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The Knowledge Capital Group

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# **AR By the Numbers – Salaries, Budgets, Headcounts, Right Sizing and Measuring AR success**

Gartner Symposium AR Forum  
Orlando FL

October 7<sup>th</sup> 2014

# Agenda

- 🧐 Demographics - Defining the AR universe
- 🧐 Metrics - Measuring AR Success
- 🧐 AR Best Practices – Learnings from analyst surveys
- 🧐 What's next? – AR Operations meets strategy

# ARDS sample reflects the technology universe

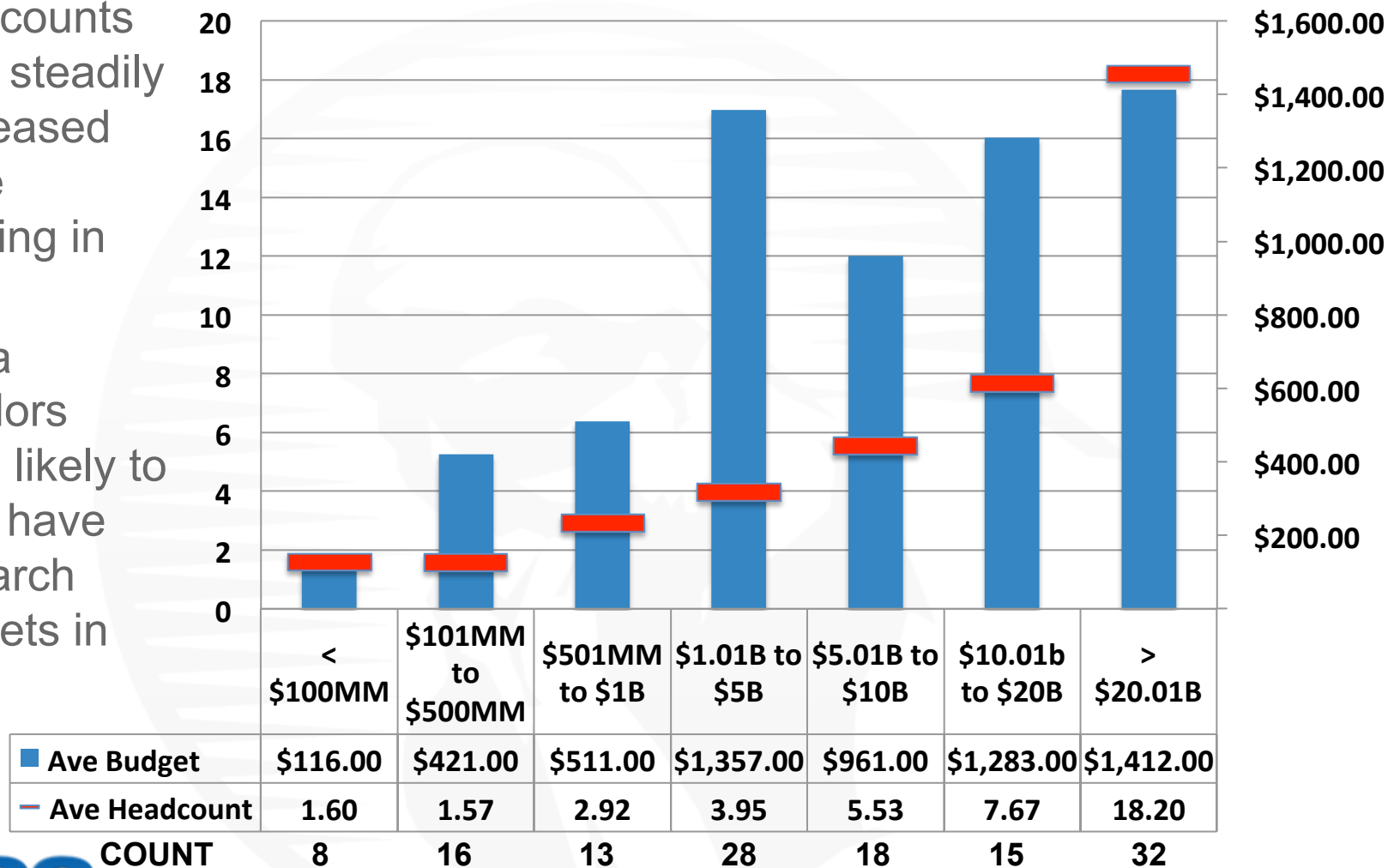
- ARDS (Analyst Relations Department Survey) – Annual survey of Analyst Relations professionals
- Identifies industry averages and best practices for salary, headcount, budgets, AR operations, AR organization and Analyst Firm usage and utilization

