

Tech Go-to-Market: CEOs and Business Leaders Are Investing in Marketing to Address Digital Buyers



David Yockelson

Gartner Research
Vice President

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Analyst(s): David Yockelson

A Gartner survey of TSP CEOs highlights their increased investment and focus on marketing through 2018 to meet growth targets. To keep pace with their peers, TSP CEOs and business leaders should fund investments that drive improved customer experience and value before and after the purchase.

Key Findings

- Technology and service provider (TSP) CEOs expect to continue to find substantially more business buyers than IT buyers, particularly CEOs in data center system (55%), device (52%), and application software (48%) companies.
- Nearly twice as many TSP CEOs believe they will invest more in certain areas to address the new expectations of their buyers.
- To hit profitability targets over the next two years, TSP CEOs have prioritized investments in functions closely tied to the buying experience (sales, marketing and customer experience).

Recommendations

TSP CEOs and business unit leaders should:

- Fund marketing and sales programs that address business buyers and teams with contextually specific content and enablement focused on horizontal and vertical business value.
- Focus marketing investments on programs that address the entire customer life cycle to drive renewals, cross-selling and upselling.
- Make customer success — that is, focusing on customer value during and after the buy — a priority through a programmatic approach, thereby reducing customer churn and enhancing cross-sell/upsell opportunities.

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Introduction

In a Gartner survey of 501 TSP CEOs conducted early in 2016 (see "Technology Provider CEOs Believe That Customer Experience Provides a Winning Strategy"), respondents said their companies have successfully increased win/loss ratios, deal velocity/sales cycles, retention rates and other key metrics through increased investments in marketing, sales and user experience. (Note: In this case, "user experience" refers to the experience found during the buying process rather than to product user interface.) While this might sound obvious, the results reflect conscious decisions and efforts by providers to keep pace with the changing nature and makeup of technology buyers through investments in people, content, processes and technology. As budgets and buying interest and power have moved toward business and operational leaders, so, too, have those newer buyers become more technology-savvy. Paired with the increased number of providers and the decreased stickiness of their solutions — both trends largely driven by cloud computing — selling technology successfully demands new investments in areas that will help drive trust, create an engaging buying experience and drive customer value.

The CEOs interviewed by Gartner came from TSPs across application and infrastructure software; data center systems; devices; and outsourced, professional and telecommunications services.

