



Customer advisory boards create a
unique connection between executives
and the marketplace.

CONNECTING TO CUSTOMERS

By Sean Geehan and Stacy Sheldon

In today's increasingly complex and competitive marketplace, the adoption of a customer advisory board (CAB) has helped companies thrive and win business. Optimally consisting of customers from a company's key segments, CABs can provide answers to many questions:

- How should we rank and align our current product offerings and future development with market needs, to increase launch success?
- Where do our core competencies and customers' needs/pains converge, so our investments yield more sales?
- How do we acquire more customers like our most profitable ones?
- What types of new customers exist, and how can we capture them?
- What's the next big thing in this industry?
- How do we increase retention rates?

A CAB can help you gain an intimate understanding of your customers' realities. And because your customer is "living what you're selling," this collective forum delivers an ongoing dialogue to identify opportunities for new products. "Seeing the customers' world through their eyes, and applying those perspectives, will make your offerings even more powerful for you and more useful to them," says CAB proponent Dave Schrader, marketing director for NCR Corporation, a technology company in Dayton, Ohio.

EXECUTIVE briefing

Customer councils and customer advisory boards (CABs) gather your biggest customers on a regular basis to ask them what they want, what they like, how they buy, and how they evaluate purchase success—renewing the relationship and allowing you to learn about their world. CABs that also include the leaders in your firm—who have the authority and responsibility to act, allocate resources, and align the firm's goals with the marketplace—can lead you to an even stronger competitive advantage.

Marketing executives—along with their sales, product development, strategy, and customer service counterparts in leading organizations—are discovering that a CAB can serve as a direct conduit to the mind and soul of a marketplace. And companies have experienced returns of greater than 10 times their CAB investments.

Lew Watts, senior vice president (SVP) of innovation and marketing at Halliburton (a Houston-based provider to the gas and oil industry), also has witnessed the benefits. “The open and transparent processes and dialogue that a CAB can bring breaks down normal barriers and allows real needs and strategic solutions to be identified. This form of engagement has represented a breakthrough in the key area of formulating value propositions around the most complex areas of our business.”

Is a CAB Right for You?

Although a CAB is a powerful tool, certain factors related to market forces, product offerings, and internal executive support lend themselves to a profitable initiative better than others. When the right components are in place, organizations will witness huge business impacts, and returns drastically higher than those of most marketing or sales plans. First, however, the organizations must address several questions.

How influential are your top customers? We have seen CABs as a natural fit for major customers, distributors, wholesalers, and other high-impact, high-influential, or high-revenue groups. Placing these groups on CABs can catapult the loyalty and commitment, and ultimately revolutionize the relationship between vendor, partner, and teammate. Scott Lomond, SVP of business development at SightSpeed in Berkeley, Calif., has observed this several times throughout his career. “They become personally and emotionally invested in your success. Customers who join CABs must become advocates for you in the market or they would have to be schizophrenic. It’s extremely powerful for binding your most important customers to your success.” The reality is that too

much is at stake to neglect talking with these customers in an organized, collective, ongoing, and proactive format.

For situations in which the average purchase of the group is high, many firms can justify the investment on merely the sales generated from it. If the top 15-20 customers represent sizable sales volumes, then a CAB makes perfect business sense. It is the platform to transform the people into powerful advisers and allies. As one marketing executive shared, her two most effective marketing tools were CABs and client contact turnover: A client contact moved to a new organization and purchased the product for them. Laughing, she concluded, “Unfortunately, we have limited control of the latter.”



As you consider whether a CAB is right for your organization, challenge yourself and your team to be honest. That’s exactly how your customers will be.

Are you in a stable or rapidly changing market? CABs are extremely valuable for emerging or transforming market segments, where companies need to stay in touch with quickly changing dynamics of the marketplace—especially where technology or regulatory issues are revolutionizing the industry and forcing quick, drastic changes. In almost all industries, technology is collapsing new product life cycles and thus changing how business is globally conducted. From a regulatory standpoint, the impact is being forced (e.g., health-

care’s Health Insurance Portability and Accountability Act, privacy protection rights in consumer industries, the Sarbanes-Oxley Act for accounting reform in publicly held firms). With a CAB in place, your customers can help you think through these changes and their effects, as well as how to adapt your business and products to exploit opportunities.

