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IT Investment Decision Making Getting to “yes” and avoiding “no”

Many technology sales cycles get bogged down in the IT department. Whilst it is unlikely that a sale will get anywhere without buy in from IT management, their approval is no guarantee of final success. Getting to “yes” requires accessing and influencing other key decision makers especially those in the finance department. And along the way, there are plenty of others who can say “no”

EXECUTIVE SUMMARY

- **Information Technology (IT) sits at the heart of the majority of modern business**
Very few businesses consider IT as a peripheral activity, or even a burdensome cost, the overwhelming majority consider it as a core value add to their activities
- **IT Managers are only the starting point for closing an IT sale**
When it comes to approving a major IT investment, the approval of the Managing Director will nearly always be required and when it comes to prioritising spending plans the Financial Director is omnipresent
- **Most business managers like to keep up to date with technology developments**
Finance managers think it is at least as important for them to keep up to speed with technology developments as it is for IT managers, but they prioritise sources of information differently
- **The internet, trade shows, press and business reports all have their place, but you can forget the blogosphere**
Peers and colleagues are considered essential sources of information; finance managers are more likely than their counterparts in IT to show up at a trade show, the latter are more likely to be sitting at their PC searching the internet with Google
- **Don't let the lure of the business press lead you to overlook the IT trade press**
All managers consider the IT trade press to be a useful source of information ahead of the daily papers and other business press. Few consider the Sunday papers to be useful for keeping up to speed with IT. Most are more likely to read their favourite publications on line, rather than in print
- **Few managers have subscription based access to the services of analysts, but their reports are valued**
The majority of managers are prepared to pay for analyst reports, whilst few have access to subscription based services. Many seek out free analytical content on the internet especially those working in the public sector or smaller businesses

REPORT NOTE:

This report has been written independently by Quocirca Ltd about the IT investment decision making process and the influences on it. The report draws on Quocirca's extensive knowledge of technology and its use in business, and provides advice on the approaches that IT vendors can take to the sales process.

The report draws on information gathered from interviews with 300 senior financial, IT and marketing managers from UK businesses and Quocirca would like to thank them for their time.

We would also like to thank the sponsors of the research behind this report; Cohn and Wolfe and GCL.

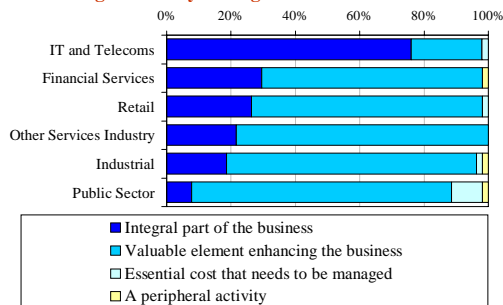
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The IT sales and marketing challenge

Few businesses consider information technology (IT) as a peripheral activity or even as a burdensome overhead. For the overwhelming majority it is seen as a core activity that adds value to their activities (Figure 1). This will not come as a surprise to most IT vendors, who find how critical their particular components of the customers IT infrastructures are when things go wrong.

Figure 1
Which would you say most accurately reflects the way the IT is managed within your organisation?



These vendors will also have noticed this when getting their customers to adopt those components in the first place; IT investment decision making is not the sole preserve of the IT department, but requires the input of management from other business functions for all but the smallest purchases. Again, this should not surprise anybody – the IT department does not exist for its own sake, but to serve the business.

Consequently most vendors find the sales process a tricky maze to negotiate and seek experienced sales people to help them to succeed. Even so, common and avoidable mistakes are made at all stages of the sales process leading vendors to lose business or waste time chasing sales they never stood a chance of winning in the first place. This is costly for the vendor and can be a disaster for the sales people who all too often end up with an unplanned career break.

The challenge of the sales-team is to identify the key influencers in the decision making process and make sure they buy in to the proposal. A common gripe of the sales-team as they go through this process is that the decision makers have never heard of the vendor being represented and/or the products being proposed. This is the challenge of the vendor's marketing team, whose job it is to

prime the market so that the sales-people are wooing a receptive audience.

