

Customer Perspectives Study – 2004



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Customer Perspectives Study Overview

IT buying behaviors have shifted; buyers are ever-more savvy. They demand objective proof that their purchases will be wise investments and therefore reflect well upon them. All the while, the economy is still struggling to find its path along recovery road and executive management demands more proof that the budgets it doles out provide a measurable return. And control of IT decision-making has shifted as well; since 2003, the number of CIOs reporting to the CFO has doubled, a trend that McKinsey & Company says will continue¹.

Today's reference organization feels this ever-increasing pressure and is impacted by greater demands from both internal and external constituents because of the valuable, strategic asset it touches—customers. The Customer Perspectives Study – 2004 is a collection of current data gathered from this same strategic asset—customers. Specifically, the Study focuses on the customer's perspective of reference activities: what compels customers to join a program, why they say no, and what they expect to give and receive in return. In addition to delivering relevant data from survey responses, The Phelon Group provides insight on presented results, as well as actionable recommendations that allow reference management to simultaneously meet internal and external demands.

Study Methodology

APPROACH

The perspectives and insights from more than 60 individuals at enterprise companies have been used to develop The Customer Perspectives Study – 2004. Each respondent participated in the Study through an online survey. Select respondents also participated in follow-up telephone interviews aimed at exploring motivations for answers to certain questions in greater detail. Specific trigger questions were included in the survey to determine the relevance of particular sets of questions to each participant. For example, responses of participants who indicated that they had no impact on purchasing decisions or who had never acted as a reference customer were not presented with certain survey questions while responding to the survey.

PARTICIPANT PROFILES

Data included in this Study comes from survey respondents, more than half of who held roles of CIO, VP, Director or Manager. Other roles of respondents included both managerial and technical positions. Participants represent both the business and technical sides of their businesses.

¹ Davis, K., Scanlon, B., Rath, A. "How IT Spending Is Changing." The McKinseyQuarterly. 2004.

The Study includes data only from respondents who either influence or make purchasing decisions; responses from participants who indicated that they do not influence or make purchasing decisions were not included in our analyses.

SELECT STUDY PARTICIPANTS

The participants in this Study come from small, medium and large companies. A partial list of companies from which data and perspectives were obtained for this Study includes AT&T, Blue Shield of California, Capgemini, Experian, Lear Corporation, Lockheed Martin Integration Technology, Ramada Inn and Wells Fargo.

Introduction

Reference managers are faced with a very difficult task. On one hand, they must transform existing successful customer relationships into loyal, leveragable reference relationships; on the other, they must leverage those reference relationships in a manner that converts more prospects into customers—customers that will ideally become future reference customers. In concept, it is simple; but in implementation the task is not so straightforward. That's because two factors often play against each other: 1) Referencable customers must always be customers who have experienced success; and 2) reference programs do not directly affect customer satisfaction or success, but rely heavily on it to do their jobs. In an oversimplified view, this means that the reference organization is continually faced with a Catch-22: no successful customers, no references; no references, no new successful customers. What's reference management to do?

While there is no, one, simple answer, The Phelon Group believes a key to successfully managing your reference program—and thus eliminating the Catch-22—lies in developing a deeper understanding of complex customer motivations and needs. And by deconstructing the overarching “what do customers want” question into several smaller and easier to manage queries, reference managers can gain the needed insight to better manage their programs' continual interactions with customers, and engender loyalty and program satisfaction so reference customers remain willing to be referencable.

Through conversations with IT buyers and influencers, and through analysis of data from more than 60 respondents, we were able to identify what is required to get customers to raise their hand in support. In the Customer Perspectives Study we not only analyze the data, but also apply our own insight to make the results real for you, your program, and your company. Our objective is to create a tool that informs, guides and empowers reference managers to adopt a new point of view—the customer perspective.

We believe you can use this study to empower your program and to ensure you have a more significant impact. The results of this Study can be effectively used to:

- Provide data for informed decision-making about value propositions, program benefits and incentives.
- Pinpoint and resolve issues about customer needs so that customer referencability can be achieved.
- Increase your program's influence within marketing and across the company.
- Make sound decisions about the inevitable tradeoffs required when aligning human resources and budget.
- Inform the way you attract and manage referencable customers and, ultimately, how you design your reference program.

