



Reference Point

a newsletter for customer reference professionals

October 2004

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Here's the October issue. In case you experience formatting issues with the email version, or problems with links, here's a link and URL to the newsletter, [click here](http://www.lee-communications.com/ci.doc):
<http://www.lee-communications.com/ci.doc> Best regards, Bill.

Reference Point is a Lee Communications newsletter about customer reference (CR) programs and how to improve them. To subscribe, please contact me (contact information is below or just respond to this email). To unsubscribe at any time, just reply to this email with "unsubscribe" in the subject line. This email list and your name will never be made available to anyone else, not even to others on the list, unless by mutual request and agreement.

Making the Business Case for Your Customer Reference Program

ITSMA (The IT Services Marketing Association) just came out with a report called "Best Practices in Reference Management: Presenting Evidence of Value Delivered," by ITSMA's Naomi Steinberg and Steve Hurley. One of my favorite things about this organization is that it performs very good research and it shows in this report.

The report provides useful insights on building and improving Customer Reference programs and is especially useful if you need guidance in justifying budget dollars for your program. The article is free for ITSMA members, costs \$595 for non-members and is being made available to Reference Point subscribers for \$395. Here's a link to an abstract of the report:

<http://www.itsma.com/research/abstracts/U0047.htm> .

If you want to buy it, click the Buy Now button at the top right. Then after filling out the form, scroll down to the box marked "c. Other, please specify*" and type "\$395 - Reference Point Subscriber" in the comment field. (Yes, this is totally jerry-rigged!) (Full disclosure: ITSMA and Lee Communications occasionally partner on initiatives related to CR programs, but we have no financial arrangement concerning this report.)

I'm devoting this issue of Reference Point to some key takeaways from the report that I think you'll find useful.

BUILDING THE BUSINESS CASE FOR YOUR CUSTOMER REFERENCE PROGRAM

I don't need to tell CR directors that building and running an effective CR program is expensive. Here are some observations and recent research (the article includes charts) to build a case for the importance of a CR program.

-- Technology buyers say that the most important attribute a vendor can have is "follows through on promises and commitments." Unfortunately, there is a tremendous gap between this desire on the part of buyers and actual performance by vendors. "Very few companies performed better than 'mediocre' on this attribute," according to Steinberg and Hurley. The obvious way to convince a new customer that your firm is different: compelling customer references showing that you DO follow through on promises and meet commitments.

-- Early in the sales cycle, customer success stories scored second highest in the list of types of information that get buyers' attention. ("Technology innovation" was first).

-- When asked what was the most effective "communications vehicles or proof points" for getting their attention, buyers listed case studies as most effective. Also, customer references are clearly important to several of the other top methods that get their attention, including speeches or presentations at conferences or trade shows, analyst firm recommendations (customer references are obviously useful in persuading analysts to write favorable reviews), and articles in the business or trade press.

-- When asked what was the most important communications vehicles or proof points for a later stage in the selling cycle - instilling confidence - customer references were again important. The top 14 vehicles or proof points for instilling confidence included customer site visits, customer recommendations via telephone or email, customer success stories published by the press, and customer success stories published by the vendor.

METRICS FOR ESTABLISHING THE VALUE OF YOUR CUSTOMER REFERENCE PROGRAM

In many companies, the value of the CR program is assumed: If it results in the award of just one significant new contract per year, that will justify its cost. But other organizations may require more proof of the CR program's value. Steinberg and Hurley lay out some useful suggestions for metrics beyond the monetary value of deals that references help to close.

For example:

-- Operational: How well does your program collect and manage customer reference data?

-- Reference ratio: What percentage of potential references actually agree to speak on behalf of the company?

-- Impact: What is the impact of references in generating additional revenue (beyond deals closed)? What is the impact on the company's brand?

-- Effectiveness in moving leads through the sales cycle: How often do prospects develop greater interest in a particular offer? How often do they decide to purchase?

