

Communiqué

Pre- and Post-Acquisition Channel Strategy Integration Considerations

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Management teams acquire companies for a variety of reasons... increase the company's market share in existing markets, expand its product and service offering, expand its geographic presence, increase scale, exploit synergies, etc. As management teams evaluate target companies, they often assess the target's channel strategy to determine whether and how to integrate it and to identify potential synergies they can leverage. Consequently, due diligence teams typically consider a variety of questions:



- Should we maintain, integrate, or rationalize the target company's sales team and sales channels?
- Should we embrace, harmonize or evolve its sales and sales management practices, processes and culture?
- Should we maintain or change its coverage philosophy? Conflict management policies? Rules of engagement?
- Should we maintain, integrate, harmonize or create a new channel program?

When we collaborate with management teams to answer these and other related questions, we find it helpful to create a profile or map of the market to resolve them. The map profiles the market structure and stakeholders; evaluates the company's market share position; and assesses the stakeholder, channel, and competitive landscapes (see Figure 1). It gives the due diligence team a shared understanding of the market and provides the information and insights it needs to answer the key questions in the context of the market dynamics. It also helps the team understand the implications of its choices.

Figure One— Elements of a Market Map



While some elements of the map are straightforward, others are more nuanced and provide insights that help the team make decisions and mitigate the risks inherent in them. For example:

Select Elements and Analyses



These analyses help the team identify the range of stakeholders it should consider and the relative importance of them:

- Create a map of all stakeholders in the market and depict the relationships between them
- Estimate the opportunity that flows through each type of sales channel or that is influenced by another stakeholder group

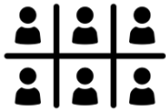
Select Elements and Analyses



Market Share Position

This analysis helps the team understand how it can use the channel strategy to enable profitable growth

- Assess the company's market share position¹ to identify the factors that limit its market share, define the actions it can take to increase it, estimate the potential value of the actions, and estimate the time it will take to reasonably realize results



End User Landscape

These analyses help the team identify the stakeholders it must engage and how to do so:

- Identify and define key buying scenarios for the offering, the percentage of the market opportunity attributable to them, and the stakeholders and processes involved in each one
- Define the criteria the stakeholders use to select the brands they purchase in each buying scenario and how the company, the target company, and its key competitors perform relative to them
- Create models to segment the key market stakeholders and systematically evaluate each one to identify the qualified targets



Channel Landscape

These analyses give the team the insights they need to engage the mix of sales channels required to cover and serve the target markets:

- Define the range of sales resources the stakeholders use to source the products or services and the percentage of sales attributable to each one
- Create profiles of the business models of each type of sales channel and a model that segments them so the team understands the market coverage each one provides
- Analyze the company's and target company's mindshare position in each sales channel to understand the degree to which each one proactively invests in and supports it



Competitive Landscape

These analyses help the team understand how to position and win in the market:

- Profile the go-to-market strategies of key competitors to understand the markets they proactively target and serve
- Create a map that shows how the key market stakeholders perceive and position the company, target company and key competitors relative to each other

A robust market map creates a common and shared understanding of the critical market dynamics, provides the information the team needs to integrate the target company's channel strategy and exploit synergies, and mitigate the risks inherent in the decisions it makes. Ultimately, it increases the odds that the company realizes the objectives of its purchase.

To discuss how your team can create and use a market map to make pre- and post-acquisition channel strategy integration decisions, you're welcome to contact Jim Fogarty at jfogarty@franklynn.com.

¹ On FL&A's website, Articles and White Papers, reference this article for a description of a market share diagnostic framework "FL&A's PPH® Framework Enables an Objective, Structured, and Risk-Informed Growth Strategy Process" (<https://franklynn.com/wp-content/uploads/2023/12/FLA-PPH-Framework-Enables-an-Obj.-Structured-R.pdf>).