



Strategic Guide 2009

As a complimentary service the **CustomerReferenceProgram.org** publishes a paper of Best Practices gathered from our members, on creating and managing Customer Reference Programs (CRP's).

It's constantly evolving, if you have a suggestion to improve this guide then please contact us at www.CustomerReferenceProgram.org

Customer references are the most influential and effective sales tool most organizations possess, directly influencing your revenue goals. Many organizations do not leverage references to their advantage and fail to measure the tangible business value that one of their biggest assets is delivering.

What is a Customer Reference Program?

A Customer Reference Program (CRP) is a centrally managed function responsible for coordinating and fulfilling requests for customer references to help Sales close business and persuade Analysts, Press and Investors that corporate claims are legitimate.

Why create a formal Customer Reference Program?

Customer testimonials are critical as buyers increasingly rely on peer advice in purchase decision-making. However, uncoordinated management of customer references results in:

- Lost time through sales executives individually chasing other sales executives to acquire references
- Overused or underutilized customer references
- Inability to fulfill customer reference requests for some industries/products/geographies
- Delays which lengthen sales cycles

A well managed Customer Reference Program can **attract more prospects, shorten sales cycles and increase customer wins** IF managed effectively...



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The following is a collection of Best Practices gathered from our members on managing an enterprise CRP.

1. Analyze Current State of Customer References

How do you know if you have a poorly performing Customer Reference Program?

- No single contact person responsible for reference fulfillment and success
- People are sending group e-mails to entire organization seeking help on references. As a result, multiple individuals respond to requests simultaneously.
- No central place where references are stored and searchable
- No metrics for how quickly references are fulfilled and whether they are fulfilled successfully
- No system for tracking how many times a reference has been used
- No incentives for customers who wish to become references
- PR, Marketing, Sales, Professional services, Customer Advisory Boards etc are not working together on references
- It's a free-for-all! Sales people take care of their own needs on a reference black market, owning and hoarding references
- Few people in the organization know what a Customer Reference Program is or does

Identify bottlenecks in the current process

How do reference requests come in? Where from? How many in any one month? Are different parts of the organization handling the same reference, creating duplication with each request? Do the wrong people receive requests through email distribution lists? Are any other bottlenecks lengthening sales cycles unnecessarily?

Improve a Successful Program

If you manage an existing program successfully, you may just need to decide where to focus your efforts for improvement:

- ✓ Improve Metrics
- ✓ Increase Visibility
- ✓ Expand types of content (e.g. social media, podcasts, Customer Advisory Boards)
- ✓ Increase Staffing
- ✓ Increase Budget for Customer Incentives
- ✓ Expand Geographies

2. Identify Stakeholders & Perform GAP Analysis

Identify Customer Reference Stakeholders: Executive Sponsors, Champions and Users

The biggest influence on program success is executive support. Communicating the business value of a CRP to key executives will foster stakeholder accountability and participation at all levels of the organization.

Who are the Executive Sponsors, Champions and Users of Customer References across:

- Sales & Pre-Sales
- Marketing (Field, Corporate, Solutions)
- Public Relations
- Investor Relations
- Analyst Relations
- Professional Services
- Customer Support
- Product Management
- Customer Advisory Board

What are their individual Customer Reference challenges?

What metrics will they need to evaluate the success of a Customer Reference Program?

Perform Gap Analysis

Compare inventory of current program assets (customers agreeing to be references, content gathered, information systems, people involved) to what is required based on data collected during the stakeholder interviews.

An inventory of content assets should include:

- Analyst Reference
- Award Nomination Submission
- Case Study NEW (Audio/Video)
- Case Study EXISTING (Audio/Video)
- Case Study UPDATE EXISTING (Audio/Video)
- Client List
- Customer Advisory Board
- Customer Profile
- Logo Use
- Marketing Event
- Media Interview
- Podcast
- Press Release

- Sales Reference - Referral
- Sales Reference – Phone Call
- Sales Reference – Site Visit
- Survey
- Webinar

Produce a **Coverage Map** to determine references available and any gaps in these areas. The following example is based on Industry and Product:

	Product A	Product B	Product C
Healthcare	3	2	3
Financial	2	1	4
Manufacturing	8	9	6
Construction	7	4	7
Government	4	2	2
Other	2	1	2

KEY:

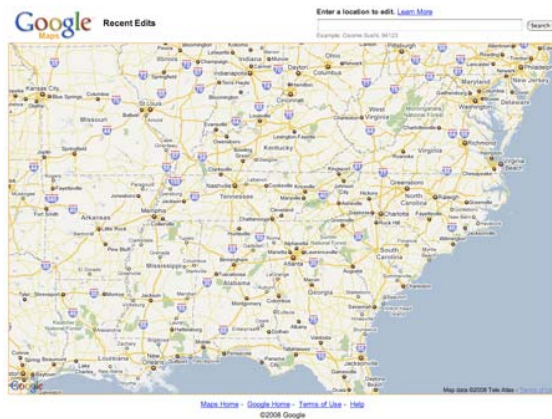
Numbers represent average # monthly requests

	Consistently able to fulfill requests
	Not always able to find ideal match
	Rarely able to fulfill request

As you can see from the above, there is a big gap in coverage for the manufacturing industry, which has the largest number of reference requests combined with a status of “Rarely able to fulfill request” across most product categories.

A tool to create a **CRP Coverage Map** is available at <http://www.CustomerReferenceProgram.org/Research.html>

A coverage map can also be geographical and displayed on Google Maps to identify States/Countries where local references are currently unavailable.



Consider the **FORMAT** of content that the organization most needs across different stages of the sales process, then prioritize which ones will be required to support the biggest gaps in the coverage map above:

- Customer list

- Case Study
- ROI Study
- Success Story
- Success Slides
- Audio Recording
- Speaking Abstracts
- Videos/Podcasts
- PR Blurbs
- Press Releases
- Advertising
- Quotes gathered from social media (Twitter/Facebook)

Assess Required Resources

Based on the scope of the program and the coverage gaps identified above, identify the staffing, services, IT resources etc required. An Excel calculator to map out the Total Cost of Ownership (TCO) of a Customer Reference Program over 3 years is included in the Member Research Library at <http://www.CustomerReferenceProgram.org/Research.html>

List other areas of the organization from which support will be needed from to make the program successful (PR, Customer Support etc). Determine whether you will offer incentives or not. Should you wish to provide incentives the options typically are:

- ❖ Visible Recognition in Industry or Customer Base
- ❖ Company Branded Gifts
- ❖ Product Roadmap Involvement
- ❖ Discounted Products
- ❖ Credits for add-ons like Professional Services
- ❖ Executive Access
- ❖ Discounted Event Registrations
- ❖ Charitable Donations
- ❖ Trips/Paid Travel

Not all organizations can accept corporate gifts, so it may be worthwhile to offer Charitable Donations as an alternative in most cases <refer to VSOE and Sarbanes-Oxley regulations covered by our legal template in the Member Research Library at <http://www.CustomerReferenceProgram.org/Research.html>

3. Obtain Program Approval

Define program overview and objectives such as:

- ❖ Improve sales productivity by x\$ or x%
- ❖ Increase sales revenue by x\$ or x%
- ❖ Improve customer relations as measured by x
- ❖ Increase publicity and awareness as measured by x
- ❖ Increase qualified sales leads by x\$ or x%

Explain to management the impact on sales if the CRP does not receive the funding required to meet the above objectives!

Establish Metrics and Reporting

- ✓ Number of requests over time (by Reference Type, Region and Product)
- ✓ Percentage fulfilled
- ✓ Average time to fulfill requests
- ✓ Source of Requests
- ✓ Value and Percentage of deals that closed which included reference activity
- ✓ Coverage Gaps closed (by Reference Type, Content Type, Region and Product)

Examples of typical reports and metrics for a **CRP Management Dashboard** are available at:
<http://www.CustomerReferenceProgram.org/Research.html>

Demonstrate the Return On Investment

1. Removing Inefficiencies

Removing inefficiencies in the process will ensure that:

- Shorter Sales Cycles because inefficiencies in fulfillment speed are reduced
- More Deals Won because tough requests can now be fulfilled and the business does not go elsewhere
- Opportunity Cost of sales coordinating reference activity is avoided (see below)

If people who require references across the organization are phoning or emailing colleagues to get help, this can quickly become a sizable consumption of time. Consider the scenario for a sales team with 100 reps fielding 3 reference requests monthly (assume 1.5 hours each of unnecessary time working on each request) = 450 hours/month. Average quota is \$2,500,000 per rep. Value of one working hour for each rep = \$2,500,000 /2000 annual working hours = \$1,197. Multiplied by 450 hours = \$538,793 annually = \$6,465.517 opportunity cost to the organization of sales reps managing their own references. See the full calculator at <http://www.CustomerReferenceProgram.org/Research.html>

A \$6m opportunity cost could be avoided with a centrally managed reference management program.