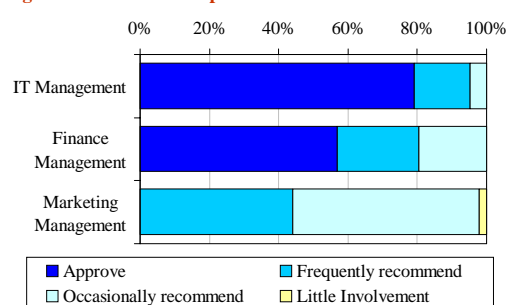
Who are the most important people in the IT investment decision making process and how do the marketeers reach them to make sure they are receptive when the sales-people call? It will vary for every deal, but there are some common rules that apply for all sales situations. There are also some significant differences depending on industry and company size and a number of ways to reach the various decision makers too.

This report aims to unravel some of the mysteries. The findings are based on interviews with 300 senior managers in UK based end-user IT organisations, one third of them IT managers, one third of them finance managers and the final third marketing managers. Some of the findings are fairly obvious but serve as a reminder of those steps that must be gone through in the sales process, other findings are more surprising and may encourage the marketing and sales teams of IT vendors to try some different tactics to increase awareness of their products and services and their sales success rate.

It's the FD stupid

When asked about their own role in IT investment decision making, it is perhaps surprising that 5% of IT managers said they were not involved in evaluating or recommending options (Figure 2).

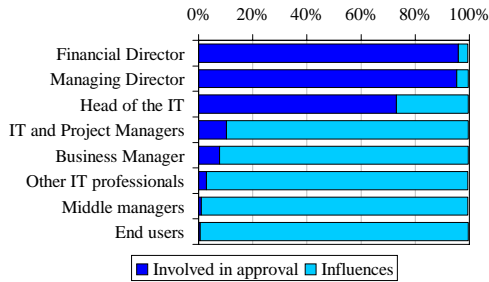
Figure 2
To what degree are you involved in making decisions on significant IT related expenditure?



Surveys can throw up some odd results, but as we did not speak exclusively to the head of IT, it may be that some managers do not feel they are consulted however senior they are. But it could also be that they feel their own power in decision to spend is less than that of their colleagues in the finance department. When asked about the importance of board level management in the decision making process

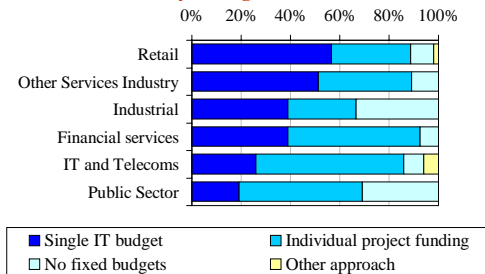
the results were unambiguous, hardly ever would a strategic investment be made without the approval of the managing director (MD) and finance director (FD) regardless of the recommendations of the IT department (Figure 3).

Figure 3
Who would you expect to be involved in approving a decision on a strategic business application?



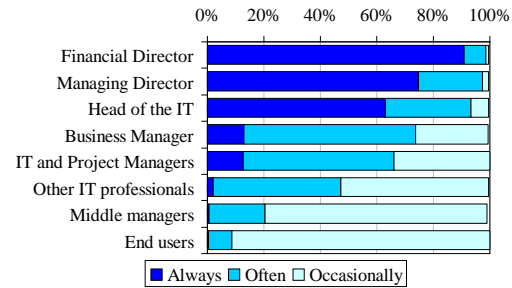
Maybe this is not that surprising but it is a salutary reminder of the need to move beyond the IT department to ensure the success of any major sale. IT may say yes, but finance can still say no. It might not be that the FD disapproves of the proposed investment, but just that the organisation can simply not afford it at the current time. One way the finance department can help clarify things is to identify how IT budgets are structured. This varies considerably from industry to industry (Figure 4).

Figure 4
Which of the following best describes the way IT budgets are structured within your organisation?



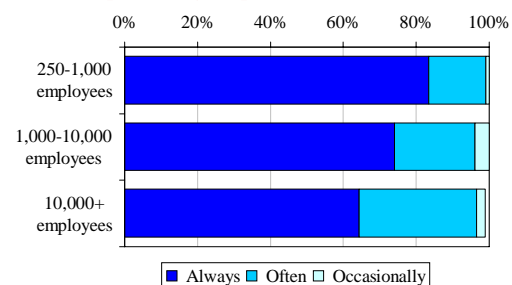
If a budget has been set aside for a particular project it is perhaps more likely to go ahead than if funding has to be found from a pool where it will compete with other investments, making it easier for the finance department to pull the rug. Here the FD is even more important than the MD, nearly always being involved in prioritizing the IT spend (figure 5).