Revenue	%age
Less than \$100MM	6.15%
\$101MM to \$500MM	12.31%
\$501MM to \$1B	10.00%
\$1.01B to \$5B	21.54%
\$5.01B to \$10B	13.85%
\$10.01b to \$20B	11.54%
Above \$20.01B	24.62%
Segment	%age
IT Services & Outsourcing	28.00%
Hardware & Storage	13.71%
Semiconductors	2.86%
Networking & Telecoms	14.29%
Software/SaaS	37.14%
Pure Vertical	4.00%
Location	%age
North America (NA)	78.52%
Europe (EMEA - incl. Middle East and Africa)	15.56%
Asia Pacific (APAC)	5.93%

# Budgets spike in Mid-size and Mega Vendors while headcounts show linear progression

- Average headcounts have steadily decreased since peaking in 2011
- Mega Vendors more likely to NOT have research budgets in AR

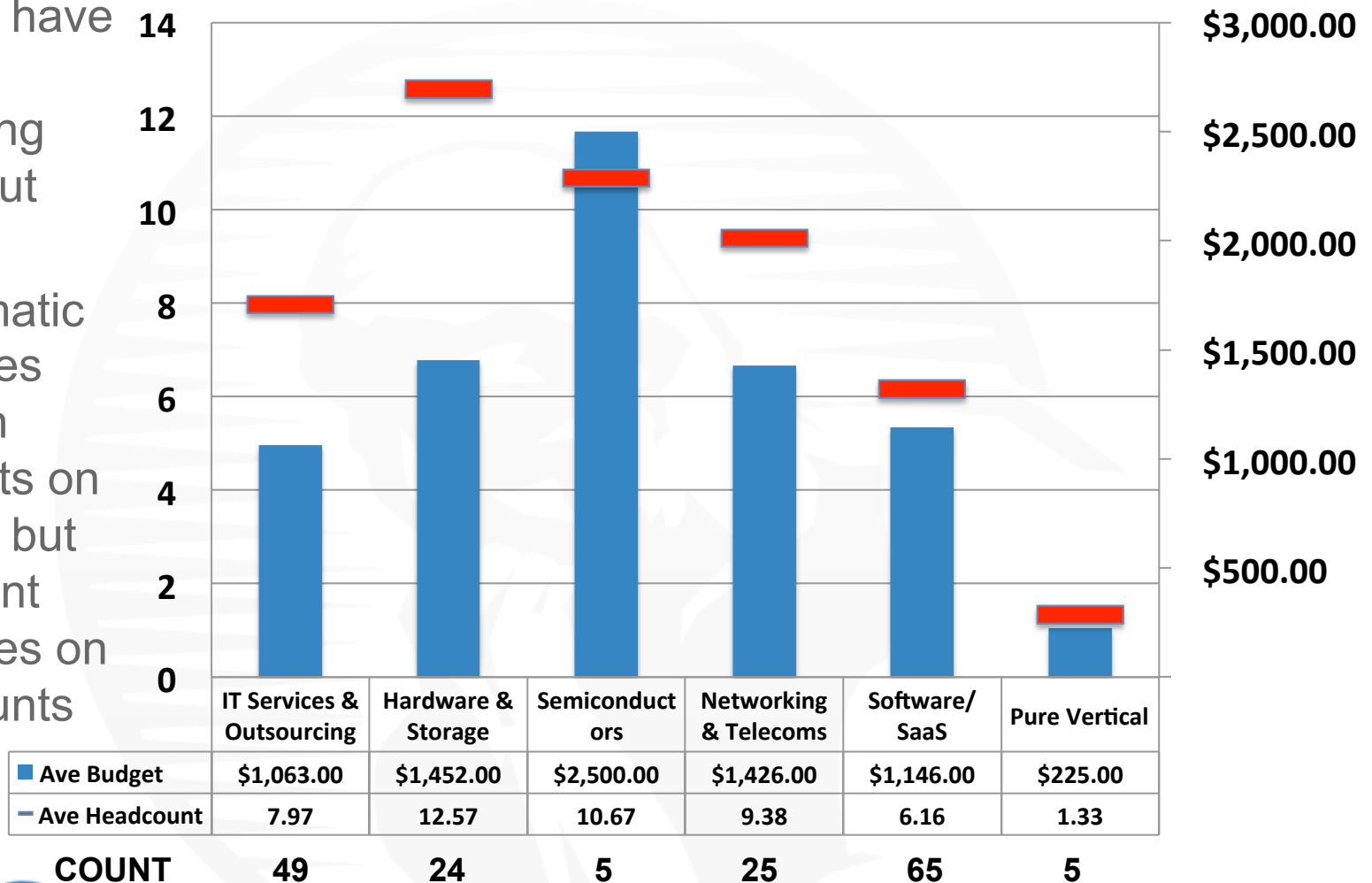
Average Headcount and Budget by Company Revenue



