

## IIAR Best Practice Paper

# Who are industry analysts and what do they do?

### *A primer on Industry Analysts*



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**Caroline Dennington & Ludovic Leforestier**

## Abstract

This primer provides an introduction to the industry analyst community. It is aimed at Industry Analyst Relations (AR) professionals who are new to the role: it assumes no prior knowledge apart from a general understanding of the Information and Communications Technology (ICT) and media industries.

In general readers will be working in one of three roles: industry analyst relations, public relations or marketing management. By the end of this guide, readers should have a clear picture of what industry analysts are, the functions they serve and how to maximise their effectiveness.

## Introduction

What are Information and Communications Technology (ICT) industry analysts? It's a good question – one which many analysts (as we shall call them in this paper) don't even know how to answer. Sometimes the term is defined by self-referential association – “I work for an analyst firm, therefore I am an analyst” – or even by reduction – “I'm not press and I'm not a blogger, therefore I must be an analyst.”

Analysts are not like accountants or doctors. There is no exam to pass, no set of specific tasks to fulfil. Many working with technology gain great value from analysts, however. Indeed, the Industry Analyst Relations (AR) role exists primarily because there is value to technology firms, and to their customers/prospects, from engaging effectively with industry analysts.

Analysts are frequently deemed to be important because they influence sales of ICT products, but very few analysts do so directly. They offer a wide range of services, from advising end-user organisations to measuring market penetration and producing best practice guidance, all of which deliver benefit in what can be a complex and confusing space.

Not all analysts are equal, however: they come with differing levels of skill, experience and indeed influence. To someone arriving fresh on the scene, it can be difficult to understand the role of analysts. Seasoned AR professionals have learned to be discerning – to understand where the value is to be had from which analysts, to be selective about which analysts to use where, and to ensure that all parties involved get maximum value from analyst interactions.

This guide has been created based on inputs gathered across the community, from AR and marketing professionals and from analysts themselves, to help newcomers build a clear picture of how to make the most of analysts. If the very notion of analysts leaves you wondering what all the fuss is about, read on.

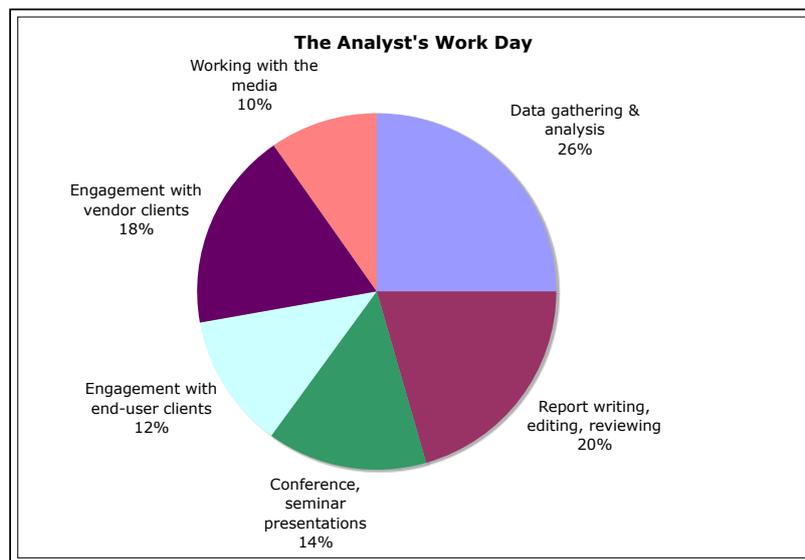
## A day in the life of an Industry Analyst

Before we define what an industry analyst is or review how they can be of benefit, let's consider how an analyst might spend a day. As well as administrative tasks and email, analysts might be expected to undertake any, if not all of the following activities on a regular basis:

- Provide telephone-based advice to clients
- Gather intelligence for future industry reports
- Sift through vendor marketing and press reports
- Call on peers to discuss issues and share views
- Respond to briefing requests from vendors

- Deal with vendors' internal inquiries and requests
- Participate in sales support activities
- Research and draft industry reports
- Peer review of research prior to publication
- Prepare conference and seminar presentations
- Public speaking, webinars and podcasts
- Attend vendor briefings by telephone or face to face (F2F)
- Attend vendor, analyst and public conferences and events
- Interact through blogs, forums and social media

It's quite a list – the chart below from Duncan Chapple at Kea Company shows how this time can be distributed. Of course individual analyst schedules will vary according to both specific business models (see later), roles and areas of coverage. Unsurprisingly however, common complaints from analysts include constant travel, information overload and a lack of time to get anything done.