Figure 5
How much would you say the following are involved in prioritizing IT spend?



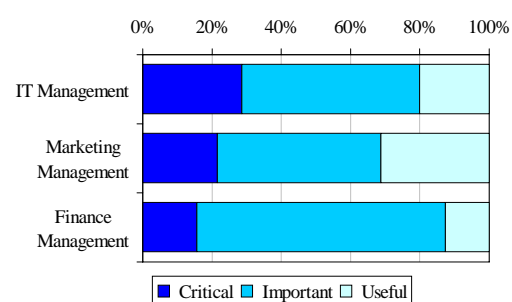
The MD is slightly more likely to be involved in smaller organisations (figure 6), but the FD is omnipresent.

Figure 6
How much would you say the MANAGING DIRECTOR is involved in prioritizing IT spend?



Given all this it is gratifying, if perhaps surprising, that more finance managers than IT managers felt it was important for them to keep up-to-date with the technology developments (Figure 7).

Figure 7
How important would you say it was for you to keep up-to-date with technology developments?

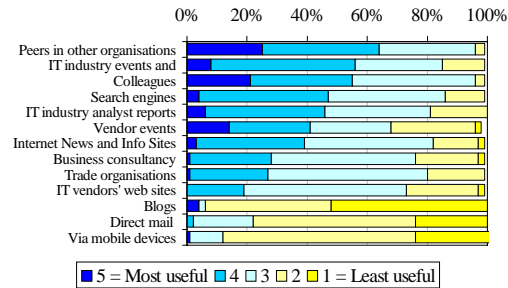


Good news perhaps, but how does a vendor of complex technology products or services prime financial managers to increase awareness of its company and its products and services for when the sales-person calls?

Getting the message across

Chatting with their colleagues and peers in other companies is declared by finance managers as a primary source of information when it comes to keeping up to date with IT (Figure 8).

Figure 8
How useful would you regard these sources for keeping up-to-date with IT? (FINANCE MANAGERS)



A bad reputation, especially if it is for price or financial stability can kill a deal if finance gets wind of it, but a good reputation can help with the big “yes”. But if one finance manager is going to tell his friend about your IT solution down the pub, he has to have learnt about it from somewhere else in the first place.

And, here is a surprise, finance managers are more likely to roll up at an IT industry event or exhibition than their counterparts in IT (figures 8 and 9).

Figure 9
How useful would you regard these sources for keeping up-to-date with IT? (IT MANAGERS)

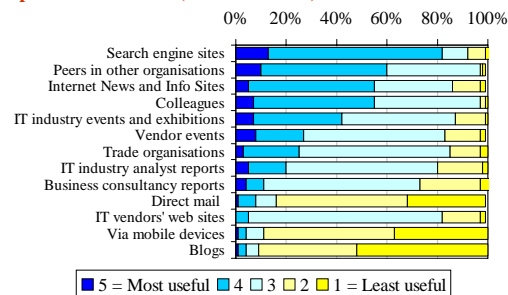
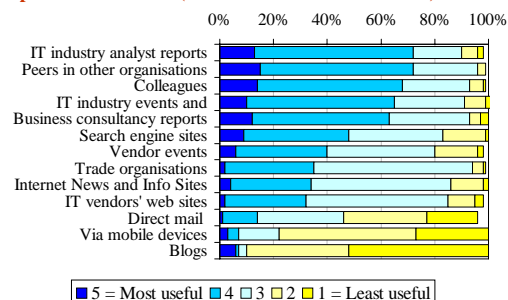


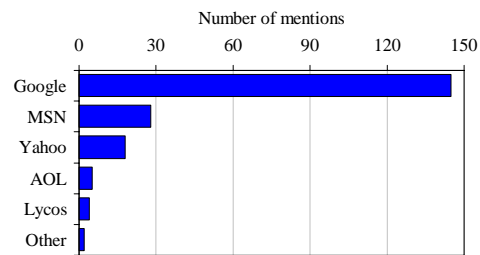
Figure 10
How useful would you regard these sources for keeping up-to-date with IT? (MARKETING MANAGERS)



The internet, analyst or consultants reports and trade organisations are varying, but still important sources of information for both groups. But whoever you are targeting, setting a blog or disseminating information to mobile devices is unlikely to get your message through to anyone. This may change in the future, but if you are still sending out direct mail it's probably best to stop wasting your marketing budget now.