2. Avoiding Reference Shortages

A shortage of references can bring new revenue bookings to a complete stand still in some industries. Consider this scenario:

\$10m Projected New Bookings Revenue next year / \$250k average contract size.
x 3 (assuming 1 in 3 deals require a reference)
= 40 deals requiring customer references
X 2.5 (average # of customer references used per opportunity)

- = 100 customer references required next year
- / 4 (# times a reference can be used a year without burnout)
- = 25 customers required for the reference pool

An Excel calculator enabling you to model a variety of different Customer Reference Gap scenarios is available in our Member Research Library at <http://www.CustomerReferenceProgram.org/Research.html>

If you compare the number of current references you have, say 15, with the number above (25), then you clearly have an annual Customer Reference Gap of 10 satisfied clients that needs to be filled! The problem is exemplified over time if it takes X months to implement a product successfully to obtain a new customer for the reference pool.

Customer Reference Gaps are compounded by the maturity of a Product/Service. If the Product, or its version, are newer to the market then the pool of available customers will be naturally smaller than an established product's reference pool. This may require an "Early Adopter" Reference Program which provides incentives for beta customers in return for guaranteed reference provision in a variety of formats within an aggressive timeframe.

A **Return On Investment (ROI) calculator** including the **Total Cost of Ownership (TCO)** of a Customer Reference Program over 3 years is include in the Member Research Library at <http://www.CustomerReferenceProgram.org/Research.html>

4. Create the Customer Reference Program

Program Launch, Marketing and Management materials

The following **documentation** is typically required:

- Program Brochure and FAQ for all consumers (users) of references. See our example template for a **CRP Promotional Brochure** at <http://www.CustomerReferenceProgram.org/Research.html>
- Internal Launch Announcement and promotion across the usual internal communication channels
- Sales Training Materials to ensure the field understands the rules and tools for managing their prospects, existing clients and new clients through the CRP processes. A great tool is the Sales Cheat Sheet, containing your top CRP best practices to boost program adoption, such as:
 - Get the **Customer Reference Agreement** reviewed along with the initial contract and use the CRP incentives to avoid discounting on price, increasing your commission!!!
 - Ask Customers about their interest in marketing exposure, then get a joint meeting with the CRP team in their calendars
 - Get better references quicker by calling the CRP team firstan example **Sales Cheat Sheet** is shown at <http://www.CustomerReferenceProgram.org/Research.html>
- **Customer Reference Agreement**, including incentive qualification rules, reference volume expectations, time limits, credit proration rules. Using a signed legal contract ensures clients are aware of their obligations and expectations from the start and if they cannot meet them for any reason the agreement can be changed. Having received this commitment up front they are more likely to agree to deliver and be legally able to deliver on their promises. An example exists at <http://www.CustomerReferenceProgram.org/Research.html>

- **Customer Appreciation letter** – to ensure continued participation in the program, an example is available at <http://www.CustomerReferenceProgram.org/Research.html>
- **Monthly CRP Management Dashboard** covering the key objectives and metrics determined above, plotted over time. Some examples exist at <http://www.CustomerReferenceProgram.org/Research.html>

The following **systems** are normally required to manage a CRP program:

- **Request tracking system.** The system will need to track the date/time of the request, who submitted it, the required timeframe and type of reference. A status flag will then be assigned along with the CRP owner. A sample Excel template is available at <http://www.CustomerReferenceProgram.org/Research.html>
- **Providers tracking system.** The system will need to track each customer the CRP team has had contact with, along with a status as to whether they are ACTIVE, physical locations, the titles and contact information for individual references and notes as to the types and dates of reference activity history. A sample Excel template is available at <http://www.CustomerReferenceProgram.org/Research.html>
- **Content tracking system** noting the owner, source, date, customer, history and availability of different types of published references in a variety of media formats. A sample Excel template is available at <http://www.CustomerReferenceProgram.org/Research.html>
- **Incentive tracking system** to help comply with accounting regulations such as Sarbanes-Oxley and VSOE (Vendor Specific Objective Evidence), you will need to work with your Finance and Legal department on this, we have an example of a system and required legal documentation for compliancy in our Member Research Library at <http://www.CustomerReferenceProgram.org/Research.html>
- Commercial applications exist and become viable for large CRP's, especially when integration is required with a large CRM database to ensure consistent data flows in/out of the customer reference program.

