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# **Are You Receiving Value For Your Analyst Relations Dollars?**

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- *Why proper Analyst Relations planning and management are essential to achieving real value from your Analyst Relations Investment*

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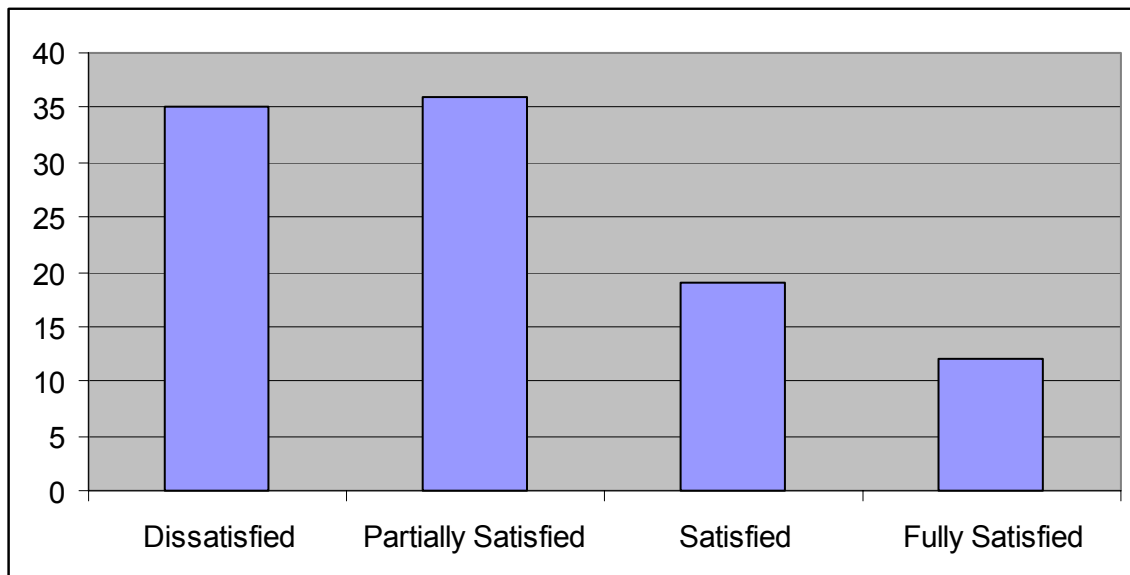
*Y2G Associates, LLC*

# Introduction

For many software companies, Analyst Relations is an exercise in frustration, and sometimes in futility. Far too many software companies today question whether they are reaping full value from their Analyst Relations investment. This is quite astounding given the amount of money spent by software companies on analyst firms, which has been estimated in the range of \$40,000 a year for companies making under \$50M in annual revenues, and more than a million dollars a year for companies making over \$1 Billion in annual revenues.

The graphic below depicts the results of a recent survey conducted by Y2G Associates of software companies that responded to the question, ***how do you view your level of satisfaction with value from your Analyst Firm Investment?***

## Responses:



**A surprising 71% of respondents felt that ‘Value’ received was either dissatisfactory, or only partially satisfactory.**

Does all the blame reside with the Analyst Firms, or can some of it be the fault of the software companies themselves and the way that they manage, or fail to manage the Analyst relationships? Based on our combined experience as users of analyst information while employed at several software companies, and tier-one consulting firms, and as Senior Analysts and Research Directors for major Analyst firms, we have witnessed first hand “the good, the bad, and the ugly” of Analyst Relations. Y2G Associates has very specific, field proven ideas about what works well in

Analyst Relations based on the size and condition of the technology firm. More importantly, we have been privileged to experience both sides of the equation: software vendor - analyst relationships as well as user client - analyst relationships. User clients and technology prospects of analyst firms, usually representing fortune 1000 companies and influencers of technology purchases, bring a different perspective and a unique set of needs. This often molds the mindset of the analyst in his/her discussions with vendors. The relationship needs to be understood and appreciated because from the perspective of the analyst firms, the technology users are in the driver's seat, and the software companies that propel technology are, to a degree, at the mercy of the market.

## **Understanding the Role of Analyst Relations**

The role and importance of Analyst Relations (AR) is often misunderstood. Most executives have an enlightened perspective on their corporate strategy and can establish initial rapport with industry analysts. However, they do not have the bandwidth to service ongoing requirements for inbound and outbound product information, case studies, sales successes, competitive information, marketing events and conferences. Without dedicated resources for developing relationships with industry analysts, vendors often are not able to exploit a key marketing and communications channel for their message and value proposition. Contrary to popular practice, the AR function is not just an add-on task for the public relations staff. Industry analysts may have as many as fifty contacts per week with various prospects, existing customers, and partners in your technology area. These contacts need to be exploited.

In regard to mid-size and large software companies, dedicated AR resources with the attributes and job profile outlined below can reap significant returns in customer leads and eventually increase revenues as a conduit to analyst input and output. As a dedicated AR manager establishes relationships with influential analysts, the AR manager becomes a valuable conduit of advice regarding competitors, market trends and new technologies.

Traditionally, the AR specialist or AR manager may work for a director in corporate communications or directly for the corporate marketing executive with a dotted line reporting responsibility to Corporate Communications. Smaller vendors (i.e., less than \$50 million in annual revenues) will likely have one or two AR specialists and a manager who works within the marketing or marketing communications groups. Internally, the ultimate organizational goal is for the AR staff to have a strong collaborative working relationship with product managers and executive spokespeople. The AR staff should facilitate a two-way communications process between internal messaging experts and the industry analysts, creating a communication channel that should be exploited to the maximum. In practice, however, this is not always the case, and the AR staff often struggles to obtain timely and complete information and answers from the appropriate internal people.

