

# **Analyst Relations, an Overview**

**Developed by Cordell Koland & Judy J. Curtis  
SIPR, LLC**



## Analyst Relations, an Overview

Relations with industry analysts are an important element in the overall corporate strategy for start-up and emerging technology companies. While a relationship will not guarantee success, few companies have achieved much market or financial traction without a positive relationship with the analysts. It's no secret that successful companies spend large sums of money—and even hire in-house specialists who manage analyst relations—to tap into the strategic counsel and market perspective that analyst firms offer.

### What's an industry analyst?

First, a word on what we mean by analyst. In the United States both financial analysts and industry analysts are often known simply as analysts. Even if each covers similar subjects, there are significant differences in their scope of operation. Financial analysts generally work for large investment banks such as JPMorgan, UBS, ING, Deutsche Bank, etc. Their job is to provide investment advice for bank customers, mostly institutional investors. In so doing, they may cover technology industries, but their emphasis is on earnings, growth and competitive initiatives—factors that will affect stock prices. Financial analysts are graded and compensated based on the success of their predictions.

The other type of analyst is the industry analyst. Organizations such as Gartner, The Yankee Group, Forrester and IDC make money by being technology experts. Firms such as IDC and Gartner are huge and cover an extraordinary range of subjects. Other firms are small, specialized and cover a slice of the market in depth. Analysts sell their expertise and research to corporate end-users and to vendor companies who use the reports and one-on-one consultations on market trends to assess the competitive landscape. The data that industry analysts collect on market share and other trends may influence the predictions of financial analysts. They also serve as a first line of information for the press who need independent, expert opinion on industry developments. In some cases, the focus of a particular analyst may be extremely narrow. If so, it is wise to cultivate relationships with several analysts at a particular firm because they often work as a team to cover different aspects of a given market.

### The role of the industry analyst

Generally, the tech market assigns two roles to industry analysts—that of **influencers** and **advisers**. Both roles are important, but they should be seen as

separate functions that can impact the success of a start-up or emerging company. The role of influencer has been defined as someone who impacts the mind set of an industry and the purchase decision of potential customers. This group includes industry analysts, technology and business journalists and assorted experts whose opinions are valued. Of equal or greater importance is the basic job responsibility of an analyst to provide a wide range of strategic services to the firm's clients through consultation, as well as comparative reports and white papers on relevant industry issues.

### Not a sales prospect, nor just a PR opportunity

Many technology executives see an analyst meeting as a sales call and an analyst as someone who must be *sold* on the company or product. This attitude often goes hand-in-hand with the notion that an analyst relationship is really only a PR opportunity—useful to get a quote for a press release and to line up a reference for press contact. While this idea is widespread, it is the wrong approach for the start-up or emerging technology company. Yes, analysts make up an important segment of what we call industry influencers and they often an effect on the press as well as others. While we're not saying that an analyst cannot be a valuable ally in spreading the news about your company, their major benefit is as a high-level strategic adviser.

### Why talk to an analyst?

Industry analysts should be consulted because they are experts who draw upon multiple sources of information. Analysts usually have a perspective on the market that can be strategically important in scoping out trends, sizing up the competition, and in understanding market size. What's more, they can provide valuable information about potential partners or customers. Some analysts can also advise on sales channel strategy.

What's the *quid pro quo*? What you provide the analysts is another layer of information—after all, they sell knowledge. Sometimes even start-up companies have successfully challenged the conventional wisdom about a market, or products in a category. At that point, your information may cause the analyst to reassess his or her views, and that can be strategically important to your company's future. These revised views will be shared with journalists and other influencers. As much as anything else, analysts want to be the first to know. They propagate information about new technology. There is much to be gained professionally by the first analyst who identifies a new emerging technology—and then nurtures that next big thing.

**Analyst relations are essential to a balanced marketing program. We recommend that a technology company develop a paying relationship with at least one analyst firm.** This ensures that strategic planners and the marketing team have access to the latest insights, and last but not least, might guarantee an intelligent quote in the next press release or piece of marketing collateral.

### When to see an analyst

Analyst advice should be sought as an important step in the development of a new product plan, or in the development of company strategy. Analysts can serve as a powerful sounding board, or test market, for a new product idea or competitive strategy. They also can be of great value in reviewing a product position, in exploring product benefits or solving a problem your company may be facing. The point is to seek out the advice of an analyst, not to attempt to convince the analyst that your business plan or product roadmap is correct. Approach an analyst meeting with an open mind. A face-to-face meeting is always the best way to begin a relationship with an analyst. After initial contact is made, the relationship can be maintained in a number of ways, through periodic meetings, phone calls, as well as video and webcast meetings.

