

Due diligence in the 21st Century: The value of Social Media

Due diligence is an integral part of any acquisition, allowing the buyer to thoroughly investigate every facet of a target company in order to ascertain its true worth and identify any risks that need to be accounted for. Due diligence processes typically delve into the commercial, legal and financial components of a company; as such, it is due diligence that typically guides negotiations and determines whether an acquisition will reach completion or not. However, there is now a new essential element to every business's value: social media presence. Here, we explain why investigating the social media worth of a target company should be a core component of the due diligence process.

The corporate value of social media

The rapid rise of social media in the 21st-century corporate world has been simply groundbreaking, transforming the way companies market themselves, build their brand image, engage with customers and do business.

Social media marketing campaigns serve as a powerful means of promoting a business and keeping its brand relevant and contemporary. Digital marketing on social media platforms is also wide-reaching and diverse, ranging from sharing content on social media giants like Twitter, Facebook (and Instagram) among others, to developing a dedicated niche following on industry-

specific social media sites like Houzz. With such vast scope, a company's social media presence has the potential to shape its future by building brand awareness and loyalty, and driving profitability.

Many companies also use social media to engage with their customers, who use social media to share positive and negative feedback. As this feedback is often public, social media can serve as a barometer for the 'voice' of the target company's customer base, either attracting or deterring potential new customers.

For all of the above reasons, prospective acquirers are strongly urged to examine the target company's social media presence and management in detail before progressing with negotiations.

Going social with due diligence

To evaluate a target company's social media presence, the acquirer should first request that the seller disclose all of the company's official social media accounts. Enquiries should then be made into who is responsible for managing and giving administrative access to the accounts, and for preparing and sharing the company's online content.

The company's social media procedures and policies should also be examined, and then checked against the company's social media activity over the last six months (including deleted content).

Additionally, the buyer should look into the company's policy with respect to how key employees manage their personal social media profiles. For example, have the company's employees shared or created content that could be linked to the company in a damaging way? Are there limits to what employees can and cannot say on their social media accounts? If so, how would the company respond to this, and what systems does it have in place for monitoring its link to employees' social media activity?

What to look for

When investigating a company's social media presence and examining its recent social media activity, there are several red flags to look for:

- Customer reviews
- Instances of poor judgment or bad taste
- Staff inexperience
- Unprofessional, sloppy content
- Poor monitoring and management of follower engagement and feedback
- A lack of proper internal procedures
- Low levels of engagement with the target audience

The above points may be evidenced in various ways; for example, content containing several typographical errors may indicate poor monitoring and a trend towards sloppy content. Similarly, a low number of followers may suggest that the company does not have a proactive social media policy. Such problems are far from unsubstantial: sloppy content undermines the brand's credibility and professionalism, while a lack of social media policy may reveal that the company has outdated marketing strategies which can be an indicator for assessing revenue generation.

The right guidance on social media investigations

Simply put, the repercussions of a poorly handled social media presence are significant enough to warrant its inclusion in the due diligence process.

However, this should be done only with the advice of a qualified solicitor that understands the legislation relevant to social media, such as data protection or intellectual property law.

For more information, or for expert advice on business or personal legal issues, call us on 020 3475 6751 or via email at info@carterbond.co.uk

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