# Budgets across segments remain similar while headcounts vary greatly

- Segment budgets have been increasing slowly but steadily.
- No dramatic disparities between segments on budgets but significant disparities on headcounts

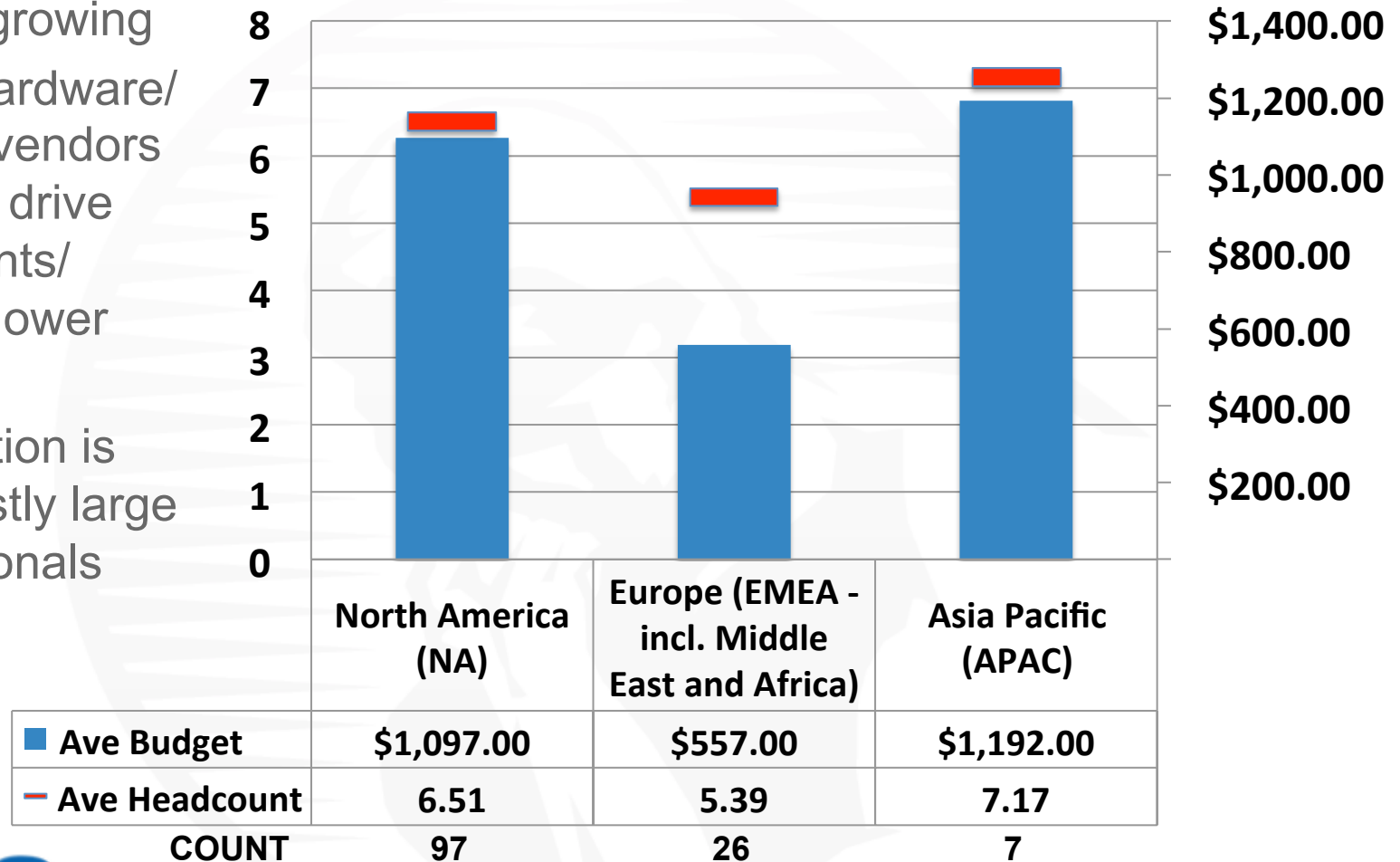
Average Headcount and Budget by Segment



# APAC Takes Lead in AR Investment and Headcount, EMEA lags

- APAC Investment steadily growing
- Fewer Hardware/Storage vendors in EMEA drive headcounts/budgets lower
- APAC participation is from mostly large multinationals