Is the buying process shifting in your market or industry? A CAB also can be worthwhile for market segments where the “buying ecosystem”—how buying decisions are made—is becoming more complex and including new participants in the buying process. For example, the professional service industry is shifting how it buys products and services. In the past, the partners made all the decisions; now, they’ve brought in busi-

ness managers, chief financial officers (CFOs), and highly specialized, operationally savvy professionals to run and support the business. This shift has brought new decision makers, to whom the same products and services must be sold—thereby requiring a different marketing and sales approach. Many selling organizations slowly adjust to these changes, don't understand the needs and motivations of the new buyers, or are unaware that the buying process has changed.

In many industries, the chief information officer—who traditionally made most, if not all, information technology (IT) buying decisions—is reporting to the CFO or chief operating officer, and must now build a case for IT expenditures. This dynamic has made for a much more complex sale. One organization didn't recognize the new paradigm until the CAB brought it up. CFOs were then placed on the CAB to better understand this new buying process. This was the element that helped significantly increase close rates.

Is your product significant to the people or firms buying it? Customers are much easier to secure as CAB members if the product they're buying from you is important to the success of their business or personal responsibilities. These customers consistently dedicate the time and effort to effectively participate on a CAB, because they stand to gain more from the shared insights, networking, and solution ideas at each meeting.

There are some types of product offerings for which a CAB is unsuitable. Most commodity products and services are not strategic to the achievement of their customers (businesses or individuals). This is vital, not only to attract valuable members, but to deliver the “what's in it for me or my firm” reasoning. In the recruiting portion of this initiative, the only way to get customers to join the CAB is to illustrate how it will help them, their careers, their firms, and their network of resources. And it starts with the relevancy and significance of your product. Can you prove that their participation will be a win for them?

Typically a B2B tool, a CAB also can be applied to some business-to-consumer or retail opportunities. However, marketing leaders must proceed with caution, and should consider how a CAB can help them beyond a typical focus group or survey. The wife of one of this article's authors sat on the CAB of a local specialty grocer for three years. Cooking is a passion of hers, and she shops there three times a week. She also gets her oil changed—but she'd never sit on the Jiffy Lube CAB.

In most instances, focus groups and market research (e.g., online surveys, interviews) are more beneficial and cost-effective for the consumer markets.

As you consider whether a CAB is right for your organization (see Exhibit 1), challenge yourself and your team to be honest. That's exactly how your customers will be.

Success Factors

Building and executing a productive CAB involves much more than planning a great meeting. By following a proven methodology and understanding critical factors, you can

greatly enhance the results. (See Exhibit 2 on page 40.)

Through extensive research and experience, we have developed, tested, and executed a 5-point methodology that guides the activities of thriving CABs.

- **Secure and align executive stakeholders.** Forming and managing a positive CAB experience requires a high level of commitment from the organization. CABs that achieve the most impact actively involve representatives from the com-

■ Exhibit 1 CAB suitability assessment

The following are top-level questions to determine whether a CAB is right for your organization.

Please indicate how strongly you agree or disagree with each statement. (Ratings are on a scale of 1-5; 1 = strongly disagree and 5 = strongly agree.)

1. Our company has an offering that is significant to our customers' businesses.
2. Our top 25 customers' annual total purchases from us are high (less than \$10,000 = 1 and greater than \$5,000,000 = 5).
3. Our industry is transforming and/or highly competitive.
4. Maintaining differentiation is a challenge for the product development and marketing organization.
5. Our sales process is complex, changing, or not completely understood.
6. Our product is facing commoditization, but not yet consistently viewed as a commodity.
7. Our organization struggles with reaching decision makers and influencers, and building meaningful relationships with them.
8. Our new product releases seem to miss the “sweet spot.”
9. We need to improve current offerings to better align to the market's needs.
10. Our team is willing to track and report progress on outstanding advice and ideas offered by the CAB.
11. This initiative has the support and involvement of top management (firm or business unit).

