



The Futures Report 2005

A Strategic Planning Tool for Reference Programs

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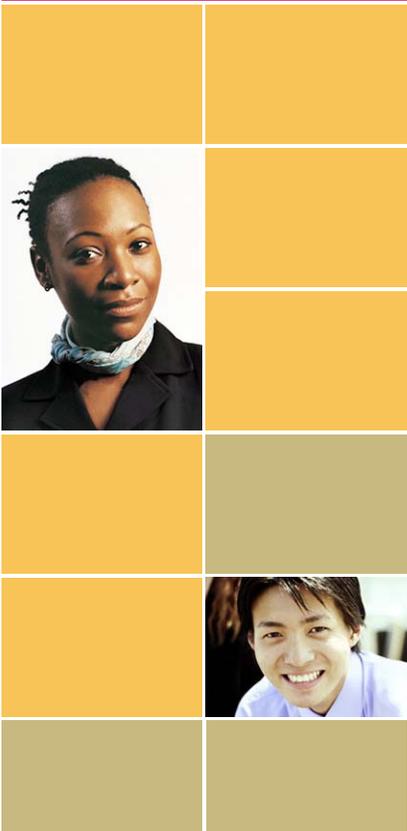
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The Phelon Group's recommendations really hit home. The Futures Report requires that I rethink how my team is focused, where we spend our budgets, what our priorities are, and how we evaluate our success.

**Senior Director,
Customer Marketing**



Introduction



Introduction:

The Futures Report 2005

- **Why we developed The Futures Report**
 - To transform existing customer reference programs into programs of excellence by providing customer reference program and marketing leaders with forward-looking information that supports planning processes and informs actions
- **How Futures supports planning and informs actions**
 - By predicting important trends and identifying best practices
 - By qualifying macro-business, economic and internal issues, and their impacts on customer leverage activities
 - By distilling Phelon Group engagements with top IT enterprise companies and specific research findings through dedicated customer reference research studies and reports
 - By sharing insight gathered from industry thinkers and opinion leaders

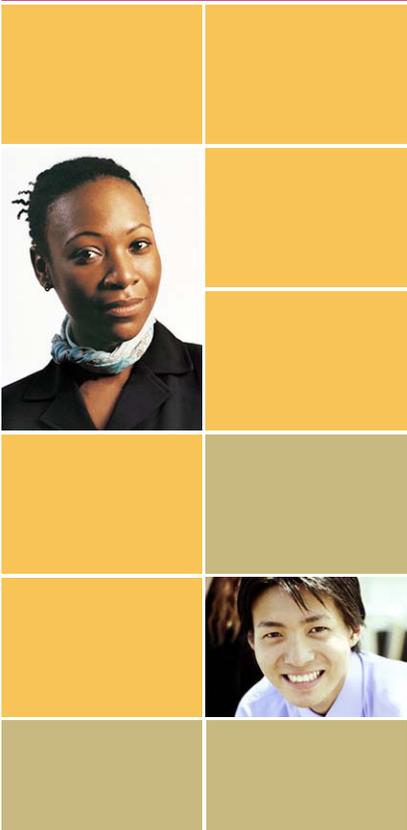
Methodology: The Futures Report 2005

- **We developed The Futures Report 2005 by leveraging information and insight from three primary sources**
 - Phelon Group research including the Benchmarking Study 2004 and the Customer Perspectives Study 2004
 - Multiple interviews with select customer reference program management and marketing executives within enterprise IT vendors; and discussions with IT buyers and influencers in enterprise companies
 - Existing research reports from McKinsey Quarterly, Forrester Research and IDC
 - A synthesis of learning from Phelon Group 2004 engagements



2005: Change Is Upon Us

Drivers and influencers of change in IT marketing and reference program management



Top 3 Critical Influencers of Change

1

Budgets

Technology budgets are expanding in 2005 and spending is expected to increase significantly. However, how and what companies buy has become much more rigid and collaborative; buyers are focused on getting more for less with the least amount of risk. **Implication for CRP's: Buyers are proactively seeking out candid opinions about solutions.**

2

Relationships

The Customer::Vendor relationship before, during and after the buy has become more tenuous. Customers are far less loyal and prospective customers are more skeptical of vendor claims. **Implication for CRP's: Prospects are going around formal reference activities.**

3

Metrics

IT marketers are under pressure to measure the impact of their efforts and are deemphasizing soft marketing approaches such as brand-building and mass-marketing campaigns. Targeted, micro-marketing efforts have been found to be more measurable and effective. **Implication for CRP's: Programs must demonstrate their effectiveness.**