**Average Headcount and Budget By HQ Location**



# Salaries stabilize with Director/Sr. Manager Sweetspot, across the board slight increases

## Salaries by Segment, Company Size and Headquarters Location

Segment	VP	Director	Director	Senior Manager	Manager	Other
IT Services & Outsourcing	\$195	\$175	\$147	\$119	\$90	\$52
Hardware & Storage	\$225	\$198	\$160	\$128	\$108	\$75
Semiconductors	\$225	\$185	\$165	\$140		
Networking & Telecoms	\$225	\$183	\$158	\$130	\$109	\$105
Software/SaaS	\$199	\$182	\$144	\$131	\$111	\$88
Pure Vertical				\$125	\$130	

### Company Revenues

< \$100MM		\$165	\$145	\$175		
\$101MM to \$500MM	\$135	\$185	\$135	\$105	\$103	
\$501MM to \$1B	\$225	\$175	\$121	\$121	\$67	\$30
\$1.01B to \$5B	\$203	\$193	\$146	\$135	\$109	\$95
\$5.01B to \$10B		\$175	\$165	\$129	\$109	\$47
\$10.01b to \$20B		\$155	\$165	\$148	\$109	\$95
> \$20.01B	\$225	\$185	\$155	\$132	\$116	\$65

### HQ Location

North America	\$208	\$186	\$149	\$127	\$103	\$77
EMEA	\$195	\$175	\$147	\$119	\$90	\$52
APAC			\$172	\$138	\$58	\$30

### COUNT

12 14 37 33 27 12



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# What do top AR programs measure?

- 🌐 Transactions (10%)
  - Contacts/briefings
- 🌐 Exposure - Media and Social (Specific Initiatives-Only if value is proven)
  - How often are we mentioned? Positive, Negative, Neutral? Coverage Metrics (CMs)
- 🌐 Influence – Outbound (70%)
  - Coverage Impact Analysis (CIAs) = Volume x Tone x Research Type x Firm Weight (20%)
    - By Analyst
    - By Firm
    - By Competitors
  - Syndicated Analyst Perception Audits (SAPAs - 30%)
    - How well do we resource the analysts?
    - How likely are they to short list us?
  - Mean Analyst Perception Scores (MAPs – 20%)
    - Segment/Subsegment vendor AR effectiveness scorecards
- 🌐 Utilization – Inbound (20%)
  - Analyst/Firm level ROI based on activity, uptake, etc.
  - Impact of Analyst activity on positioning/messaging/marketing/development



# The most effective AR programs focus on value, targeting and design

- 🧐 Focus on *value* of coverage, not just *volume* and *tone*
- 🧐 Obviates effectiveness of analyst targeting
- 🧐 Mechanics are absolutely critical...
  - Leading AR programs:
    - Engage in value-based targeting/alignment
    - Keep AR metrics simplified and by initiative
    - Place high value on spotting/avoiding problems early
    - AR Metrics are about “influence” or “exposure” and “relationship”
- 🧐 Effective and useable AR Metrics start with 75% design, then 25% execution
  - Best practice - work backwards from your target dashboards

# Analyst Perception Audits show leading AR teams share common traits

Every year, KCG surveys 400-500 analysts as to their perceptions of high tech vendor clients. Here is what the analysts value in an AR Program:

- **Program Effectiveness:**
    - Quality and availability of references
    - Effectiveness of communications
    - Responsiveness
    - Access to execs
    - Proactivity
    - Overall AR program rating
    - Frequency of contact
  - **Shortlisting:**
    - In the last 3 months
    - Likelihood Now
    - Change in last 12 months
  - **Best Practices:**
    - What interactions do analysts want
    - Sources of information
  - **Analyst Relations Effectiveness Index (AREI) score is calculated for each vendor by averaging scores across first 6 Program Effectiveness Metrics**
  - **AREI scores are used to determine top vendors for annual “Analysts Choice Awards”**
- Understand that while analysts rate AR teams highly that possess the above traits, “likelihood to shortlist” a vendor is highly dependent upon customer validated product and company performance.
- Therefore, we recommend you track “likelihood to shortlist”, “have you shortlisted in last 3 months”, and “how has this likelihood changed in the last 12 months”

# High effectiveness scores driven by references, access, proactivity and frequency of contact

- 🌐 Vendors that score higher on **Quality and Availability of References** and **Access to Executives** have higher **Overall Effectiveness (OE)** and **AREI** scores
- 🌐 Direct correlation between high **Frequency of Contact** and **Overall Effectiveness (OE)** and **AREI** scores
- 🌐 Direct correlation between high **Proactivity** and high **Overall Effectiveness (OE)** and **AREI** scores
- 🌐 High **Shortlistability** is moderately correlated with high **AREI** scores but unfortunately there is a low correlation between High **AREI** scores and high **Shortlistability**...
  - You can do very well at AR and still not get recommended...
  - ...however, almost all vendors with high shortlistability have high AREI scores...