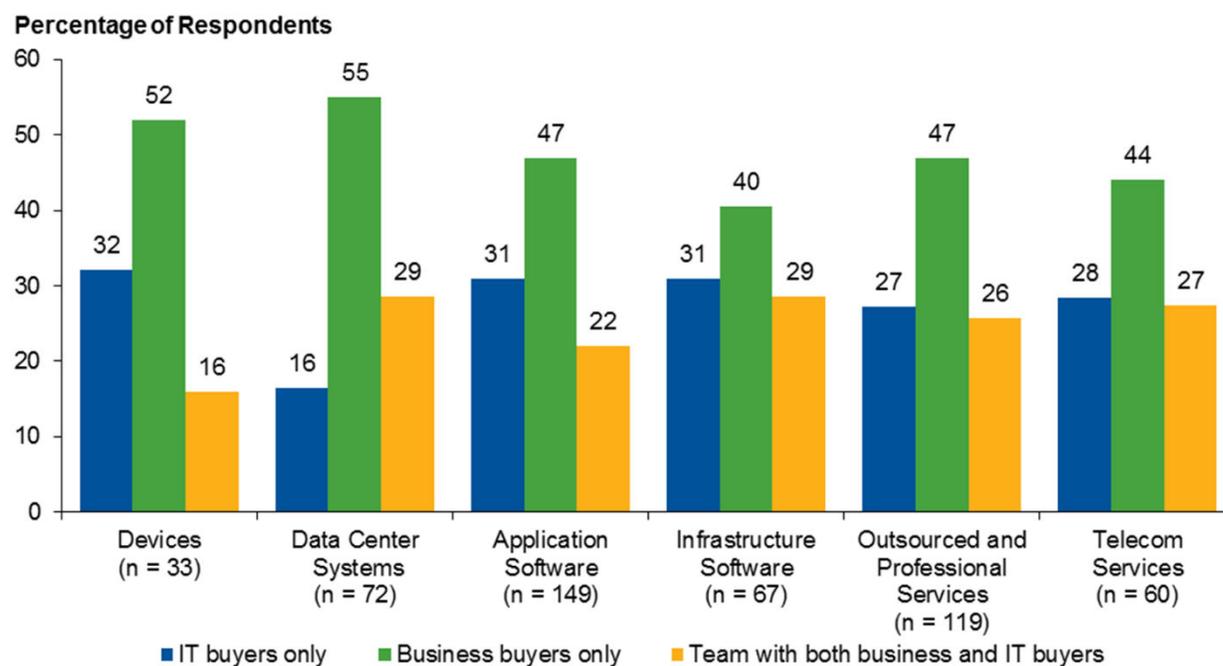
Analysis

CEOs Believe Business Buyers Outnumber IT Buyers Now and in the Future: Here's What to Do About It

While it's not news that budgets and buying have been moving away from the exclusive domain of IT departments, our survey data demonstrably indicates that CEOs believe that this is and will be the norm going forward. Currently (as well as in two years), as seen in Figure 1, providers expect to find substantially more business buyers than IT buyers, and this is true regardless of:

- Geography
- TSP company size
- Technology or services sold (even infrastructure software providers currently find 10% more business than IT buyers)

Figure 1. Buyer Composition by Technology or Service Type



Notes:

Question we asked: What percentage of your organization's customers in buyer roles are made up of the following?

Number of respondents = 500.

Source: Gartner (September 2016)

