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\$2.1bn offer for listed
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program quits

The significance of customer experience in M&A

By Darrell Hardidge*

Customer experience is now the key business battleground according to US top 500 chief executives. Market leadership is being fought and won in this area. Delivery, supply, price, stock, knowledge, location, etc. no longer provide adequate points of difference. Globalisation and delivery services like Amazon have changed the landscape forever. The challenges of managing this change over the next 3-5 years are going to be profound, and many top companies won't survive.

'Obsess over your customers and not over your competitors'

- Jeff Bezos, founder and chief executive, Amazon

The key to surviving, according to Jeff Bezos, founder and chief executive of Amazon, will be to: "obsess over your customers and not over your competitors."

In mergers and acquisitions (M&A), due diligence (DD) is rarely performed correctly on customer experience and often overlooked despite being a vital part of discovery. Accurately assessing customer experience in an M&A has been a significant

issue in the past. Often, the truth about customer experience is only discovered after a deal has settled. If this is negative, it is likely to require the game plan to be changed from growth to recovery.

For investors to reduce their risk in M&As, there needs to be a revolutionary new approach to goodwill assessment and how the multiples are determined. There also needs to be an entirely new expertise and consultation on how to understand the customer experience process. Being able to get to the truth as soon as possible is critical, and this is the

start of the issue. How can the purchaser get open and honest feedback from the market while still maintaining confidentiality for the vendor?

Our product, Customer Experience Due Diligence (CX-DD), enables the purchaser to assess the performance of a business from an independent perspective: that of the customer. It identifies the security of future revenue. CX-DD will identify the culture of a business and highlight if that culture poses a threat to revenue security. A high CX score is the reflection of a great team. It is impossible to get an excellent

CX score if service and leadership is poor. Likewise, if the CX score is low, then it's a direct reflection of the team's performance and culture.

So where is the proof that CX is a critical factor in revenue security, leadership and culture assessment? The data shown here is the result of 74,816 telephone based CX interviews to end-users. This data reflects hundreds of companies, products and services, business to business (B2B) and business to customer (B2C), across operations from SMEs to large corporates. Having access to this data will be important

for making decisions about any business you control or seek to control. In M&A, the data will be crucial to protect your investment and to ensure you pay the correct multiple. It is essential to incorporate CX into your financial modelling.

When the CX score is a 10/10, it ensures revenue security. The question is: what percentage of the customer base you are buying is really at this standard? Most DD protocols will never identify these factors, as they are based on historical data. Relying on this is like driving a car while looking in the rear-view mirror. When the CX

score is an 8/10, it ensures a high degree of risk to revenue security. The data shows retention rates, value for money, referral rates, and wallet share >80%. This CX data is essential; not having robust CX data means a deal will most likely be a gamble based upon opinion.

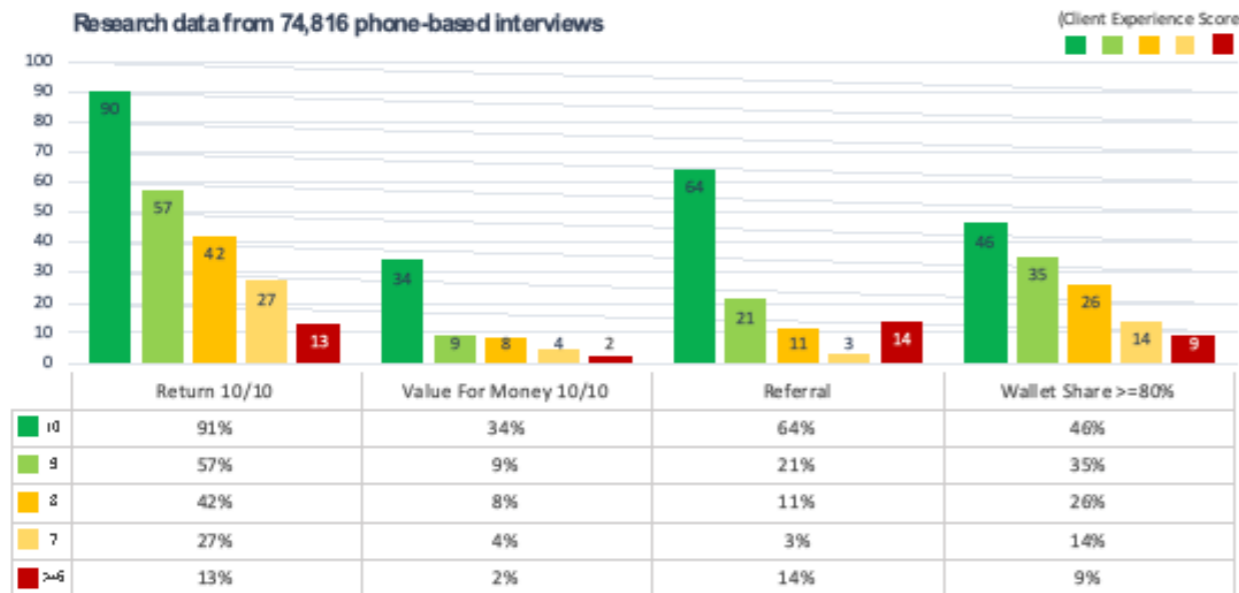
'Without data, you're just another person with an opinion'