How Influencers Are Impacting IT Vendors Now

Influencer	Impacts on IT Vendors
Increased Technology Budgets and More Stringent Buying Behavior	<ul style="list-style-type: none"> • More enterprise technology resources are available for security and hardware solutions. • More influencers and competitors mean sales cycles are longer, unpredictable and complex. • Technology solution wins appear as solid investments to “procurement experts.” • Defectors and peer networks are greatly influencing which solutions buyers consider and acquire. • Independent analysts, “buyers-choice” awards and technology performance benchmark reports are playing greater roles in buying processes.
Decreased Customer Loyalty and Allegiance	<ul style="list-style-type: none"> • Fewer customer relationships are “owned”; loyalty is more difficult to measure and maintain. • Customers are demanding more from vendors; they want technology that works PLUS investments in their long-term success. • Greater skepticism is sending customers around the “reference” program to seek candid data.
Greater Pressure for Marketing Results	<ul style="list-style-type: none"> • Marketing success is tied to business results; metrics and impact on revenue hold power. • Account-based, micro-marketing techniques are more effective than are mass approaches. • Marketing is taking more responsibility for the “customer” relationship.



Phelon Group Predictions for Reference Programs in 2005



Phelon Group Predictions 2005

Top 10 Predictions for Customer Reference Programs in 2005

1

Internal battles for who owns, cultivates and leverages the customer will ensue. Some companies will fragment the responsibilities, others will centralize and give authority to a single relationship management or 'customer steward' function.

2

Prospective customers will proactively seek out objective sources such as private peer networks, third-parties and quantifiable proof-points to develop vendor short lists and make buying decisions. Alternative sources of information about vendors and solutions will emerge.

3

Heightened buyer cynicism will drive demand for more quantitative customer and third-party proof-points.

4

Increased sales activity will also increase the demand for more and better references.

5

Senior executives and CMOs will make ongoing CRP sponsorship decisions based on past results, as well as on projected or future business impact. Successful groups with measurable results will gain support and funding.

Phelon Group Predictions 2005 (Cont.)

6

Traditional reference program incentives will lose traction; their value to customers has decreased greatly and prospective customers, analysts and the press will voice opposition to vendors 'buying' influence from their customers.

7

Reference organizations will play a larger role in articulating and fulfilling the Customer Hierarchy of Needs.

8

Marketing organizations will widen the scope of customer insight to include defectors and dissatisfied customers.

9

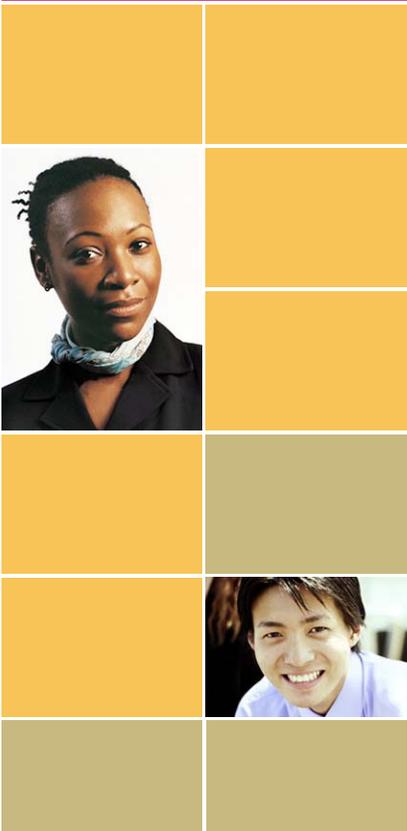
Customer Reference Programs that are part of a customer-centric company will gain a coveted and respected customer touch point allowing them direct access to customers and relationship management responsibilities.

10

Referencable customers will demand deeper relationships with their vendors before serving as an advocate. Their involvement in CRP programs will more heavily rest on integrating the relationship as part of the overall value proposition.



Recommendations



Phelon Group Customer Reference Program Recommendations 2005

Measure and Monetize Success; Manage Performance

- To engender more support and internal sponsorship, differentiate among metrics that demonstrate program success and those that simply assess program performance

Educate Internally to Encourage Culture Shifts

- Affect change in your organization by educating peers, by identifying an internal customer champion, and by echoing the best practices and woes of customers
- More tactically, help sales understand the most effective ways to leverage references and other assets

Start Investing Versus Spending Budgets

- Stop line-item spending and begin investing in program infrastructure and enablers of long-term efficiency and scalability such as technology, templates, team training and other tools
- Consider right/downsizing reference incentive programs; refocus on key customer relationships

Phelon Group Customer Reference Program Recommendations 2005 (Cont.)