## **AR Resource Background Required**

Traditionally, three to five years of experience with a high-tech services or software company in a marketing capacity is required so that an AR specialist understands how the product launch and/or briefing process may proceed with outside industry trade press and analysts. Because the position is usually not a defined job within many small software companies, the person needs to be a self-starter with proven project and business management skills. The individual also should be a polished communicator who will represent the company in front of discriminating industry analysts. The AR professional will have many occasions to speak informally with analysts, and, as a result, communications and collaboration skills are valuable for working with various product and marketing managers within the company, who initially may not see the priority or value of the AR function.

The current industry salary range for junior to intermediate AR professionals is between \$65,000 and \$85,000 per year, depending on experience, and for a more senior person the range is between \$85,000 and \$125,000 per year. As the function develops and matures within the organization, marketing groups will see this function as a valuable part of ongoing product marketing and new product launch activities. Given the influence that industry analysts have on prospects and existing customers, the financial justification for the position should be clear. Of course, real world experience shows that this is not always the case.

The qualifications of assigned personnel must meet and exceed all of the basic prerequisites for the AR role. In addition, the AR professionals are challenged with understanding the basic concepts, issues, and technologies relevant to your company's particular domain. They must have an appropriate level of knowledge of your company and its products, to allow them to articulate the basic framework of the company's mantra and product capabilities.

In a growing organization that interacts with multiple analyst firms, the proactive preparation work can be considerable. This is especially true as new products and product releases arise, which require what Y2G Associates calls a "*push distribution*" and education of the analyst community. In addition, on-going maintenance and updating of the baseline materials presented and knowledge shared as well as sales activities to-date must be managed proactively. The concept and practice of "push / pull distribution" of pertinent information and events is part of the Y2G Associates methodology, and fills a significant gap in the traditional analyst relationship. Analyst firms push more than the pertinent information directly to your organization which your AR staff will rarely have the cycles to search through to determine relevance. This is often an area where many AR specialists and managers fall short. They can "push" information provided adequately to the analyst community, but they often do not have the time or content knowledge to "pull" all the key information that might be useful from the analyst community.

## **Managing Analyst Relations**

A Statement of Work Breakdown is required to appreciate the scope of the AR efforts. Managing AR should be an ongoing project where defined tasks and deliverables are geared toward well established goals.

Specific tasks that need to be performed include:

- Working with product marketing to secure complete and detailed presentation material in order to deliver quality information to analysts in a manner that is perceived in the best possible light
- Working with analyst firms to provide to the vendor input on products, trends, sales activities, and client relations for particular subject matter pertinent to the vendor
- Establishing proactive processes for ongoing communication with and education of industry analysts
- Facilitating analyst briefings and interviews during specific events
- Securing analyst quotes for press releases
- Assisting with preparation of analyst briefing tours, presentations, and documents
- Overseeing budget, deliverables, and recommendations for current and future purchased analyst research services
- Supporting the corporate communications team in other "PR"-related programs and activities
- Responding to ad-hoc analyst inquiries, monitor feedback, and ensure that deliverables are provided on suggested research topics
- Providing a communications and marketing background with an overall understanding of company technology and products
- Establishing a "push distribution" process to analysts of flash information
- Planning for a proactive "pull" information flow from the analyst community to your internal organization

### ***Duration is a Realistic Expectation***

Establishing the right relationships, fostering a team spirit, striving toward established goals, and managing the change process as people, products and goals change requires a sufficient timeframe. A commitment in time is necessary both in terms of duration as well as in daily / weekly work commitment. It should be a full-time role

with periods of greater commitment during the initial startup period and during key events, such as analyst firm conferences, new product launches, and unique requirements driven by the analyst community.

The duration period to launch adequate AR activities should be counted in months and quarters, not days and weeks. The strongest relationships are often nurtured over a lengthy time period, which requires patience and persistence. Measurement of performance to AR performance indicators begins after a foundation has been laid with appropriate analysts and an adequate length of time has passed to accumulate historical data. This time period usually lasts no less than a year.

## **Managing Expectations**

Managing expectations can be the biggest challenge, especially internally. Software companies are notorious for wanting instant gratification when it comes to ROI, but realistic expectations must be communicated to senior management. Can you picture the CEO or the VP of Marketing bemoaning the following?

***'We signed the contract with that Analyst Firm two months ago and they still haven't written about us!'***

Software companies adopt vastly different attitudes along a broad spectrum about AR. At one end of this spectrum, there are software companies (usually smaller ones) that have no dedicated AR resources. Unfortunately, these companies view dealing with the analysts as a necessary evil synonymous to a dental visit (or a root canal!). They believe AR activities are required only once or twice a year. These activities usually consist of a wild multi-visit analyst tour characterized by a frenzy of activity, followed by dead silence for six months.

At the other end, software companies such as Microsoft, SAP and Oracle, employ huge AR staffs and strategic senior management support who work the relationships on a daily basis. These companies do not panic (or at least do not over react) when the analyst firms say something about them that is less than flattering. They are, however, on top of every piece of written material, every conference, and every strategy initiative that comes out of the analyst community.

What is required, obviously, is a balanced approach that neither stifles nor neglects the analyst firms.

More importantly, **a new approach and a new mindset are required**. An approach that is founded upon building and nurturing a two-way relationship, coupled with a mindset that is based on realistic expectations. As with any new relationship, there will be highs and lows, agreements and disagreements, issues and resolutions. These relationships will require ample effort vis-à-vis hard work and constant interaction in order for the relationship to thrive. Both ***strategy*** and ***planning*** are

necessary, neither of which can be done successfully in crisis mode the week before an analyst tour!

How to proceed with an **Analyst Relations Strategy Definition** and a detailed **Analyst Relations Plan** are the topics of sections 2 and 3.

For further information on the Y2G Associates Analyst Relations services, please access:

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