IT directors rate search engine sites more highly than any other source. Many managers expect to track down free sources of information using the internet and will use a search engine as their starting point to do so. And if you had any doubt where you should currently concentrate your fire, be it for advertising or search prioritisation, when it comes to search engines – you can rest assured the most popular is Google (fig 11).

Figure 11
What is your number one starting point for finding information on the Internet?

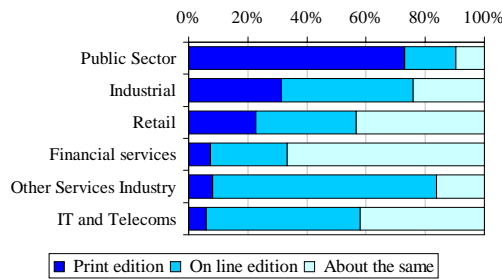


Nearly half the respondents, when asked in a freeform question where they started their internet searches cited Google, way ahead of MSN, the second choice with less than 10%.

A good read

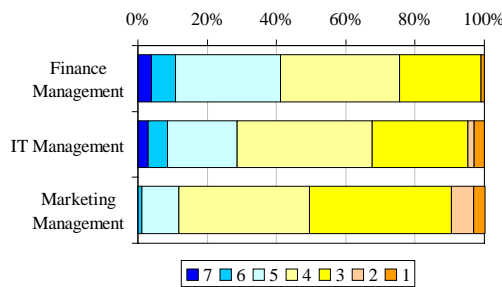
Decision makers are not only on-line to track down information; they are increasingly there to catch up with the news as an alternative to reading papers and magazines. Only public sector managers still find the time to put their feet up and enjoy a newspaper in the old-fashioned way, in other industries reading online is now predominant (Figure 12).

Figure 12
Do you find yourself spending most time reading your favorite publications in print or online?



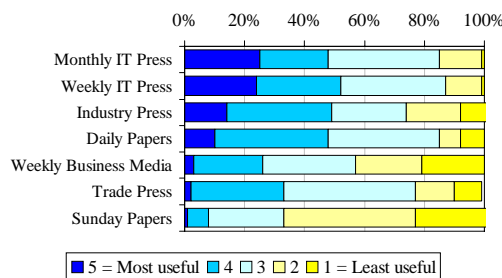
Finance managers read the daily media more regularly than their counterparts in marketing and IT, but all will do so at some point during the week (Figure 13).

Figure 13
On average, how many times a week do you read a national newspaper?



The Holy Grail for some marketing departments is to secure coverage by the leading business press. Newspapers like the FT and The Economist are indeed well respected by the finance managers. But here is another surprise, finance managers, along with marketing and IT managers all rated the IT press more highly than the daily papers for keeping up to speed with IT developments (Figures 14, 15 and 16).

Figure 14
How useful would you regard the following for keeping up-to-date with IT? (FINANCE MANAGERS)



Trade press (e.g. Accountancy Age) and industry press (e.g. Retail Week) were reasonably well regarded, whilst the Sunday

papers were considered pretty much a waste of time.

Figure 15
How useful would you regard the following for keeping up-to-date with IT? IT MANAGERS

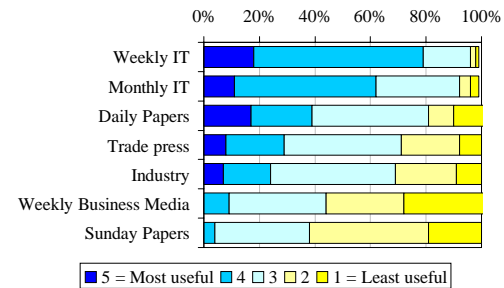
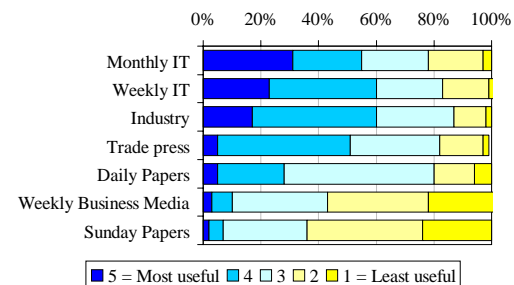
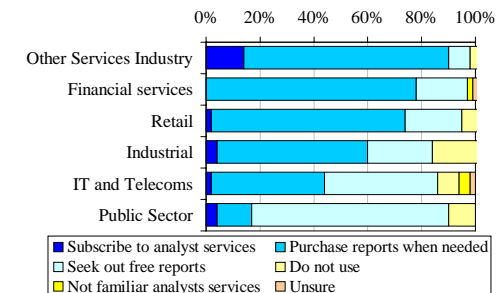


Figure 16
How useful would you regard the following for keeping up-to-date with IT? MARKETING MANAGERS



Marketing managers rated analyst reports near to the top of their list (Figure 10); finance directors certainly find them useful whilst IT directors were the most cynical about them. So should you spend time and marketing budget making sure you get good coverage from the likes of Gartner, IDC, Forrester etc?