All the same, analysts describe<sup>1</sup> a shared sense of purpose – to increase the success rates of their clients, to help technology add value and make a difference in what is still a nascent and fast moving industry. To get value from analysts, organisations need to delve beneath this view and understand what purpose analysts serve.

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<sup>1</sup> <http://www.web-strategist.com/blog/2008/12/07/a-day-in-the-life-of-an-industry-analyst-advisory-projects/>

## What are Industry Analysts, anyway?

Given the wide variety of tasks, it is no wonder that industry analyst definitions are hard to come by. It is worth recognising that analysts can be many things to many people. Some feel the main purpose of analysts is to act as a conduit for journalists; or to produce magic quadrants (see below). Some say that an analyst is anybody who independently influences technology procurement; others see analysts as part of a much broader spectrum of technology trusted third parties, which also encompasses bloggers and consultants. Equally analysts and firms may see themselves as media brands, or providing consulting services.

Ultimately however, there has to be something unique that marks analysts out from other roles. On this basis we would propose the following definition:

An information and communications technology (ICT) industry analyst is a person, working individually or within a firm, whose business model incorporates **creating and publishing research about, and advising on** how, why and where ICT-related products and services can be procured, deployed and used.

In other words, any technology advisor can offer consulting services, can write blogs, can have direct involvement in enterprise-scale procurements. What distinguishes analysts is the fact that they *analyse*, then publish their findings. The research element is what made them analysts in the first place, making analysts valuable sources of insight and therefore worthy of autonomous treatment.

On this note, it is also worth differentiating between analysts and two other groups – financial analysts and market research agencies:

- **Financial analysts** work for financial services firms such as banks or investment brokers, and focus on the financial statements and prospects of companies, to assess lending and investment risk. While they may also need a level of domain knowledge, ultimately they exist to answer the question, “Should I invest in this company?”
- **Market researchers** undertake primary research – that is, they run surveys or telephone interviews and collate the results for their clients. Analyst firms can employ market researchers to undertake primary research – indeed, many do, just as market research firms might employ analysts. However market research firms do not rate vendors, and rarely offer advisory services.

Analysts focus specifically on the technology industry, in general each concentrating on one facet or perspective. For example one analyst might focus on computer storage, while another might look at channel partners, or the view of the ICT manager or CIO. By doing so, they gain a deep level of insight, enabling them to advise clients at the highest levels.

Before we go into more detail about analyst business models, we would note two broad categories of analysts, as captured by The Knowledge Capital Group (KCG) among others:

- **Buy-side** – clients are mainly end-user organisations (often offering client calls or inquiries). These analysts may have a direct influence on technology procurement, but may equally advise on architecture or best practice.
- **Sell-side** – clients are mainly vendors, service providers and consulting firms. These analysts may have an indirect influence on technology procurement, for example through reports which help end-user organisations understand whether a technology is for them.

Analysts can also be categorised according to the kinds of service they offer. According to Ludovic Leforestier, IIAR Board Member, they fall in three categories:

- **Prescribers** are the ones advising end user organisations, typically Gartner, Celent, Forrester, etc.
- **Number crunchers** define markets by publishing forecasts and vendor shares for each segment they cover as exemplified by IDC. Others include Canalys, PAC and the ex-Dataquest (now HTTPS) division of Gartner. Forrester also provide market numbers (FORRsights) but these tend to be based on surveys.
- **Vendor-facing** analysts provide a variety of services typically aimed at ICT suppliers and service providers, such as speaking engagements, white papers and custom research.

The latter form the largest group by far and include very different firms, some deriving a portion of their revenues from ICT buyers, some advising regulators (e.g. Analysys Mason), others providing free content (at the point of delivery) to end-users (e.g. Freeform Dynamics). They are sometimes categorised as ‘independent analysts’ to distinguish them from the larger firms.

Across all analysts, the notion of ‘independence’ (like ‘influence’, a frequently debated term) is based primarily on the fact that they have an external view and so are not hampered by the internal perspectives, structures and politics of a given vendor or end-user business. However they have their own agendas, perspectives, histories and ways of viewing the world which can influence their behaviours – for example some analysts may favour open source models, while others may have a soft spot for mainframe technologies. And some can become caught up in the latest big thing – analysts are only human!