These are individual elements in the tough-but- compelling overall standard that Steinberg and Hurley pose for assessing a CR program: "Ask yourself: Can your sales force, anywhere in the world, access a customer reference directly relevant to a prospect's business in 24 hours or less? Can your company produce written case studies and success stories and line up interviews and meetings with a wide range of satisfied customers? Can you handle three to five such requests a week? This is the gold standard that few companies have achieved but that no company can be successful without."

OTHER USEFUL TIPS

The article also includes some other useful tips, with examples from PeopleSoft, EMC, Lucent Worldwide Services and IBM Business Consulting Services, on several other topics such as:

- Getting sales and delivery personnel to provide referenceable information into your system;
- Preventing customer reference abuse;
- Incenting customers to participate (an interesting finding in ITSMA's research: It may not be as hard to motivate customers to provide references as you think. For example, customers are motivated to provide references because they know that, someday, they could need references themselves);
- Customizing CR programs to meet the individual needs of your customers.

Steinberg and Hurley pose this as the ultimate strategic value of Customer Reference programs: strengthening your relationships with these customers. I would quibble here. The primary strategic objective is to help advance customers (both new and repeat) through the sales process. But given the increasing importance placed these days on customer retention and loyalty, Steinberg and Hurley may have identified yet another important role that CR programs can play.

About ITSMA: ITSMA (www.itsma.com) specializes in helping companies market and sell technology-related services and solutions. Along with benchmarking and best practice research, ITSMA provides corporate members with consulting and training services on issues like marketing strategy, branding, demand generation, and sales support. Lee Communications occasionally partners with ITSMA on initiatives related to Customer Reference programs.

Ideas and Tools You Can Use from Previous Issues

Just click the specific issue that interests you:

[March Issue](#)

Success Stories: The Top Five Mistakes (and How to Avoid Them)

Based on our research into success stories at 25 top technology and tech-related companies (no names mentioned:)

[April Issue](#)

Anticipating - and Improving - ROI from Customer Reference Collateral

Also, click [here](#) for to download an Excel-based ROI calculator based on the article.

[May Issue](#)

Everything Success Story Writers Should Know About Sales

Up to 90 percent of marketing collateral is never used by sales. Based on our own research, that may well include success stories. Article gives your marcom writers the

information they need to write stories that sales will use and benefit from.

June Issue

Tips on Getting Customers to Disclose ROI

Article urges you to challenge the notion that customer references won't disclose this information -- after all, they're going public with the fact that they use your solution, and how they're using it. This article provides several tips, based on my own experience, in getting customers to "give it up."

Bonus: A Platform for Getting Customers to Take Reference Calls 24x7 -- and Like It

July Issue

The One Number That Drives Growth -- Customer References

July's featured article turns from tactical issues to broader strategy. What are new ways in which Customer Reference programs can add value to their companies? We look at one new way in which Customer Reference programs can do so and this one is potentially a biggie. Plus it is based on relatively recent research you should know about, on the (often untapped) importance of customer references to a firm.

August Issue

Persuading Customers to Become References

August's featured article examines the best ways to persuade a customer to become a reference. You start, of course, by providing great products, services and solutions. That said, even happy customers may require a touch of the persuasive arts to sign up for your program. People persuasion is actually a subject of serious scientific study-the most famous expert in the field is behavioral psychologist Robert Cialdini. August's featured article presents six tips from Cialdini's extensive research that will help improve your odds the next time you pop the big question to a customer: "Will you be my reference?" Indeed, if you have an extensive pipeline of potential customer references, it's a very good bet that these techniques will measurably improve you "close rates."

September Issue

Tips on Getting Sales People to Support Your Customer Reference Program

In September's issue, we interviewed Barbara Khait, Director of the Client Reference Program at Lucent. We continued the discussion she began in her well- received Web briefing hosted by ITSMA in August on Building an Effective Client Reference Program. Barbara's presentation sparked a great deal of interest - clearly customer reference professionals want to communicate with each other! Here we focus on one topic that seemed to generate a particularly large amount of interest: how to get sales people participating enthusiastically in your CR program

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