### What to tell an analyst

The process of human comprehension demands that we put information into categories. In an analyst meeting, you should start the dialogue with a presentation that covers the strategic basics: definition and differentiation. You must define what you do, what problem you solve and what market you target.

Of equal importance is your strategic differentiation, or why you believe that your solution will succeed in a competitive environment. Don't be afraid to acknowledge that you have competitors, but don't aggressively attack them. Saying you don't have any competitors is not realistic and won't provide analysts with opportunities to give you competitive advice. You should also be prepared to describe your **Go-to-Market strategy**. This is your plan to compete. You should outline the steps your organization intends to take to connect with your potential customers and sales channels, and share your sales and marketing plan to deliver your product/solution to your target markets.

Deliver your message as best you can. Present supporting data, results of customer surveys or focus groups, or customer success stories. You can also inform an analyst about recent news or awards your company has achieved, but don't brag or be too full of yourself. You need to present your company in a positive light to generate attention and respect, but you should refrain from delivering a snow job. Don't paper over problems, and don't hype your products or your opportunities. Quiet, respectful confidence wins.

Then it's time for you to share some of your concerns—what keeps you up at night: such things as the realistic market size for a new product, competition, time-to-market, channel strategy, etc. Asking the right question and/or presenting the most salient company problems to the analyst for consideration are the keys to unlocking the value of the discussion. Ask the analyst for feedback on your assessment of the market, trends, competitive products, or pricing. The best presentation invariably ends in a dialogue—the sharing of information, opinion and analysis. Finally, share your company's vision for the future. Tell them what areas you expect to grow in, which markets you plan to target, and what new product developments might be in the pipeline.

On the other hand, there is a point at which we would stop in the discussion. One expert has recommended that an analyst should have access to the company intranet. We don't agree. Nor would we divulge information about closed-door sessions with potential partners or acquisition candidates unless you have developed trust with a particular analyst/adviser that has ripened over time. If sensitive material is shared, it

has been our experience that most analysts will sign a non-disclosure agreement (NDA), which means they agree to keep all confidential details relating to your meeting private.

If some executives reveal too much to an analyst, a larger problem is the executive who through arrogance or distrust, presents a superficial company overview filled with sunshine, and only reluctantly acknowledges that there may be trouble in Camelot. You get out of a relationship what you put in. The opportunity to enter into a candid dialogue with an expert should be exploited, even by technology executives with deep domain expertise.

### How to say it

A PowerPoint presentation should be seen as a road map or guideline, not a script. The presentation should appear natural, which means it should be rehearsed. If an analyst asks a question, you should be prepared to leave the presentation, answer the question and then return to your outline. You should be so familiar with your material that if the electrical power went out, you could still deliver a cogent company presentation, even without the PowerPoint outline.

### Top Tips for Analyst relations

- Be prepared. Devote real time and energy to analyst relations. Find out the research area of the analyst with whom you are meeting
- In your presentation, the first step is to define your company in terms of product(s), market and solutions. What category do you occupy?
- Once you have defined your category, differentiate your product or service. What makes your company, service or product unique and valuable? What's your strategic advantage? Why will you succeed
- Based on the above, state your value proposition
- Come into the meeting ready to discuss two or three thorny issues or have problems/issues firmly in mind to discuss. You may see dozens of issues, but pick the most relevant to your success and the specific expertise of the analyst. If the analyst is non-technical, don't bring up issues relating to such esoteric issues as platform integration, development tools, etc.
- Anticipate tough questions but don't be defensive when answering them.
- Rehearse. Practice makes perfect. You should rehearse to the point where your presentation appears to be natural and unrehearsed
- If analysts visits are part of a product launch, see the analysts before you see the press. That way you can incorporate their feedback in your presentation and messaging to the press. You can ask one or more analysts to develop a quote for a press release and to serve as a reference for trade and business press
- Above all, this is your time to ask questions, seek advice and find out more about the marketplace. Use your time wisely.

### Sample open-ended questions to ask analysts

1. Where do you see the market going?
2. Who will emerge as the main players?
3. Which competitor should I most fear?
4. What type of partnerships would benefit my product/company?
5. What do you see as the primary strengths of my offering?
6. What are the weaknesses and in my approach, strategic direction, competitive strategy?