

How to Merge Two Companies? Do It Like It's a Relationship.

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Aristotle would say that humans “are social beings by nature” and as a consequence of this characteristic we tend to create relationships of different types that go from loving, friendly and family to great business connections.

Ecomsur is a company of **fullcommerce**, which arose from a merger between a Chilean company with the same name and a Mexican one called **Ingnite**. The history of this firm will help us to review some steps that may be useful if you find yourself in a moment of union with potential partners.

As a process of “spontaneous generation” Ecomsur was born in Chile in 2011 with the focus of being able to help companies in the development of their sales strategies in the digital world.

“Either with supporting the complete outsourcing of (ecommerce) services or helping them with some of these services such as: implementation of the e-commerce store, day-to-day operation, digital marketing, logistics and fulfillment, customer service, customer experience, reporting and information issues, systems integration until reaching the omnichannel path”, Rodrigo Cerda, deputy manager of business development at Ecomsur México, *explains in an interview for Entrepreneur in Spanish.*

As the company grew and made a name for itself in its native country, it found the structure and investors to better develop the *fullcommerce* model, which refers to the “management of digital channels in a comprehensive manner, that is, a set of tools and services that are needed for a high performance ecommerce management and implementation ”.

In 2017, several renowned companies or business groups such as Samsonite began to ask for operations in other Latin American countries and it was time to grow. Likewise, “one of the founders of Ecomsur named Mario Miranda began to realize that there was indeed an opportunity in other countries and he wanted to replicate the model. So, we saw a safe operation in quotation marks, which was to be able to establish in Peru, Colombia and perhaps in Mexico the start of the extension with the clients we had in Chile ”, explains Cerda.

For its part, in Mexico in 2015, Ingnite would be born, a company founded by Jorge Fernández-Gallardo and that would largely coincide with the purpose for which its predecessor was created.

Image: Chris Liverani via Unsplash

The beginning of a relationship

Fernández-Gallardo founded Ingnite in January 2015, and after meeting Mario Miranda in 2018 and sharing “war stories” they realized that they started the same company without knowing of each other’s existence. “They were mirror companies with a couple of minor differences,” says Jorge Fernández-Gallardo, CEO of Ecomsur for Latin America North.

“The painting that we saw in the market was exactly the same ... *Long story short* we founded the ‘same’ company, except that I founded it in Mexico in 2015 and we did not know each other,

we knew absolutely nothing about each other”, explains Fernández-Gallardo .

Both companies were particularly focused on retailers and shopping center stores, “which have a hard time making the jump to operate e-commerce,” according to the Mexican businessman.

Both Ingnite and Ecomsur started with small clients, family businesses that had a hard time scaling their digital sales system and as they grew in the size of their users, a Brazilian player knocked on the door.

“As we tested ourselves and made a name, increasing in the size of clients that we could serve, a third partner began to knock on both of us at the same time, which is the Brazilian partner we have, a company called Synapcom,” he says. Fernández-Gallardo.

Brazilian entrepreneurs had realized that being able to provide the same service to brands in different countries was important and that they could not do it alone.

“They had realized that they couldn’t do it alone. A Brazilian coming to Mexico or going to Chile does not necessarily know the local ecosystem, he understands the retailers, the market and the consumer. That is why it was very important to have that local strength, and we got to know and *partner with* Ecomsur on the one hand with Synapcom and Ingnite on the other with Synapcom ”, he says.

Ingnite would enter Colombia absorbing the operation of a local company that provided it with knowledgeable personnel of the market in the South American country, while Ecomsur expanded through Peru.

“Pre-pandemic we realized that no one was going to be able to do this extraordinarily well without having local support and without really coming together in one block... you can be very

good at what you do, but I think you also have to have the humility to understand how far you can go and then that by getting together with other people you can be more powerful and that equation of one plus one, when they are the right people, does not give two, gives three, gives four, gives five, when that one alone could not reach two ", explains Fernández-Gallardo.

The relationship

The founders met in 2018 and in mid-2019 they had their "first date" of companies that could possibly reach a merger or the closest thing to a marriage.

"In mid-2019 we got together again to talk and said: 'Let's see this makes all the sense in the world, we like each other very well, we believe in principle that we have the same history, very similar companies and that we see the world in a similar way Let's get to know each other a little more. ' So we consciously decided to undertake a stage like dating before getting married and I think that is very important when we talk about company mergers, "says Fernández-Gallardo.

According to the Mexican businessman, company mergers are 'tricky' (difficult) and sometimes they go wrong, "joining two companies is not something trivial" especially when they come from different cultures. If the right synergies don't exist it can become destructive rather than constructive.

"What we decided was to get to know each other first and the correct way to do that was to become boyfriends, then start living together, and if it worked then it would be very natural for this to culminate in a marriage, in a formal merger", explains Fernández-Gallardo .

Give the ring

In the dating stage, the founder of Ingnite and his team realized that due to the years of advantage that Ecomsur had given them they had more volume, which meant that they had also been able to invest more.

“When we saw the software they had, we realized that it was more advanced than ours and very interesting, we also realized that the technology development plan that we had was practically what they already had,” says Fernández-Gallardo.

To begin with, they placed an operation of the Mexican company in the Chilean company’s system.

“There we took the next step, that is, we had our largest implementation of 2019 which was the Carter’s store, the baby clothes. We decided to put it in the hands of Ecomsur and so that if it was a more intense step, it was like giving the ring because it was our most important client, it had taken us almost a year and a half to win that client, and since we were implementing it we decided to do it in the Ecomsur system ”, he comments.

The project went “extraordinarily well” and created the perfect opportunity for “the couple” to meet each other’s families. Part of the Ingnite team had the opportunity to travel to Chile and the *Ecomsur team* to come to Mexico to work hand in hand.

“That implementation was crazy, that is, in numbers of hours and work and what it achieved was that we all knew each other, that many people from Chile traveled to Mexico and worked hand in hand with us and that several of us traveled to Chile to get to know them ”, says the CEO.

Marriage

At the end of this test the companies were already committed and ready for a merger. "At the end of that project we said: 'this makes sense, we agreed on a price, a start date, which was January 1, 2020, to start operating together and we signed the merger agreement before November 2019. This is how at the beginning of January of last year (2020) we began to operate as Ecomsur México and Ecomsur Colombia ".

Image: Ecomsur via YouTube.

Today the company has operations in four countries: Chile, Mexico, Colombia and Peru. "It is a single infrastructure, a single backbone, but with a super-powerful tropicalization and execution in each of the countries with local teams and local partners."

And now that?

"Nobody expected 2020 as it was." Last year, electronic commerce grew exponentially, according to reports from the Mexican Association of Online Sales (AMVO), e-commerce developed by 94 percent.

In terms of sales, according to the final results of the Hot Sale 2020 in Mexico, historical sales were recorded by exceeding 20 billion pesos with a participation of 12 million Mexicans, a figure higher than the 2019 edition, which had total sales of 11 billion pesos. In addition, in the last edition, there was a 58% increase in new customers.

"I think that in that sense, the truth is that I consider myself very lucky and I know that Mario also considers himself very lucky with the timing with which things happened because although we had worked very hard and had put certain elements

in place for this it could be very successful in the future, we never imagined how fast we were going to have a tail wind as big as the one that 2020 gave us at the industry level, which has made us grow a lot with all the clients we already had and has helped us a lot with acquiring new ones, "says Fernández-Gallardo.

"With the pandemic (ecommerce) became the number one priority ... And the most beautiful thing about all this is that we realized that our infrastructure and our systems support much more volume and growth than even we believed," he concludes.

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