- W. Edwards Deming

As W. Edwards Deming of 'total quality management' fame said: "Without data, you're just another person with an



Client Experience – it's 10/10 or Nothing



Client Retention

10/10 CX score ensures more than 2X repeat business than an 8/10 score

Price Acceptance

10/10 CX Score protects price and massively reduces discounting

WoM

10/10 CX Score delivers 6X the referrals than 8/10

Revenue Optimisation

10/10 CX score delivers the highest level of exclusive supply (80%+)

What does it all mean?

Retention

- 10/10 CX: 91% unshakable loyalty
- 8/10 CX: 45% fragile loyalty

Value For Money

- 10/10 CX: 34% can increase pricing and no discounting
- 8/10 CX: 8% competitive pricing

Word of Mouth

- 10/10 CX: 64% actively sourcing referrals
- 8/10 CX: 11% rarely referring and not compelling

Wallet Share > 80%

- 10/10 CX: 46% exclusive supply
- 8/10 CX: 26% exclusive supply

opinion." When tens of millions and more are at stake, any opinion is risky without data. CX-DD is the data that identifies market sentiment and reflects directly into the current state of leadership and culture, which directly impacts revenue security.

If you're about to enter DD on a transactional-based business, you must have an accurate CX scorecard. Not only will it support

your discovery it may save your bacon. If the deal is a pig with lipstick, then you need to know as soon as possible. CX-DD should be performed in the first 30 days of DD. If CX-DD is carried out first it will provide accurate insight into what needs to be looked at next. In many cases, this can save a fortune as waste of time and money in further DD expenses can be massively reduced, and the

timeline dramatically reduced.

In M&A it's always Caveat Emptor. CX-DD ensures the buyer can be very aware.

CX-DD is the exclusive product of Saguity. For more information, go to: www.saguity.com.

** Darrell Hardidge is chief executive of customer research company Saguity.*

Coming Events

17 March

Cracking the Code: Summit on Successful Digital Health Commercialisation.

Sydney. Cicada Innovations. www.eventbrite.com.au/e/summit-cracking-the-code-successful-commercialisation-in-digital-health-tickets-93024150739

19 March

PE101. Melbourne. Australian Investment Council/ Allens. www.aic.co/AIC/Events

19 March

Bio Breakfast; How to make a vaccine – why is Victoria so important? Dr Rob Grenfell, CSIRO. Melbourne. BioMelbourne Network. <https://biomelbourne.org/event/8th-annual-devices-diagnostics-lab/>

31 March

Growth Capital Forum. Sydney. Private Equity Media. www.growthcapitalforum.com.au

2 April

Technology and a new regulatory regime. Auckland. FinTechNZ. <https://fintechnz.org.nz/event/technology-a-new-regulatory-regime>

14 May

NZ Private Capital Venture Summit. Auckland. NZ Private Capital. <https://events.executiveoffice.co.nz/NZPC2020> VentureSummitInformation

14-16 June

Future of Fintech. San Francisco. CBInsights. <https://events.cbinsights.com>

16-17 September

Australian Investment Council Annual Conference. Australian Investment Council. Venue to be announced. www.avcal.com.au