Proactively Expand Program Capabilities and Activities

- Expand your program's reach to include relationship management, customer intelligence and communications
- Establish a solid value proposition for customers; become impossible to ignore within your company—especially by sales, product development and corporate marketing

Create a Program that Fits Your Company and Customers

- Document your challenges and objectives for the New Year; acknowledge industry best practices, but refrain from becoming a duplicate of another program; One size does not fit all
- Recognize that innovating and building a program specific to your stakeholders is key to long-term success



Opinion Leader Perspectives

We Asked Reference Leaders What's in Store for 2005...



Opinion: A Reference Program Leader's Perspective

What new facets do you predict will emerge for reference program leadership in 2005?

“Reference programs are really going to feel the impact of the fact that more and more, the amount of information customers are willing to reveal to external sources is dramatically decreasing. And that’s why it’s important to have strong customer relationships and creative ways of leveraging them. When you develop relationships, you find out exactly what customers are willing and unwilling to do—whether it’s for an RFP, for a press release or for an advertisement.”

Kenneth Darby

Director, Customer Reference Program, Hewlett Packard

Opinion: An IT Buyer's Perspective

How do a vendor's customer references affect your decision to acquire enterprise technology?

“For big-ticket items, we want to talk with references. But we want candid feedback. We want all the details. So we usually try to get around the formal reference by going to the lowest point possible within an organization.”

Stephen Bjorgan
Vice President of Engineering, France Telecom

Opinion: An Industry Analyst's Perspective

What question should buyers ask reference customers when purchasing critical technology?

“Prospective customers should really ask: How will the vendor partner with me and ensure that I’m successful after they’ve sold me their technology?”

“Successful implementations are the ones in which customers feel like their vendor invested something. No experienced IT buyer or CIO believes there’s a silver bullet—there’s got to be a wall surrounding every product, service and engagement. It’s how you overcome the wall... that’s the success story.”

Beth Gold-Bernstein*
Vice President, ebizQ.net

* Ms. Gold-Bernstein is also former analyst with Hurwitz.

Opinion: An Industry Analyst's Perspective

What new methods will IT buyers use to gather insight to support their decision-making process?

“We’ve been asked by our members and larger IT buyer networks to help them collectively present technology solutions that really solve their issues and are delivered by customer-centric vendors. Our response? The Buyers’ Choice Award, which we’re in the process of launching. CIOs, VPs of engineering and senior architects all value their peer networks and colleagues; the Buyers’ Choice Awards will help them get what they need from objective parties.”

Beth Gold-Bernstein

Opinion: A Reference Program Leader's Perspective

What new or different commitments will your team make in 2005; how does this differ from past years?

“Hoarding a cadre of low-impact success stories isn't a smart strategy; it's not symptomatic of a healthy and effective program. So instead, we're focusing our efforts on high-impact customer successes that speak of business transformations and dramatic results... we made a commitment to invest our resources in cultivating and promoting relationships that truly tip markets.”

Wendy White
Former Director, Customer Success Program, Intel

Opinion: A Reference Program Leader's Perspective

What changes must be made to more effectively measure the impact of your reference program?

“Metrics are good. Some are clear indicators of success, while others are easy to measure and show management that we're busy. This year, my team must recalibrate and tie our program to business results and impact!”

**Director,
Customer Relationship Marketing**

Opinion: A Reference Program Leader's Perspective

What is your advice to marketing professionals as they plan and prepare for 2005?

“Marketing used to perceive the reference program as a tactical must-have; that’s not so anymore. My advice to marketing professionals is to build a seasoned team that manages strategic customer relationships, builds credibility with sales and marketing organizations, and works closely with other internal stakeholders. The goal of the team is to develop and evolve mutually beneficial partnerships that go deeper than reference calls, stories and other referencing busy work.”

Wendy White

More Planning Resources

- **The following research contributed to this report and is available at www.phelongroup.com:**
 - Customer Perspectives Study 2004
 - Customer Reference Program Benchmarking Study 2004
 - The Customer Hierarchy of Needs

Hit the ground running in 2005

The Phelon Group can help refine your strategy and develop your Reference 100: a clear plan for what your team will accomplish in the next 100 days. Call 1-877-717-9210 to speak to a principal today.



About The Phelon Group

The Phelon Group is the first consultancy to help enterprise technology companies build and sustain high-value customer reference programs that enable a distinct advantage in the drive for customers and corporate growth. By focusing on Customer Leverage as a distinct business initiative, The Phelon Group helps its clients increase the value of their customers and offers actionable and sustainable strategies based on key benchmark research and industry experience. 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.

For more information visit our web site at www.phelongroup.com or call 877-717-9210.