# Social media has yet to significantly impact the analyst-AR relationship

- 🌐 We ask analysts: “Please rank the resources you use most for obtaining information about the vendors you cover. #1 being the resource you use most down to #12 being the resource you use least.” Their answers are:

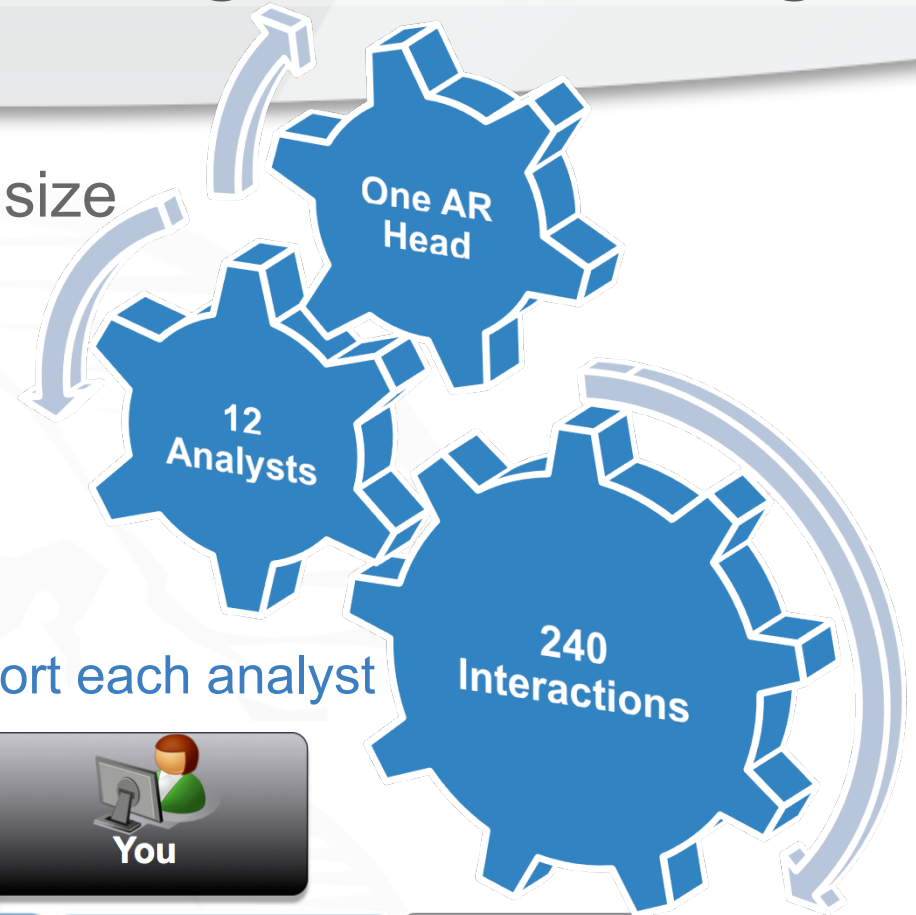
1. Vendor Briefings
2. On-site Strategy Days
3. Client Inquiry
4. Primary Research
5. Vendor References
6. Vendor Websites
7. Other Analysts
8. Internal Database Resources
9. Competition & Alliance Partners
10. Tradeshows & Conferences
11. Media
12. Social media - Blogs / Twitter / Facebook / LinkedIn

Focus on substantive, direct interactions, references and RFI responses

Avoid wasting time on reaching analysts through tradeshows, media and social media.