Additionally, our research shows that business buyers are more technology-savvy than many providers have traditionally expected or been used to (see "Tech Go-to-Market: Broad Technology Skills Across the Digital Workplace Force Changes to Product Marketing Approaches"). This

suggests that marketers must not only enable sales reps, sales development reps and other customer-facing employees with appropriate business-oriented value propositions, but also be ready to deliver them with contextually appropriate technical backup. This likely means greater participation by a provider's technical resources (see "Tech Go-to-Market: Selling to Both IT and Business Buyers Is Better When Technical Experts Participate") and more relevant demonstrations and proofs of concept (POCs).

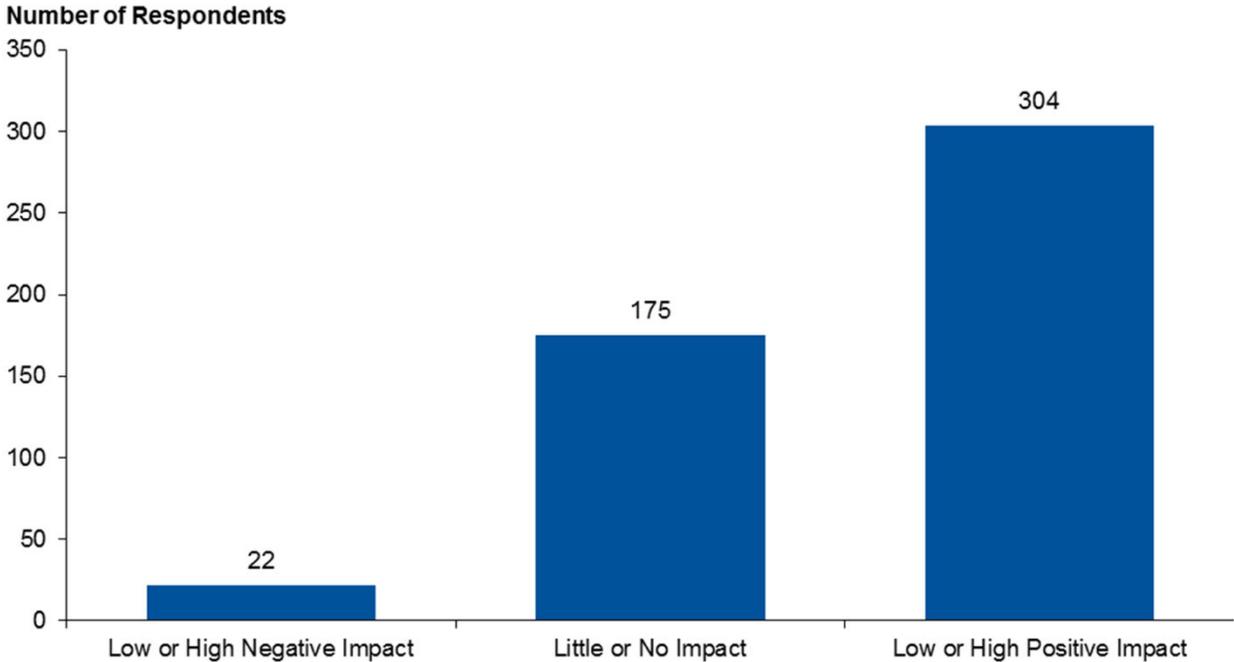
For CEOs, this may mean hiring leadership with greater experience in selling business value and solutions or in selling within key targeted verticals — or both. The ability to reach business buyers and teams populated with business representatives with crisp messages about value delivery (and technical differentiation) is critical.

