationships from one bank to another over a weekend can be jarring to a customer – new products, new people, new processes etc. Having a migration communication strategy for these key segments can help them gain a better understanding of their new bank and give you a chance to demonstrate value to them before and after system conversion.

.

A welcome package, which typically includes a personalized letter and account summary, a welcome brochure, a disclosure booklet and variable inserts can offer real flexibility to tailor communication messages to each individual customer.

Community Investment

In addition to viewing the broader market as potential customers and employees, another important aspect to include in the merger communication plan is the marketplace for community investment activities – and not just for regulatory purposes. This can an item that is unintentionally overlooked in the merger communications plan because it isn't something that is as easy to quantify as retention and satisfaction.

"Communities rely on their financial institutions and need to understand how a bank merger will impact an institution's ability to continue its support."

In the simplest form, communities and non-profit entities rely on this support and want to ensure that the historic level of that support will continue. This is not solely a community bank issue, you can look at the efforts of large regional banks and see that this really matters as a differentiator in mergers. The acquiring bank needs to understand the charitable giving and community investment history of the acquired bank, ensure that potential oversights on commitments do not happen and that the message to the community remains solid for the future.

Prospects & General Market

While the first three stakeholder groups in the lens are critically important for the near-term success of a merger program, keep in mind that the broader market is also watching to see how the merger comes together, whether the acquiring/combined bank is credible and follows through on their messaging commitments.

Many banks rely heavily on Centers of Influence (COI's) to generate referral business opportunities. This audience has many other bank suitors and they monitor how mergers are executed so that products, services, pricing and delivery remain in the best interest of their customers too.

Finally, mergers draw attention from competitors – and customers of competitors. While not the focus of merger communications, competitors are consistently sizing up the new entity for opportunities or threats going forward. How you position the strengths and positives from your merger can go a long way in your perceived differentiation in highly competitive markets

"Unintended consequences in merger communica-tions may be conveyed when the broader market is overlooked. Bank mergers should always create a platform for new opportunities."

BKM MARKETING

II. Defining Your Successful Merger

Over decades of bank mergers of all sizes, one thing remains clear – each merger comes with some degree of uniqueness. While learnings from past mergers are certainly helpful and there are many aspects that can be standardized to become more efficient over time, the fact remains that for many mergers it is more about the bank being acquired than the bank doing the acquiring. There are a number of reasons behind this statement – ownership structure, organizational culture, employee base, customer base and market presence – all four facets of the lens. If mergers were just a formal box–checking exercise, retention would be arguably much lower post–conversion. Banks need to move beyond financial metrics to define success for each merger. The financials are clearly critical, but the financials can't be met without due consideration of at least three other factors as well.

"Banks need to move beyond financial metrics to define success for each merger."

1. Effectively conveying your brand and your core values

Every bank has a brand – some intentionally develop and some less so – and a set of core values – admittedly some are stronger than others. But you still have them. As an acquirer, it is important to understand what your brand stands for and the importance of your core values in practice – what is mission critical for the four stakeholder groups to understand, so to speak?

It isn't enough just to place a new logo on marketing materials, replace branch signage and update websites or to post your Mission, Vision and Values on your About Us page. The topic requires a real understanding and genuine conveyance for why acquired employees should want to work for your bank and why acquired customers should want to continue to work with your bank after conversion.

2. Going beyond data and managing the customer experience

If you have ever been through a bank merger as a customer, you know the feeling of receiving multiple pieces of mail with the same message at the same time. “Why can’t they act like they know what my relationship is with them?” is felt and often expressed. The fact is that most bank data is not pristine. How an acquired bank has structured their customer data will vary widely and for a number of reasons. The key definition of success here is that the acquiring bank needs to put sufficient resources against understanding the customer data they are acquiring and developing a point of view for how this may be consistent or inconsistent with their own data governance strategies. The purpose behind this is to recognize the real connection between data and experience and potential gaps that may exist between these two factors. Ensuring that thoughtful efforts are placed behind how data will be leveraged, goes a long way in securing a positive experience for these newly acquired customers.

3. Focus on post–merger communications before the conversion

When we kickoff a bank merger communication program, we often ask about what the acquiring bank’s plans are for these new customers and employees once they have converted to their bank. The purpose behind this question is not to catch a client in a state of near–sightedness but to reinforce that while the task to communicate during a merger can be complex and daunting at times, the real payoff comes after the conversion when they become your customers and colleagues. If you don’t give consideration to this reality, you run the risk of devaluing the impact of the merger on the customer and potentially lose sight of the fact that they often didn’t choose you when they established their banking relationship or when they applied for a job – they chose the bank you acquired. A post–conversion plan that maintains a focus on this aspect is critical to build and ensure customer and colleague loyalty for the long–term.

BKM MARKETING

III. Bank Merger Communication Key Takeaways

Based on the current state of the merger market, there are no signs indicating that bank merger activity will be slowing. Most banks are going to be strategic and not serial acquirers – and for many good reasons. Because of this, it is important to get each merger right and communicate effectively throughout the process. Here are a few takeaways that bank leaders and marketers should consider and ensure make their way into your next merger communications program.

1. **Focus on employees – in addition to customers.** Employees are the front–line face of your merger message. No matter what you say, if they don't believe you, your merger communication effectiveness will be at risk.
2. **Build an iterative merger communication plan and manage to it.** Clear, purposeful and flexible merger communications plans are essential elements to navigate the path forward. It isn't always ideal but being able to pivot when needed is vital.
3. **Understand your audience segments and focus on what they need to know.** Demonstrating an understanding of and empathy toward the needs of each audience in your communications strategy can create extraordinary value far beyond the transaction.
4. **Communicate for the merger but strategically think beyond it.** Mergers are complex but finite events. They often consume you in a near–term manner. Fight the tendency to just "get through it" and keep an eye toward the big picture and the long–term.
5. **Conduct a formal post–mortem.** Remember that every merger has unique qualities and bank stakeholders will benefit from a lessons-learned discussion as future merger opportunities are identified. You and your teams will be better for it.

To learn more, please contact:

Rick Hall, Managing Director, Banking & Financial Services
p: 781.741.8005 | e: rhall@bkmMarketing.com

BKM MARKETING
150 Grossman Drive, Suite 307
Braintree Ma 02184
www.bkmMarketing.com