# The “Rule of 12s” continues to guide AR staffing

- Aligning objectives and team size
  - Divide objectives into initiatives
  - Target analysts – a list of lists
  - Trade depth for width
- Headcount Best Practices
  - +/- 2 Interactions/month/analyst
  - +/- 2 Interactors needed to support each analyst
  - 12 Analysts per AR FTE
  - 240 Interactions/year/AR FTE



# Win Loss Analysis – A “Holy Grail” for some; Leaders focus more on Business Impact of AR

- 🌐 The Holy Grail - Win-Loss Analysis - Historically very difficult but becoming more realistic
- 🌐 Next-generation Metrics will measure complete AR ROI by combining traditional outbound measures:
  - Transactions
  - Demographics
  - Exposure
  - Influence

With input-based measures of how analyst insights into strategy, product, messaging and sales & channel enablement deliver value back to the business

- 🌐 The future is now – Leading AR teams are building AR information, data and processes into existing operational, CRM, marketing and customer service/support systems

Questions?

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# KCG Coverage Impact Analysis (CIA) Dashboard

## KCG Research Coverage Impact Analysis

Client: **HROCO**  
 Period: **CH2013**  
 Market: **Human Capital Management**  
 Key Words: **HCM, HRM, Talent Management etc.**

2H2013

### ANALYST

	Oracle	Workday	SAP	Cornerstone	ADP	IBM/Kenexa	Oracle	Workday	SAP	Cornerstone	ADP	IBM/Kenexa	Oracle	Workday	SAP	Cornerstone	ADP	IBM/Kenexa
	Volume and Tone Weighted for Research Type and Firm																	
Yvette Cameron, Gartner	1	1	1	1	1	1	3.00	3.00	3.00	3.00	3.00	3.00	30.00	30.00	30.00	30.00	30.00	30.00
Rob Hanscome, Gartner	4	1	4	3	1	4	3.25	3.00	3.00	3.00	3.00	3.00	260.00	60.00	240.00	180.00	60.00	240.00
Jeff Freyermuth, Gartner	3	1	3	3	1	3	3.00	3.00	3.00	3.00	3.00	3.00	180.00	60.00	180.00	180.00	60.00	180.00
Sunil Padmanabh, Gartner	2	2	2	1	1	1	3.00	3.00	3.00	3.00	3.00	3.00	90.00	90.00	90.00	60.00	60.00	60.00
Paul Hamerman, Forrester	3	2	4	1	1	1	3.00	3.00	3.50	3.00	3.00	3.00	90.00	60.00	190.00	30.00	30.00	30.00
Lisa Rowan, IDC	3	3	3	3	4	3	4.33	3.00	4.83	4.17	3.38	3.67	260.00	180.00	290.00	250.00	270.00	220.00
Bo Lykkegaard, IDC	2	1	2	2	2	2	3.50	3.00	3.75	4.00	3.00	3.25	104.00	60.00	114.00	124.00	84.00	94.00
Holger Mueller, Constellation	1	1	1	1	1	1	4.00	3.00	3.00	3.00	3.00	3.00	32.00	24.00	24.00	24.00	24.00	24.00
Ray Wang, Constellation	1	1	1	1	1	1	3.00	3.00	4.00	3.00	3.00	3.00	48.00	48.00	64.00	48.00	48.00	48.00
Stephan Millard, Ventana	2	1	2	1	1	1	3.50	5.00	3.00	3.00	3.00	3.00	80.00	80.00	72.00	24.00	24.00	24.00
Mark Smith, Ventana	1	1	1	1	1	1	4.00	3.00	3.00	3.00	3.00	3.00	64.00	48.00	48.00	48.00	48.00	48.00
Katherine Jones, Bersin	2	3	3	1	3	3	3.00	3.00	3.67	3.00	3.00	3.00	84.00	108.00	184.00	60.00	108.00	108.00
Karen O'Leonard, Bersin	2	2	2	1	2	2	3.00	3.00	3.00	3.00	3.00	3.00	48.00	48.00	48.00	24.00	48.00	48.00
<b>FIRM</b>	<b>TOTAL UNIQUE Coverage Volume</b>						<b>TOTAL Coverage Tonality</b>						<b>TOTAL Coverage Impact Analysis Score</b>					
GARTNER	7	4	7	5	3	6	3.10	3.00	3.00	3.00	3.00	3.00	560.00	240.00	540.00	450.00	210.00	510.00
FORRESTER	3	2	4	1	1	1	3.00	3.00	3.50	3.00	3.00	3.00	90.00	60.00	190.00	30.00	30.00	30.00
IDC	5	4	5	5	6	5	4.00	3.00	4.40	4.10	3.25	3.50	364.00	240.00	404.00	374.00	354.00	314.00
CONSTELLATION	2	2	2	2	2	2	3.50	3.00	3.50	3.00	3.00	3.00	80.00	72.00	88.00	72.00	72.00	72.00
VENTANA	3	2	3	2	2	2	3.67	4.00	3.00	3.00	3.00	3.00	144.00	128.00	120.00	72.00	72.00	72.00
BERSIN	4	5	5	2	5	5	3.00	3.00	3.40	3.00	3.00	3.00	132.00	156.00	232.00	84.00	156.00	156.00
<b>Vendor Totals</b>	24	19	26	17	19	21	3.33	3.10	3.41	3.28	3.08	3.10	1370.00	896.00	1574.00	1082.00	894.00	1154.00