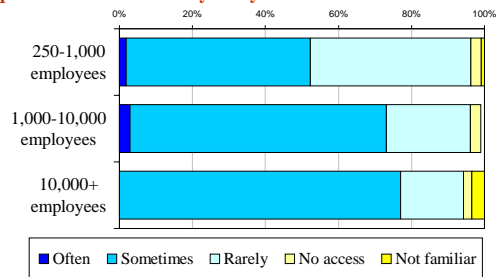
Figure 17
Which of these statements most closely matches your organisations use of analyst reports?



The answer may lie in the sector you are targeting. The larger analyst companies charge for the reports; public sector organisations and small businesses are not that willing to pay for them, whilst service companies and financial institutions are more willing to cough up (Figures 17 and 18).

Figure 18

How often do you make use of information or services purchased from industry analysts?



This does not mean that time should not be spent with the analysts, after all many important organisations subscribe to their services and on the other hand a lot of analytical content is free anyway. The big analyst houses do allow snippets of their information to be published without charge and smaller analyst houses, with alternative funding models, often put reports in the public domain for free (an example is this report which is made freely available, its cost having been covered by the sponsors identified on the front, in this case a PR company and a telemarketing agency, who were interested in the results of the research for their own ends).

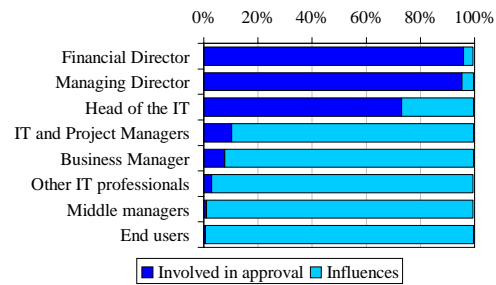
Getting to “yes” and avoiding “no”

Getting the FD and MD to approve a recommendation of the IT department will

certainly be easier if they have heard of you as a vendor and your reputation is sound. Good marketing is an important part of this, but it helps if the message being conveyed rings true. Without a “yes” from these the top dogs the sale will not happen.

Figure 19

Who would you expect to be involved in approving a decision on a strategic business application?



But, however important this is, the other parties listed in should not be overlooked (Figure 19), project managers, business managers, IT professionals and not least, end users, all of whom expect to benefit from the IT investment to be made, may not be important in the final approval, but they do influence it. They may not be able to say “yes”, but they can certainly say “no”.

Appendix 1 – Interview samples used in research

The research behind this report involved interviews with 300 UK business managers including finance, marketing and IT managers (Figure 20). The sample included large, mid-sized and small businesses (Figure 21) and a range of industries (Figure 22).

Figure 20

Range of job functions included in sample

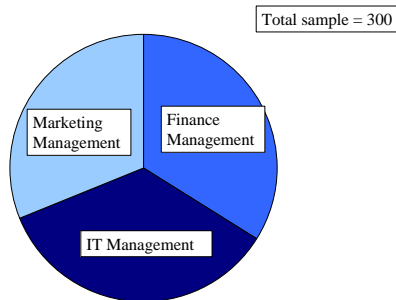


Figure 21

Range of business size in sample

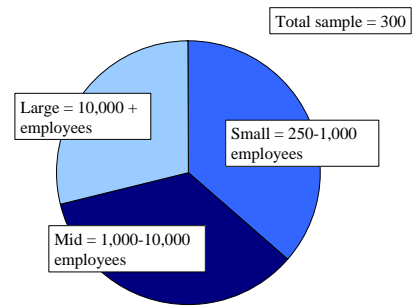
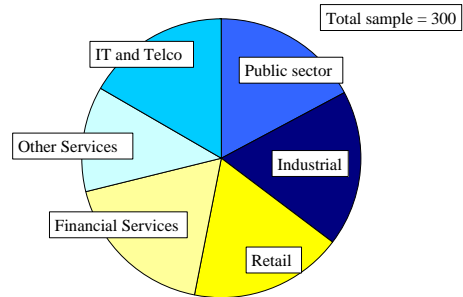


Figure 22

Range of industries included in sample



About Cohn and Wolfe

At the beginning of the 21st century, everybody does the same thing and talks the same way – and Identikit businesses are born.