Another point to watch is coverage areas, inclusion criteria and ‘taxonomies’ (how they slice and dice the market). For instance, an analyst firm may cover themes promoted by some vendors but not others, could see an offering as a discrete technology or simply a bundled capability, could decide not to count Free Open Source Software (FOSS) because its methodology counts revenue, or might only carry-out worldwide evaluations, leaving aside local players. Given that many ‘good ways’ exist to analyse the ICT market, absolute truth is often in the eye of the beholder. AR professionals should become intimately familiar with the variety of segmentations and coverage areas, devising their AR plan accordingly.

So, do analysts matter? The statistics suggest that the influence analysts have on sales is real – either to guide buying behaviours or to actively participate in procurements – between 40 and 60 per cent of ICT buying decisions are influenced by analysts, for example. Analysts also make their presence felt in the media – for example, according to a PR Newswire audit of firms regularly quoted, Gartner came 25th out of the top 100.

As we shall see, analysts can offer a great deal more than simply participating directly in the sales cycle. Before we do, let’s take a top-down view of the analyst ‘industry’.

## An overview of Industry Analyst firms

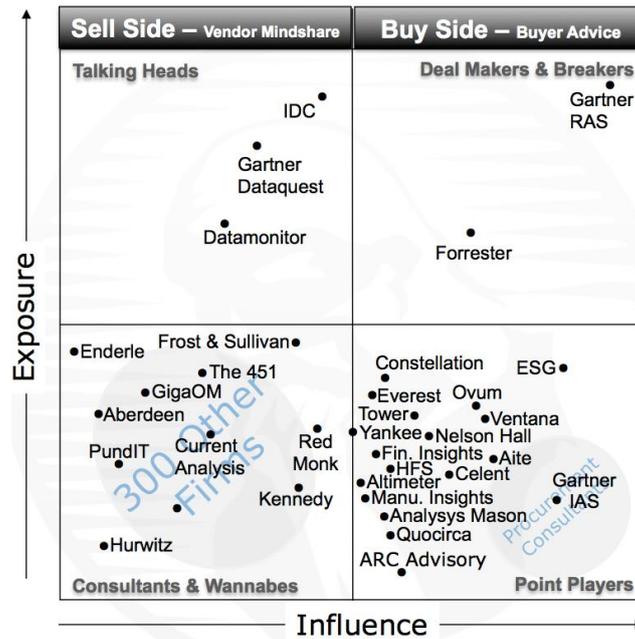
The analyst market (defined as the companies making money by selling analyst services) has been given a current value of around \$4B in annual revenues, 62% of which is 'buy-side'. When we analyse the analysts, we need to first consider the 'gorilla' in the market – Gartner Inc., whose latest revenues are quoted as making up \$1.6B of this total. As of March 2013, Gartner claims:

- 290,000 client interactions a year with 13,000 organisations, covering three-quarters of the Global 500 companies
- 902 analysts and 500 consultants with vertical coverage in 9 industries
- 10,200 media inquiries
- 5,500 benchmarking studies
- 64 annual conferences

Interestingly, despite the global financial turmoil of the past few years, revenues derived from the analyst services have grown by about a third since 2009. While some might question the value of analysts, the market for analyst services is growing even in (or perhaps because of) these troubled times. Some of this growth is coming from analysts expanding into areas such traditionally not tagged as 'pure' analyst activity – such as consulting and advisory services, events and so on – we look at these in more detail below. According to Gartner's estimates, the potential market size for its services is a "vast, untapped" \$47 billion.

The second largest firm, Forrester, offers similar services to Gartner in terms of research, consulting and events. However it also has a sizeable consumer research division. 2012 revenues were over \$300m. Meanwhile IDC is recognised as the 'numbers' company, for example reporting on server and PC market share. IDC is part of the privately-owned IDG, and does not release numbers on annual analyst revenues. However the company boasts over 1,000 analysts.

The remainder of the analyst market is made up of a few tens of mid-sized firms and hundreds of 'boutique' firms. Some "analyst analyst firms" have categorised analysts according to their own criteria, as illustrated by the following chart from KCG, which focuses on the ability of analysts to directly influence buying decisions. While this is a useful perspective, note that others (including Darwin and Brodeur) present the market quite differently, and that importance and influence can vary significantly by region or technology area.



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Analyst firms come in all shapes and sizes, each with a different personality and business model. It may appear that the boutique analyst firms such as Freeform Dynamics or Constellation Research have their work cut out, competing for intellectual oxygen with companies the size of Gartner. In reality however they manage to hold their own for a number of reasons. Often they focus exclusively on a very specific area, which larger firms choose not to, or simply cannot cover. Or quite simply, the people involved have earned reputations with as much gravitas as any larger firms.