Total rating of 55-45: Your team absolutely needs to explore how a CAB could help your organization.

Total rating of 44-32: Further investigation is recommended. A CAB could be valuable to your team; however, special circumstances may need to be considered.

Total rating of 31 or less: Proceed with caution. Other market input formats, such as focus groups and surveys, may be more beneficial or cost-effective.

pany’s marketing, sales, product, and customer service leadership. Securing these executives’ support can be a challenge, but without the right level of support from within the company, the CAB will not maximize its effectiveness.

“Getting a select group of customers together for an open exchange of ideas and experiences is invaluable for both the customers and Flashline,” states Charles Stack, CEO of the Cleveland-based software asset management company. “Sharing firsthand successes and challenges is one of the primary benefits of the meeting. The feedback and input help us to continue evolving our solutions to meet customer needs, and help our customers grow their implementations and program achievements.” It’s when the CEO or business unit leaders have this appreciation that the CAB is delivering its true potential.

- **Establish a clear mission.** Internal and external participants need to understand the CAB’s goals, roles, and responsibilities. Defining an explicit mission not only signifies your level of commitment to the initiative, but also establishes a common understanding of expectations among members and internal stakeholders. Time and again, unproductive CAB meetings are highly correlated to undefined or nebulous goals. Keep them focused, relevant, and useful to all participants.
- **Recruit qualified members.** Membership should be viewed as a valuable and prestigious opportunity. For the

most effective dialogue at meetings, you’ll typically want to include 12-18 CAB members. They need to be the right customers and prospects. Identify them by following a predefined recruitment process, then secure individuals who meet specific profiles based on your CAB’s mission.

- **Take action.** Words are not enough. Your company must commit to responding to member input and taking action more often than not. Your internal team needs to be accountable to the CAB. You don’t have to execute every idea it suggests, but you do have to acknowledge the ideas and clearly justify why you are, or are not, pursuing them.
- **Communicate, communicate, communicate.** A CAB requires a scheduled flow of information and follow-up between members and your company. When talking with unsuccessful CABs, the most common complaint is the “black hole”: After the meeting, a member’s input often disappears and is never heard of again. Companies need to institute well-planned communications to update members on outstanding issues, prepare them for future meetings, and reinforce the importance of their commitment. The same holds true for your internal stakeholders.

Common Mishaps

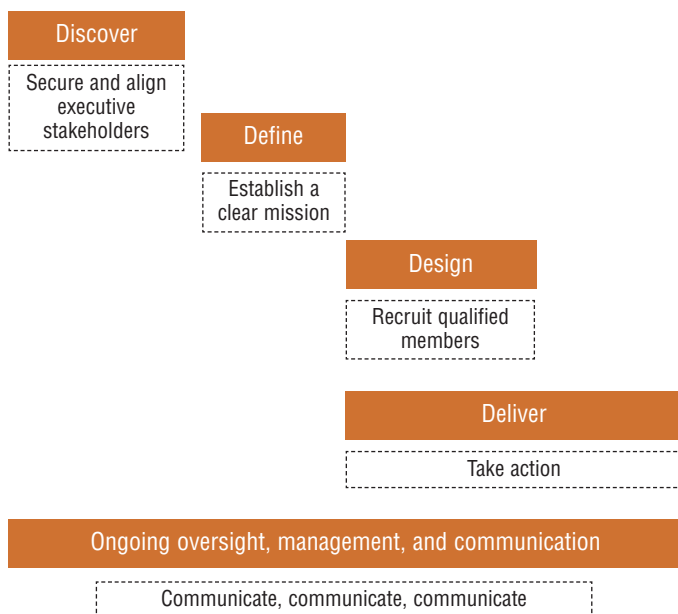
Bringing together top customers and executives leaves little room for trial and error. Like marketing, many components of a profitable CAB are counterintuitive, and thus require patience or experienced resources for beneficial results. Our findings uncovered several common mishaps.