These Identikit businesses have nothing to say that the media haven't heard dozens of times before...

“customer focused”
“a best-of-breed organisation”
“providing integrated solutions to business problems”
*“Blah, **blah**, blah”*

And the problem's getting worse: as regulatory forces become more pressing, companies are saying even less about themselves that's truly interesting. Even internal market intelligence and insight is diminishing in favour of the same old statistics from the same old management consultants and analysts.

The real danger facing businesses today? Death by blandness. It's no wonder many business are struggling to engage an increasingly fragmented and specialised customer base.

Cohn & Wolfe's Business Communications & Technology team recognise clients don't just sell products and services to generic businesses (Bland) – our clients want to target very specific business sectors, each with their own specific problems, and their PR has to reflect that (Brilliant!).

As a result, our team is built around in-depth knowledge and understanding not just of our clients, but of their customers' markets too – across fields as diverse as banking and finance, public sector, telecoms, transport, IT, pharmaceuticals, manufacturing, logistics and retail.

Within each vertical sector, the Business Communications & Technology team includes experts on legislation, regulatory issues, and industry watchdogs – all vital parts of telling credible, interesting stories to the widest possible media base.

After all, PR needs as much attention and focus as R&D. You'd no sooner let a random engineer design a new product than you should let a random 'spin doctor' create a communications strategy.

At Cohn & Wolfe we have an award winning track record for creating something genuinely new and interesting for our clients to say to their customers and media contacts.

For more information on what you need to do to spice up your PR please contact:

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Direct line: 020 7331 5475



About GCL

GCL Direct specialises in providing tailored campaigns for clients across the Technology and Professional Services sectors. Our experienced team plans and implements integrated programmes that combine outbound and inbound telemarketing, database development, market research and direct mail.

Our unique approach to telemarketing and direct marketing solutions has delivered quality results for clients in the UK and abroad for over 16 years. With over 55 employees operating at our headquarters in Edgbaston, we work in partnership with our clients to deliver both tactical and strategic campaigns that achieve their objectives and assist in the acceleration of business growth.



About Quocirca

Quocirca is a company that carries out world-wide perceptual research and analysis covering the business impact of information technology and communications (ITC). Its analyst team is made up of real-world practitioners with first hand experience of ITC delivery who continuously research and track the industry in the following key areas:

- Business Process Evolution and Enablement
- Enterprise Applications and Integration
- Communications, Collaboration and Mobility
- Infrastructure and IT Systems Management
- Utility Computing and Delivery of IT as a Service
- IT Delivery Channels and Practices
- IT Investment Activity, Behaviour and Planning
- Public sector technology adoption and issues

Through researching perceptions, Quocirca uncovers the real hurdles to technology adoption – the personal and political aspects of a company's environment and the pressures of the need for demonstrable business value in any implementation. This capability to uncover and report back on the end-user perceptions in the market enables Quocirca to advise on the realities of technology adoption, not the promises.

Quocirca research is always pragmatic, business orientated and conducted in the context of the bigger picture. ITC has the ability to transform businesses and the processes that drive them, but often fails to do so. Quocirca's mission is to help organisations improve their success rate in process enablement through the adoption of the correct technologies at the correct time.

Quocirca has a pro-active primary research programme, regularly polling users, purchasers and resellers of ITC products and services on the issues of the day. Over time, Quocirca has built a picture of long term investment trends, providing invaluable information for the whole of the ITC community.

Quocirca works with global and local providers of ITC products and services to help them deliver on the promise that ITC holds for business. Quocirca's clients include Oracle, Microsoft, IBM, Dell, T-Mobile, Vodafone, EMC, Symantec and Cisco, along with other large and medium sized vendors, service providers and more specialist firms.

Sponsorship of specific studies by such organisations allows much of Quocirca's research to be placed into the public domain.

Quocirca's independent culture and the real-world experience of Quocirca's analysts, however, ensure that our research and analysis is always objective, accurate, actionable and challenging.

Quocirca reports are freely available to everyone and may be requested via www.quocirca.com.

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