Develop Stakeholder Communications

Giving stakeholders (customers, employees, press etc) visibility into the program and it's inner workings, along with clearly defined expectations, will result in them feeling more invested in the program's success. Thus generating a team dynamic for fulfilling references rather than submitting request into a seemingly 'black box' situation.

Executives and Champions

- ✓ Monthly Management report to build/reinforce executive support
- ✓ Sales Reps
- ✓ Tool kit including Brochures and Cheat Sheets
- ✓ Use existing training vehicles
- ✓ Plan adoption techniques including monetary incentives (\$ per customer reference agreement signed), or contests, etc.

Customers

- ✓ Use existing account marketing communication channels (email newsletters, Twitter, customer communities, Customer Advisory Boards etc.)
- ✓ Promote customer benefits (credits for future purchases, product roadmap access, executive briefings, etc.)
- ✓ Create a Customer Reference Survey form to collect references in a structured, searchable and re-usable format. You may only have one opportunity to capture all the information you require, so it's critical to plan this activity. Typical questions include:
 - Can you discuss your industry and the competitive challenges inherent to your business that make the solution critical to your success?
 - How are you using the product? What regions is it deployed in? Managed centrally or de-centralized?
 - What type of selection process did you go through and how did you make a final decision?
 - The full list of Best Practice questions is contained in the **Customer Reference Survey form** at <http://www.CustomerReferenceProgram.org/Research.html>

Lastly, notify all stakeholders of new references collected and send out **Customer Appreciation Letters** – see example at <http://www.CustomerReferenceProgram.org/Research.html>

5. Ongoing Program Management

Tips to Increase Program Adoption

- **More Centralization.** Going solo in the organization runs the risk of overlapping with other customer reference stakeholders (PR, Marketing etc) which makes it more difficult to maintain executive support.
- **Incentivize the right behavior.** Growing customer references is a priority that cannot be ignored by sales management. Incentivizing sales reps can make a big difference to program adoption. Sales people are competitive so a publicized ranking can be equally as effective.
- **Watch volume.** Too many customer nominations and not enough reference opportunities can be a problem, albeit a problem most CRP's would like to have. This can disappoint your stakeholders who have invested their time in this. An alternative is to stage the roll out of the program rather than an unpredictable for a big-bang approach.
- **Go strategic.** Focus on critical gaps in the Coverage Map by industry, geography, products. Avoid wasting resources in less important areas requiring references.
- **Go public.** Your existing customers have a stake in the success of your program. They love your product and benefit when sales grow. Help them achieve their goals and yours with a public website, a list of Best In Class CRP's with online websites are available at: <http://www.CustomerReferenceProgram.org/Research.html>
- **Get foresight.** What hurdles are customers going to face? Upgrades? Industry changes? New versions? Collaborating with Customer Support and R&D (who need to speak to customers too) can help give mitigate potential challenges.

If you've found the Best Practices in our strategic guide useful we encourage you to purchase the full Member Research pack which includes templates and examples to save you \$thousands and days of your time.

Our Member Research Library at <http://www.CustomerReferenceProgram.org/Research.html> includes:

- ✓ Comprehensive Strategy for Creating & Managing a Customer Reference Program
- ✓ The Business Case for Customer Reference Programs Presentation
- ✓ ROI and TCO Calculator
- ✓ Legal Agreement for Customers (including incentive guidelines)
- ✓ Customer Appreciation letter
- ✓ Customer Reference Dashboard and Metrics examples
- ✓ Request Tracking System in Excel
- ✓ Provider Tracking System in Excel
- ✓ Content Tracking System in Excel
- ✓ Customer Reference Manager Job Description
- ✓ Links to CRP programs online
- ✓ Example Program Brochure
- ✓ Sales Cheat Sheet training tool
- ✓ Customer Reference Interview template

Thank you,

The Team at

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