While CEOs Believe Their Companies Are Doing a Good Job of Meeting Changing Buyer Expectations, There's More to Be Done

Successful providers have been making these investments and plan to continue doing so. Understanding current (and future) buyer expectations has led to impacts (that is, investment and improvement) in sales, marketing and partnering, as evidenced in Figure 2. Moreover, twice as many TSP CEOs felt they were likely to obtain a positive impact when tuning efforts to new expectations of their buyers, and this was true across a wide range of key metrics that measure sales and marketing. This also correlates with inquiries from Gartner clients. While many still struggle in how they address changing buying processes (and the resulting expectations), the frequency of those inquiries has declined over the last two years.

These ratios accelerated when considered over the next two years, with almost twice the number of providers expecting an impact on their approaches to sales, marketing and partnering (with marketing receiving more attention than sales).

Figure 2. Impact When Addressing New Buyer Expectations

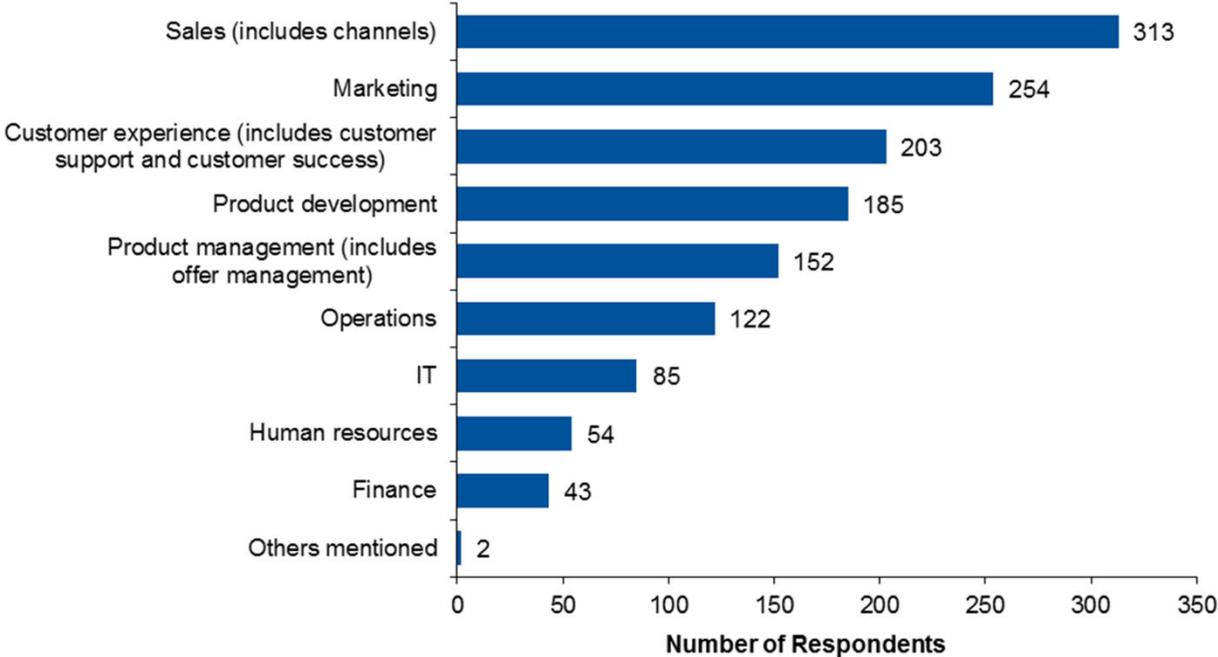


Notes:
Question we asked: How has the change in buyer expectations impacted your sales, marketing and partnering?
Number of respondents = 501.

Source: Gartner (September 2016)

Meanwhile, CEOs also believe a lot more work lies ahead. Marketing is listed as second in terms of functions that need improvement, behind only sales and ahead of product development (see Figure 3).

Figure 3. Functions Requiring Greatest Improvements Over Next Two Years



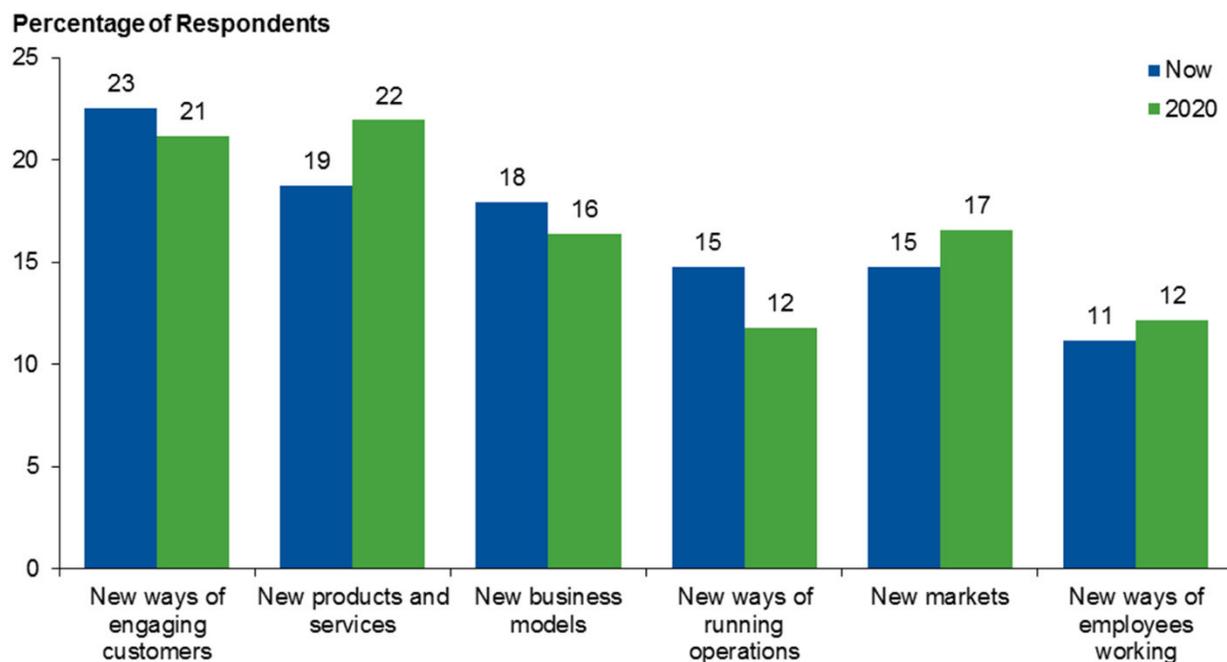
Notes:
Question we asked: When thinking about hitting future growth and profitability targets over the next two years, which of the following functions within your company do you believe will need to see the greatest improvement in performance?
Number of respondents = 501.