The potential for smaller companies to in some way become more ‘influential’ than the giants of the market causes much debate online and offline. While this does not seem to be borne out in practice in terms of direct buying decisions, it illustrates the people-oriented nature of the analyst business. In marketing terms, an analyst’s personal brand can be just as important as the company the person works for. If an analyst gains a reputation for being the expert in his field, this reputation goes with the analyst if he or she should choose to form another company.

Within firms, Individual analysts can build skills in a number of areas, based on what they research and follow for example:

- **Market** – companies’ quarterly figures, merger and acquisition activity
- **Product** – roadmaps, delivery models, costs and tariffs, portfolio and service mix
- **Channel** – reseller, retail and consumer models
- **Decision maker** – procurement, deployment and operational views
- **Consumer** – habits, needs and expectations

While analysts serve a variety of purposes, their advice should ultimately result in better adoption of technology for end-user organisations at an appropriate price, and increased sales of suitable solutions for technology vendors and partners – in other words, a win-win between buyers and sellers. In the next section we consider how these goals are represented in practice.

## What services do Industry Analysts offer?

Analyst firms offer a variety of products and services aimed at differing audiences. We expand upon these below – but it is worth noting AR professionals wanting to make the most of analysts should have a clear grasp of the different services that individual firms bring to the market. Analyst models include:

- Retainer or subscription-based advisory
- Numbers and research
- Vendor consulting
- Marketing and opinion

We cover these below. Note that analysts may offer a certain amount of time for “free” – for example participation in briefings (and offering feedback). Analysts may also speaking to journalists on a given topic or provide a quote for a press release. Such aspects are often seen as part of the give and take between vendor and analyst – “We’ll give you insight into our corporate strategy, if you will give us feedback.”

### Retainer or subscription-based advisory

This is the ‘traditional’ analyst advisory model aimed at end-user firms, incorporating an agenda (topics planned to be covered), regular reports and so on. While exceptions exist, in general it is reserved to the larger or mid-sized analyst firms – boutique firms tend to offer ‘sell-side’ vendor consulting (see below).

Many of the major analyst firms offer advisory services to larger and smaller companies, either as a retainer or as a subscription, which comes with the right to speak to analysts for a certain amount of time, conference seats and research access. Forrester’s role-based model offers customised advice to specific roles within end-user organisations.

Of particular note are ‘signature’ research reports such as Gartner Magic Quadrants or Forrester Waves. As these are often used as shortlisting tools by end-user clients (who might adopt the top five products in a report, for example), they have a powerful market influence. Vendors can spend a great deal of time responding to analyst research requests therefore, if the information is destined to make up part of such a report.

Other than responding to research requests, the advisory element of the analyst business does not have a great deal of AR involvement (and not should it, for clear reasons of confidentiality). However it is always in a vendor’s interests to identify which analysts have a directly advisory role with end-user clients, to ensure their information needs are met.

### Numbers and research

If you can’t measure, you can’t manage, goes the adage – this applies to ICT companies looking to understand the size and addressability of their target markets. Many analyst firms perform data gathering and interpretation service in areas such as:

- Quantities of product sold and/or used, and therefore market sizes
- Scale of ICT-related challenges such as “coping with the data explosion”

In general research products are aimed at vendors for strategic planning purposes, though clients also include professional services and financial firms. Research findings can gain a good deal of press

interest and offer peer insight for ICT decision makers, making research studies a potential sponsorship opportunity (see marketing below).

Analyst firms in this category include IDC, Gartner Dataquest and PAC at the top end, and firms such as Freeform Dynamics at the 'boutique' end. Note also that some vendors do their own data gathering and reporting – for example Symantec's Security reports.

## Vendor consulting

Analysts are often used by vendors as a sounding board, offering a source of insight and feedback on market trends, product mix, positioning and messaging. The simplest form this can take is in the guise of a briefing, in which a vendor presents information and the analyst offers feedback. While briefings are unpaid (though they come at a cost to both sides) they do provide a source of value.

Vendors may also request analyst involvement in paid consulting engagements including facilitating internal workshops or presentations, researching certain market areas or conducting reviews. Such services are charged on a consulting basis, which may be part of the package if a subscription is already in place with an analyst house. Smaller firms may be able to offer advice in specific areas – often vendors will choose to engage a specific individual, whichever firm they happen to work for.