# KCG Coverage Impact Analysis (CIA) Data

## KCG Research Coverage Impact Analysis

Client **HROCO**  
 Period **2H2013**  
 Market **Human Capital Management**  
 Key Words **HCM, HRM, Talent Management etc.**

### Tonality Key:

S=Signature Research - MQ, Wave, MarketScope (5)  
 C=Company Specific, Company Profile, Client/Vendor Success Story (4)  
 M=Market Note, Market Scope, Round up, etc. (3)  
 I=Industry Note, Strategy Note, Company to watch (2)  
 G=General, Passing remark, press quote, etc. (1)

## Report ANALYST COVERAGE

ANALYST COVERAGE		Oracle						Workday						SAP						Cornerstone						ADP						IBM/Kenexa					
		S	C	M	I	G	Avg	S	C	M	I	G	Avg	S	C	M	I	G	Avg	S	C	M	I	G	Avg	S	C	M	I	G	Avg	S	C	M	I	G	Avg
Weights		5	4	3	2	1		5	4	3	2	1		5	4	3	2	1		5	4	3	2	1		5	4	3	2	1		5	4	3	2	1	
GARTNER																																					
GARTNER Raw Weighted Tonality	5	0	100	0	12	0	112	0	36	0	12	0	48	0	96	0	12	0	108	0	84	0	6	0	90	0	36	0	6	0	42	0	96	0	6	0	102
GARTNER Count		0	8	0	2	0	10	0	3	0	2	0	5	0	8	0	2	0	10	0	7	0	1	0	8	0	3	0	1	0	4	0	8	0	1	0	9
GARTNER Impact Rating						560.00							240.00						540.00						450.00					210.00						510.00	
GARTNER Unweighted SUM/AVERAGE Tonality						31.0	3.10					15.0	3.00					30.0	3.00					24.0					12.0	3.00				27.0	3.00		
GARTNER UNIQUE Reports		7.0						4.0						7.0						5.0						3.0						6.0					
GARTNER DUPLICATE Reports		-3						-1						-3						-3						-1						-3					
Yvette Cameron, Gartner	TYPE Weighted Tonality				6		6				6		6				6		6				6		6				6				6		6		
	REPORT Count	0	0	0	1	0	1	0	0	0	1	0	1	0	0	0	1	0	1	0	0	0	1	0	1	0	0	0	1	0	1	0	0	0	1	0	1
	FIRM AND TYPE weighted Analyst Impact Rating						30.00						30.00						30.00						30.00					30.00					30.00		
	UNWEIGHTED Average Tonality					3	3.00					3	3.00					3	3.00				3	3.00					3	3.00				3	3.00		
IT Market Clock for Human Capital Management Software	8/26/13				3						3						3					3						3					3				
Rob Hanscome, Gartner	TYPE Weighted Tonality		52				52		12				12		48				48		36				36		12				12		48			48	
	REPORT Count	0	4	0	0	0	4	0	1	0	0	0	1	0	4	0	0	0	4	0	3	0	0	0	3	0	1	0	0	0	1	0	4	0	0	4	
	FIRM AND TYPE weighted Analyst Impact Rating						260.00						60.00						240.00						180.00					60.00					240.00		
	UNWEIGHTED Average Tonality					13	3.25					3	3.00				12	3.00					9	3.00				3	3.00				12	3.00			
Hype Cycle for Social Software, 2013	7/31/13		3											3						3											3						
Hype Cycle for Performance Management, 2013	7/31/13		3											3						3											3						
Hype Cycle for Software as a Service	7/31/13		3						3					3						3						3					3						
Vendor Rating: Oracle	9/3/13		4											3						3						3					3						
Jeff Freyermuth, Gartner	TYPE Weighted Tonality		36				36		12				12		36				36		36				36		12				12		36		36		
	REPORT Count	0	3	0	0	0	3	0	1	0	0	0	1	0	3	0	0	0	3	0	3	0	0	0	3	0	1	0	0	0	1	0	3	0	0	3	
	FIRM AND TYPE weighted Analyst Impact Rating						180.00						60.00						180.00						180.00					60.00					180.00		
	UNWEIGHTED Average Tonality					9	3.00					3	3.00					9	3.00					9	3.00				3	3.00				9	3.00		
Hype Cycle for Social Software, 2013	7/31/13		3											3						3											3						
Hype Cycle for Performance Management, 2013	7/31/13		3											3						3											3						
Hype Cycle for Human Capital Management Software, 2013	7/31/13		3						3					3						3						3					3						
Sunil Padmanabh, Gartner	TYPE Weighted Tonality		12		6		18		12		6		18		12		6		18		12				12		12				12		12		12		
	REPORT Count	0	1	0	1	0	2	0	1	0	1	0	2	0	1	0	1	0	2	0	1	0	0	0	1	0	1	0	0	0	1	0	1	0	0	1	
	FIRM AND TYPE weighted Analyst Impact Rating						90.00						90.00						90.00						60.00					60.00					60.00		
	UNWEIGHTED Average Tonality					6	3.00					6	3.00					6	3.00					3	3.00				3	3.00				3	3.00		
Hype Cycle for Software as a Service	7/31/13		3						3					3						3					3					3							
Best Practices for Deploying Talent Management in the Cloud	9/11/13				3						3						3																				