Source: Gartner (September 2016)

While TSPs have made investments in hiring, marketing programs and technologies to support sales and marketing, and have improved processes and alignment between the functions, many of these projects are still in the early stage. TSP CEOs must continue to invest to support efforts that build trust and address evolving buyer profiles and requirements.

CEOs in the survey indicated that marketing will continue to get significant investment, both now and through 2020. Marketing was listed as the area that would receive the second-highest increase in investment (behind only sales). And marketing investment is very closely tied to investment in innovation. CEOs are currently investing more in finding new ways of engaging customers (an area that marketing is closely associated with) than any other innovation project (see Figure 4).

Figure 4. Innovation Areas of Greatest Investment



Notes:

Question we asked: As you think about your investment in innovation projects, how would you rank the following in terms of where or how you currently invest the most? By the year 2020, how do you expect those priorities to change, if at all?

The figure shows the respondents' top-ranked investment areas.

Number of respondents = 501.

Source: Gartner (September 2016)

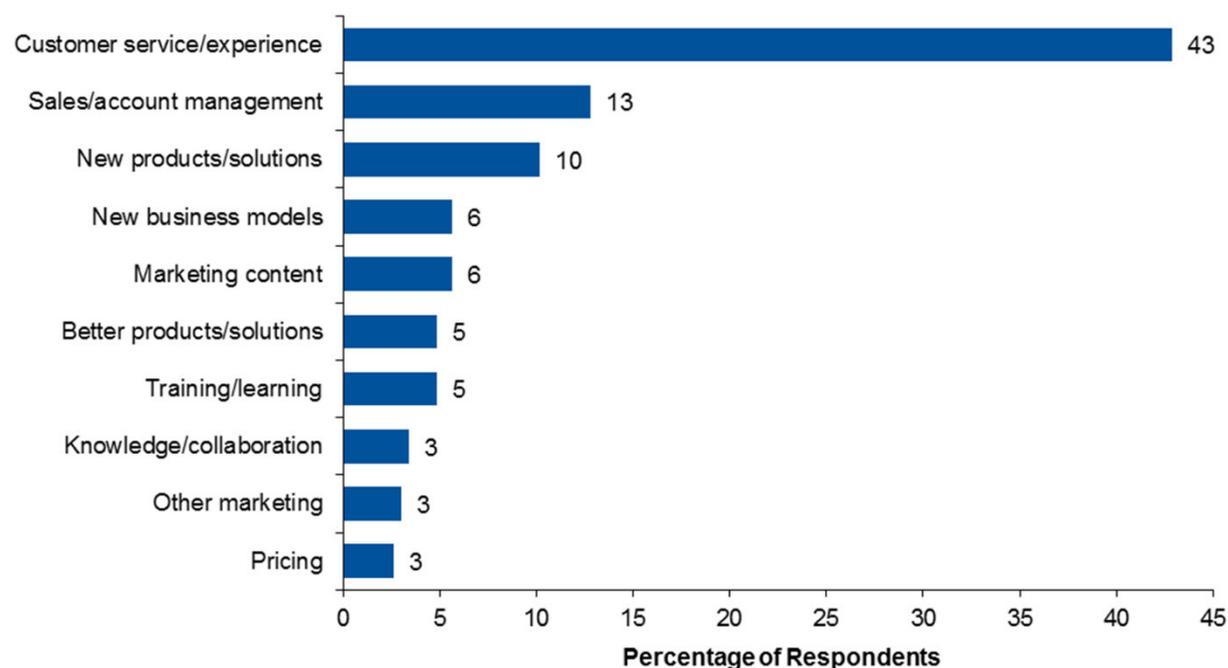
It is clear that customer engagement is a priority now and in the future relative to several other areas of potential investment. Understandably, however, providers do expect to prioritize investment in the development of new products and services over the next several years. This makes sense, given the need to invest to understand and address the novel tendencies for digitally smart buyers in the near term. And even though customer engagement remains high on the list for 2020, it makes sense to focus on products and services in that time frame as cloud-related implementations mature and technologies such as the Internet of Things IoT and machine learning find their "sweet spots." Indeed, their evolution may have also paved the path to new markets for providers, and that slight change over time is also indicated in Figure 4.