## Marketing and opinion

Analyst firms also offer a number of 'outbound' services which work in support of vendor marketing. These include:

- White paper production and delivery – analysts are often called upon to produce 'white papers', that is, guidance documents or papers which position a vendor in a certain market.
- Research and analysis – some analyst firms are geared up to offer research services, the outputs of which are aimed at an end-user audience. For example, "What keeps the CIO awake at night?"
- Presentation and conference speaking – many analysts are very proficient public speakers and are often put on the agenda at conferences, or in webinars and podcasts.

Benefits include being able to present independent corroboration of a strategy or product position, or helping educate decision makers about the benefits and costs of any particular solution. There is always a risk of bias or endorsement, even if inadvertent – not least because analysts are focused on ensuring technology is delivered in the right way and are unlikely to present a luddite view.

Most analyst firms provide services such as these, though a handful see production of white papers as too much of a grey area, as it implies a lack of independence in itself. Indeed, while some analyst firms have earned the reputation of being 'guns for hire' to present a certain position for cash, smarter vendors recognise that it is in nobody's interests to encourage this self-defeating behaviour.

## Conclusion

As we have seen, the main underlying role of ICT industry analysts is as purveyors of insight about the ICT market, about technologies and their suitability, about needs and how to address them. No other industry or market requires such a role, to such an extent – what maintains the existence of analysts is the fact that in such a new and rapidly changing area, it remains very difficult to market and sell technology products and services.

It is this reason, above all, that makes the AR function so important. Complexity is the enemy of technology value, and therefore the success of companies looking to create or deploy it depends on making things as simple as possible. Just as we need trusted third parties such as analysts, so we need to ensure they are co-ordinated in a manner fitting with the goals of the business.

Just as the technology industry is evolving, so is the analyst business – the range of services is broadening, the nature of influence and the role of the media is changing, and social tools, big data and sentiment analysis all have a growing place in terms of how organisations engage with their customers. But even as analyst firms adapt to find their feet in this increasingly attention-fuelled economy, their basic functions remain as valid as ever, if not more so.

Harnessing analyst strengths will take focus and smart thinking on the part of AR professionals. They should define carefully their goals and plan, canvass the influencers landscape and work their outreach programme in accordance. In the AR compass, we provide a framework to define an AR plan along four main goals, cardinal points: Strategy (insight), Opinion, Sales and Marketing.

With the right AR programme in place, the benefits can be made both tangible and far reaching.

## Key take-aways and questions to ask analysts

While there can exist a lack of definition about the notion of ICT industry analysts, overall they still perform a useful function by adding clarity in what is a still-nascent industry.

Multiple models exist to categorise and otherwise rank analysts, for example based on key audiences, services offered, areas of research and indeed, perceived market influence. AR professionals should therefore be able to ask the following questions of an analyst firm:

- What is your business model, i.e. where are your revenues coming from?
- What products and services do you offer, and what is your revenue mix?
- Do you perform vendor evaluations, market sizing, shares and forecasts?
- What is your value proposition for buyers of ICT products and services?
- What is your value proposition for ICT vendors?
- How qualified are your analysts, in terms of knowledge and industry experience?

Seasoned AR professionals learn to treat analysts as individuals that can help the firm achieve specific goals, rather than a general target or a marketing checkbox. This leads to questions an AR professional can ask of specific analysts:

- What type and level of interaction they have with those who define strategy, procure and deploy ICT, in what sectors, domains and business areas?
- What skills and experience they bring to the party (writing, data analysis, presentation, strategy), and where can these can be best used, in what context?

- What level and type of technical knowledge do they have, and where might it be applied (architecture design, policy, pricing, licensing)?

AR should be treated as a proactive programme of activities which aligns with the company's business model, marketing strategy and product/service mix. As a result of answering such questions at both a firm and individual levels, even relative newcomers to AR can gain insight into the world of AR and raise the level of AR practice in their own organisations.

## Further reading

- “IIAR Best Practice Paper - Plan your analyst relations programme with the AR Compass”, Charmaine Chan and Ludovic Leforestier, May 2013 ([blog post](#), [document on Huddle](#) for IIAR members, [presentation on Slideshare](#))

## About the authors

- Caroline Dennington is a Board Member at the IIAR and Director Analyst Relations EMEA at Symantec ([LinkedIn](#), [@cdennington](#))
- Ludovic Leforestier is a Board Member at the IIAR and the AR Director at BearingPoint ([LinkedIn](#), [@lludovic](#))