Making it a product and sales event. Sales contracts have no place at CAB meetings, and can be very damaging to a company’s credibility with its customers. At a recent meeting, a first-time member reported that her bags were packed so she could leave the instant the company started selling something or demonstrating a bunch of products. The practice of trying to sell customers in these meetings, however incredible as it sounds, is quite common. In fact, a recent book on CABs misguidedly suggests a buying quota for members. This is a big mistake.

Setting inappropriate expectations. Members need to know why they are at the meeting and what their duties are. If companies fail to clearly and accurately communicate with members, they easily can end up footing the bill for a high-priced customer trip without the benefit of market insight or meaningful relationship development, leaving the company with little or no return for such a highly visible initiative. One executive confessed to kicking off his CAB meeting at an exclusive resort—to a half empty room, while his members drove by in golf carts outside. When recruited, the CAB members were simply told there was a “meeting at Pebble Beach with plenty of golf and a little meeting time.” It was a \$300,000 miscommunication.

■ Exhibit 2

CAB methodology



Great locations will get them to the first meeting, but valuable, relevant topics and rich discussion will keep them coming back. And although social activities should be included, you must strike a balance between meaningful discussion and time to get to know each other.

Ignoring and losing track of advice, issues, and ideas.

Follow-up and accountability cannot be faked or delayed. Don't let issues go into that black hole. Some companies claim that CAB insights and findings will be incorporated into actions—but then consistently proceed to do nothing after each meeting. If you are not at a point where you can include members' advice and perspectives, then don't act like members are actually having an impact or influencing something. One CAB was led to believe the host was asking for input on a software product, but soon learned that it had been patronized, and that no changes were going to be made. All trust and credibility was shattered, and as the executive shared, "It got very ugly!"

Covering topics unrelated to company objectives and strategies. Just because customers want to talk about a topic doesn't mean it should be on the agenda. Meeting conversations need to be valuable to the host company. If topics do not directly tie in to issues that are a priority to company executives, those executives will stop attending meetings—not a positive message to send top customers. Obviously, the best discussions are ones that are important to both sides.

Displaying a series of PowerPoint presentations. Nothing will bore members or cause disengagement more than a succession of product road maps, marketing plans, or company strategies—without including significant time for discussion and participation. This approach will lose the support of both the members and the executive team. One president was planning to stop involving herself in the firm's CAB because she learned nothing at the meetings. "Why should I sit and listen to two days of presentations when they are the same ones I approved six months ago?" She kicked off the next meeting with an announcement about trying a different approach: "We are striving for a series of dialogues with you, not monologues from our team, at this meeting." It paid off in increased energy and sense of purpose by all participants, and significant insight for the host company. It's important that CAB members feel they can contribute. The goal is to have them talking 70% of the time.

Progress Metrics

Measuring the returns is a highly individualized process, because each organization and CAB is unique. However, establishing useful metrics for tracking and reporting the progress is critical. A marketing executive must communicate this to the balance of the stakeholders and executive team. The sample CAB scorecard in Exhibit 3 on page 42 is a simple and effective way to do this.

Fortunately, there are a few standard benchmarks that successful CABs attain. One measurable benefit is a 10%-25%

CAB CASE STUDY:

Reynolds & Reynolds

The Situation

Reynolds is one of the largest non-vehicle suppliers to automotive retail dealers in North America, with more than 40% market share in its space. It was developing a new wireless product, Mobile Service Advisor (MSA), which was expected to provide a more flexible option than entering repair orders at car dealer service areas.

The supplier was beginning to get feedback from the marketplace that it was designing products in a vacuum, and engaging customers too late in the development process. Reynolds used MSA to help change the reality and perception of customer inclusion.