TSPs should engage and interact with customers in ways that drive, create and maintain trust throughout the customer life cycle. That may include greater use of product trials within online marketplaces or investments in online POC facilities, for example, to allow customers to get a feel for the product in a tailored manner before purchase. It could also include the creation of augmented reality (AR) for certain types of products and services, particularly given the huge impact AR has delivered to Pokemon Go. New methods and models of engagement designed to show and drive value for customers clearly and quickly deserve the most investment.

Address the Entire Customer Life Cycle, Not Just the Buying Process

In our view, the focus on customer experience, customer engagement, and general marketing and sales reinforces the importance of paying attention and delivering service through the customer life cycle. That is, selling doesn't end simply with a closed deal — it extends through value realized by the customer. In our survey, for the subset of 245 responding providers who stated they'd won a greater number of deals than they had prior to making investments such as those noted above, you can see a definitive focus on customer service and experience (see Figure 5). Interestingly, this was vastly more important than pricing changes.

Figure 5. Most Important Change Made to the Buying Experience



Notes:

Question we asked: What is the most important change your company has made to the buying experience that has driven this increase in deals won?

Base: Respondents have won a greater share of deals than before; excludes "no/none/nothing" responses.

Number of respondents = 245.

Source: Gartner (September 2016)

Customer success programs — often built around or in concert with customer support operations but extending (through regular conversations/checkpoints) to sales, system/sales engineering, architects and professional services — should be implemented to ensure that customers obtain value as quickly as possible (and that providers are aware when that does or doesn't happen). Such programs are not simply glorified help desks/trouble ticketing; they also involve regular contact with the customer and elements of advocacy building (note the importance of sales/account management in Figure 5). Managed sometimes within marketing and other times within support, these programs should be built to ensure that customers are obtaining value from implementations. Success in this vein means not only satisfied, but also long-term and repeat customers and

advocates (see "Tech Go-to-Market: The B2B Customer Life Cycle for Technology Products and Services").

Gartner Recommended Reading

Some documents may not be available as part of your current Gartner subscription.

"Technology Provider CEOs Believe That Customer Experience Provides a Winning Strategy"

"Tech Go-to-Market: Selling to Both IT and Business Buyers Is Better When Technical Experts Participate"

"Tech Go-to-Market: The B2B Customer Life Cycle for Technology Products and Services"

"Tech Go-to-Market: Broad Technology Skills Across the Digital Workplace Force Changes to Product Marketing Approaches"

Evidence

Results presented are based on a Gartner study conducted to explore TSP CEOs' views on current business issues, innovation projects and some areas of technology agenda impact. The research was conducted among 501 respondents in five countries between 4 February and 6 April 2016. Qualifying organizations were IT hardware (manufacturing), IT software, IT and business process services, and telecommunications companies reporting at least \$10 million equivalent in total annual revenue for fiscal 2015. Qualified participants were screened to be president, owner, sole proprietor, CEO, managing director (the U.K.) or director general (France). Interviews were conducted online and in the native language (English, German or French). The sample universe was drawn from external panels of IT and business professionals.

The results of this study are representative of the respondent base and not necessarily business as a whole.

GARTNER HEADQUARTERS**Corporate Headquarters**

56 Top Gallant Road
Stamford, CT 06902-7700
USA
+1 203 964 0096

Regional Headquarters

AUSTRALIA
BRAZIL
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UNITED KINGDOM

For a complete list of worldwide locations,
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