The Customer Perspectives Study Key Findings

The key findings from the Customer Perspectives Study – 2004 are organized to address three critical issues:

- Critical factors that influence customer satisfaction and referencability
- Tangible incentives are an ineffective tool that promote a transactional relationship
- Why reference customers say "no"

Study highlights include:

- 1.** While a high number of participants indicated a willingness to participate in key reference program activities, the most important factors that influence willingness are outside of a reference program's direct control. Participants cited the following key influencers:
 - Overall relationship with vendor
 - Robustness of product features
 - Quality and responsiveness of technical support
 - Length of vendor relationship
- 2.** Tangible incentives, which promote transactional relationships, are ineffective tools. The vast majority of participants indicated that they do not need incentives to act as references; rather their willingness is tied to overall relationships and to the quality of vendor technology, services and technical support.

3. Benefits, such as peer networking opportunities, access to executives and an ability to influence the product roadmap, are key to developing meaningful differentiators for reference programs. These benefits have become necessities rather than 'nice to haves.'
4. While respondents clearly seek strategic relationships as opposed to transactional relationships based upon discounts and incentives, we identified a clear gap between what customers want and what reference programs are positioned to deliver today. This finding further supports our conclusions from the Customer Reference Program Benchmarking Study – 2004 Edition.
5. Most customers who reported turning down requests to participate in reference activities did so because they were dissatisfied with some aspect of their vendor relationship, illustrating that reference programs cannot exist in a vacuum. To experience program success, reference management must be willing and able to work outside of its box to educate and influence management in other critical areas.

How CMOs and Reference Program Management Can Utilize This Study

The Customer Perspectives Study – 2004 provides a rich graphical presentation of data as well as The Phelon Group's opinions, conclusions and recommendations. The Study can be used to take immediate action, to build a business case for more resources or authority, or to inform discussions and debate. To request a free copy of our Customer Perspectives Study – 2004, visit us on the Web at <http://www.phelongroup.com/customerperspectives/>.

CMOs and senior program management should also read our viewpoint on the Customer Hierarchy of Needs, available at <http://www.phelongroup.com/CHoN/>.

ABOUT THE PHELON GROUP

The Phelon Group is a privately-held consultancy that has established itself as a major force in defining and implementing Customer Leverage as a distinct methodology to help enterprise technology companies build and sustain powerful reference programs. Led by customer experts Promise Phelon and Steven Nicks, The Phelon Group defined Customer Leverage to increase the value of referencable customers and offer actionable and sustainable strategies based on key benchmark research and client work. Areas of expertise include critical path intelligence, strategy and execution, research and analysis, and training and education. Since its founding in 2002, The Phelon Group has conducted successful Customer Leverage initiatives for leading enterprise solution providers such as Intel, Adobe, HP, Oracle and EMC Corporation.

ABOUT THE PHELON RESEARCH+ANALYSIS GROUP

The Phelon Research+Analysis Group was established to bring enterprise solution providers centralized knowledge and objective information about Customer Leverage. Each year, the Phelon Research+Analysis Group produces the Customer Reference Program Benchmarking Study, as well as other informative and provocative research-based studies that enable our clients and enterprise companies to make better decisions about how to leverage their most strategic asset—customers.

The Phelon Research+Analysis Group has also been chartered by leading enterprise solution companies to create customized reports specific to their business issues. In carrying out assignments, The Phelon Group uses traditional research procedures and proprietary methodologies that provide reference program management with strategic and tested insight.

Customized offerings include:

- Company-sponsored research studies and reports
- Customer reference segmentation and audits
- Aggregate industry or co-sponsored studies
- Comparative benchmarking

To provide feedback or present questions regarding this or any other Phelon Group Research+Analysis report or study, please e-mail researchfeedback@phelongroup.com.

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Steven is a founding partner of The Phelon Group; he leads the firm's operations and service delivery. With more than 15 years of proven experience in strategy, CRM, project management and large scale enterprise implementations, Steven brings to The Phelon Group's clients a strong consulting background and a unique blend of innovation, strategic thinking and the ability to understand technology from both a business and technical perspective. Steven honed his consulting expertise at PricewaterhouseCoopers and Ernst & Young, and also served in senior marketing management and operations for eAssist Global Solutions and 3M Europe.