The Challenge

Reynolds sought to involve the customer up front in the requirements process to improve quality, time to market, and penetration of solutions into the market—and systematically increase the "batting average" of new releases. This process included marketing (segmentation, value proposition, promotion, and awareness building), sales (target, approach, influencers, and decision process), product (relevancy, work-flow integration, functionality, and usability), and customer service (call center support and repairs).

The Action

Reynolds built a prototype based on CAB requirements to prove the concept of the MSA solution. The CAB had three goals: Validate MSA's user interface, speed of write-up, and additional selling opportunities; identify what it liked and why, and what it would change and why; and aid Reynolds to effectively introduce, market, and sell MSA.

The Result

The CAB provided vital information, which resulted in an offering that was more functional, easier to use in car dealer service areas, and with zero critical customer defects—unheard of in the software world. Additionally, it helped Reynolds develop an accurate marketing segmentation of MSA, with related value propositions for each segment. As a bonus, the CAB uncovered a new opportunity and the supplier is developing a product to be released later this year, which should generate even more sales and continue to differentiate Reynolds from the competition.

As a result of its work with the CAB, Reynolds significantly improved its time to market by 20%, which will increase its expected return on investment from 2.3 years to 1.7 years.

Rob Leary, director of fixed services, summarizes his experience: "After serving the automotive market for more than 100 years, our customers can not only teach us something, but also make us much more successful than we ever could be on our own."

increase in member purchases the year after joining the CAB, because of increased awareness of/education on the company's products and capabilities, relationships developed, and emotional equity established. A growth of advocates in the marketplace is also experienced: Within a year of joining the CAB, half the members bring to the table a prospect like them.

■ Exhibit 3

Sample CAB scorecard

Topics covered	Goal	Results to date
Sales		
Customer retention	6% increase in retention	8% increase
"Wallet share" spending from current customers	15% increase in member purchases	21% increase
New customers	22% increase in new sales	19% increase in progress
Marketing		
Positioning and brand messages	Valuable market differentiation	Accomplished
"Referenceable" accounts	10 additional customer references	12 secured
Cost avoidance of ineffective marketing campaigns	Optimized marketing budgets	In progress
Product		
Success rate of new product introductions	Consistent product introduction success and improved market adoption	Accomplished
Number of new products in development (innovation)	Increased ideas for new offerings that match market needs	In progress
Cost avoidance (invalidated/off-the-mark product releases)	Optimized product launches	Accomplished
Customer Service		
Satisfaction levels	12% increase in satisfaction	8% increase in progress
Cross-sell/add-on sales opportunities	16% revenue increase from additional opportunities	10% increase in progress

Teamwork Catalyst

The truly significant results from successful CABs revolve around integrating marketing with other functions in the organization, aligning it more closely with corporate objectives and priorities, and effectively incorporating marketing executives into the leadership team. NCR has been leveraging CABs for a while, and including the counterparts in sales and

product development with great results. Bob Fair, chief marketing officer of its global data warehouse Teradata, shares: "Our CABs have become critical research for us, from both a business and technology perspective. They provide valuable insights into our customers' industries, helping us to understand issues and trends, identify future opportunities, and align our development, sales, and marketing teams with customers' needs."

Many marketing executives indicate their CABs have helped break down barriers between them and sales leaders. Both groups acknowledge the catalytic effect these CABs have generated. The connection to the customer (with sales involvement) in this forum has significantly elevated marketing's trust and credibility. Tom Kendra, executive vice president of worldwide sales at Symantec Corp. in Cupertino, Calif., offers this praise: "Our CAB is an integral part in our go-to market process. We use its input to validate our views of the market, discuss different angles Symantec can take to best serve the markets we select, and help us tune our sales, development, and marketing plans."

By following the steps outlined here, you should be able to determine whether a CAB makes sense for your firm and begin to develop a guiding plan for execution. Discuss the possibilities with your team and your firm's counterparts to establish appropriate expectations, secure organizationwide support, and define clear objectives. Applying our proven keys to success can help your organization build a successful CAB and experience the powerful benefits derived only through this unique forum. ■

About the Authors

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