# KCG MAP Scorecard – Sample Data Grid



## 2012 NWT-CARRIER SAPA MAP Report

Analysts		Program Effectiveness Metrics							Shortlisting			
		Interactions per Quarter	Access to Executives	Quality and Availability of References	Efficacy of Comms	Responsiveness	Overall Effectiveness	Proactivity (1=PROACTIVE - 2=REACTIVE)	Total number of analysts Indicating they shortlisted THIS vendor in the last 3 months in THIS segment	% of analysts that shortlist that have shortlisted THIS vendor in last 3 months	% of analysts responding that are Likely or Very Likely to shortlist vendor NOW	Net year on year increase or (decrease) in percentage of analysts that would shortlist vendor
NWT-C SAPA AVERAGE		3.24	6.33	5.74	5.97	6.61	6.38	1.62		52.32%	41.67%	24.01%
Vendor	Count	IPQ	AE	REF	EFF	RESP	OE	PRO	3 MOS	%3 MOS	LTS	CHG
AT&T	6	1.33	6.00	5.80	6.67	7.83	7.17	1.33	2	40%	40%	20%
Bell Canada	7	1.43	6.57	6.00	6.14	7.71	6.86	1.86	3	60%	50%	0%
British Telecom	9	1.44	5.89	5.44	5.22	6.33	6.00	1.89	2	25%	22%	13%
BT Global Services	5	1.60	5.20	5.40	5.00	6.60	6.25	2.00	1	20%	40%	-20%
Cable and Wireless	11	1.91	6.18	5.45	5.18	6.18	6.00	1.91	1	11%	36%	-11%
Deutsche Telecom	14	2.29	6.93	5.64	6.43	7.14	6.71	1.50	4	40%	25%	10%
F5	14	2.50	7.21	6.07	6.43	7.77	7.62	1.21	4	40%	31%	45%
France Telecom/Orange	8	3.63	4.63	4.00	4.63	5.50	5.50	1.88	2	40%	40%	-40%
Global Crossing	8	3.63	5.50	4.43	4.88	5.63	4.88	1.71	2	50%	0%	-25%
NTT	12	3.75	7.08	6.17	6.42	7.00	7.00	1.58	4	50%	33%	-13%
Qwest	24	3.88	7.68	6.50	6.71	7.58	7.52	1.35	14	74%	40%	37%
Sprint	7	4.57	6.43	7.17	6.71	7.71	7.14	1.67	1	20%	60%	-40%
T-Mobile	20	4.60	7.45	6.11	7.50	7.55	7.84	1.25	9	69%	47%	15%
T-Systems	9	4.67	6.78	6.25	6.56	7.44	6.89	1.25	5	71%	57%	14%
Tata	12	4.83	7.75	6.33	6.83	8.17	7.83	1.33	6	75%	38%	13%
Telefonica	33	4.97	7.75	6.76	7.79	8.36	8.41	1.09	20	80%	54%	20%
Telstra	10	5.20	7.10	6.56	7.10	6.60	7.10	1.56	4	57%	50%	57%
Verizon	30	5.43	6.76	6.30	7.10	7.33	7.30	1.37	15	0.71	46%	0
Vodafone	8	7.13	7.25	7.14	7.25	7.50	7.13	1.57	5	100%	50%	20%

# KCG CARD – Complete AR Dashboards

Metrics in graphic format for internal distribution

