Abstract

In 2016, the total value of merger and acquisitions (M&As) reached $3.7 trillion globally. In the U.S., close to 5,000 deals were completed for a total value of almost $2 trillion. However, for a variety of reasons, M&As do not deliver the expected pay-offs. For example, Kmart acquired Sears for $11 billion and their revenues dropped by more than 10%. Arby’s bought Wendy’s for $2.34 billion and sold Wendy’s after only three years. Although acquiring new customers is usually one of the key motivations for the M&A transactions, there is no prior work on customer experience following the M&A. Anecdotal evidence and case study research suggest that M&As both enable, and hinder, acquirers’ efforts to deliver high customer satisfaction. This apparent paradox has been under-researched. To fill this gap, we study the following research questions: (1) what is the impact of M&As on customer satisfaction, (2) what factors moderate the relationship between M&A and customer satisfaction, and (3) do some merged firms fare better than others at satisfying customers? We collect panel satisfaction, M&A, and corporate data to estimate several models that help answer these questions. Preliminary evidence suggests that M&As negatively affect customer satisfaction; however, certain firm and merger variables help mitigate the negative main effect.