

Putting a price on thought-leadership

A research study investigating the commercial value of creating and disseminating expertise in customer markets

MindMetre Research, November 2013

- Companies other than management consultancies are increasingly recognising that they can gain tangible competitive advantage by demonstrating 'thought leadership' in their customer markets
- Seven in every ten companies building tenders for business services will research possible suppliers on the Web
- Similarly, 72% of buyer companies are much more likely to invite a supplier to tender if their website offers access to thought-leadership material that is genuinely informative and offers relevant insights
- However, thought-leadership outputs that are simply expressions of the supplier company's opinion are not valued by customers and stakeholders
- Four fifths of buyer companies say they only find thought-leadership material compelling and credible if it is based on credible research statistics, gathered at arms-length through a professional third party organisation

Thought-leadership – what is it and why is it important?

“Thought Leadership” has become a widely used phrase in business, particularly over the last five years. Originally an idea promulgated by the large consultancy firms, it is now an embedded concept with most intelligent organisations and experienced marketers.

What, then, is Thought Leadership? Why is it important? How is it more than a piece of jargon from tired marketers in search of a ‘new’ idea? And what is its relationship to commercial success?

Forbes has a succinct definition – defining a Thought Leader as a person or firm that is not only recognized as expert and authoritative but also who profits from the recognition of that authority.

Consultancies, as we have remarked, have been producing thought leadership materials – in the form of research, papers and so on – since the 1990s. Of course they have. After all, expert and authoritative advice is their core product. In fact, one source has calibrated the growth of such outputs, revealing that the number of such reports from the top 25 consultancies has more than quintupled since 2004. Interestingly, a highly respected business publication, *The Economist*, now boasts a Thought Leadership division. So the term now carries sufficient imprimature of acceptance and meaningfulness for such an august publishers to adopt it.

Only in more recent years. However, have companies outside of the consultancy sector begun to think that thought leadership is something they should be doing. But why? What is the motivation for an industrial company, or a technologist, a retailer, to be considered a thought leader? And precisely what subjects does one want to be the thought leader in?

Effective thought leadership output addresses the scope of the customer problem. It serves to present and discuss the context in which the supplier’s actual offering sits, but expressed in terms of the customer’s challenges. In other words, it focuses on the issues that keep the customer markets awake at night, in order to imply that the company generating the thought leadership is knowledgeable about those issues and therefore – by implication - must have an effective solution for some element of solving those issues.

The first principle of thought leadership that is commercially useful, is that it should be clearly related to the nature of the issuer’s business. Looking clever for its own sake is of no commercial value whatsoever, and it is imperative to avoid what one commentator has referred to as “intellectual masturbation.”

In broad terms, thought leadership output can help establish a reputation for a new entrant into a market, prior to them having a widespread selection of live customers. In this case, intellectual interest might be said to be substituting for sales footprint. At the same time, established market players may seek to build their reputation further with customers, influencers, and stakeholders through the generation of interesting thought leadership material. Thought leadership output helps to focus customer attention on a company’s strategic areas of interest – i.e. where they aim to grow.

Thought leadership outputs can take many forms, but the most popular tend to be: discussion papers; market or opinion research reports; statistical analyses of market issues; help/advice/best practice literature/video; special interest groups/webinars; and public policy advisories (think-tank outputs).

Thought leadership is not for everyone, however. Critical to the value that thought leadership can deliver is the answer to the question, “How much difference does expertise make to my customers’ buying decisions?”

Where expertise makes the difference

One example, albeit a specialist one, is the database marketing sector. It is a good example, as most companies reading this report will be buying database marketing services of one sort or another, from retailers, hoteliers and travel companies, to banks, insurers, business service providers and technology firms. Thought leadership is a critical tool for database marketing companies, because however good the technology platform, the effectiveness of database marketing rests on analytical insight and interpretation, allowing the right people to be targeted in the most compelling fashion, producing the highest rate of eventual sales conversion and therefore return on investment. In order to convince the market that you are more expert, cleverer, more knowledgeable than A.N.Other database marketing supplier, then you have to find a way of broadcasting your expertise to your marketplaces. This is where thought leadership comes in.

The knowledge for convincing future development

Another clear example of the appropriateness of thought leadership is to be found in the IT industry. While this is a sector where there are genuine examples of unique products/programmes – true innovation with clear feature differentiation – the majority of the market is made up of products and services that have become substantially commoditised. Such technology companies require a means of differentiation, and thought leadership is increasingly being employed to that end. Moreover, by disseminating expert commentary of one sort or another, the supplier can subtly suggest that – thanks to its understanding of customer issues and challenges – that company is more likely to have a development path for its products that is accurately aligned to customers’ real and emerging needs. Finally, in the technology sector, the systems integrator community has been ramping up its thought leadership output, supporting its focus on delivering solutions accurately tailored to customer requirements through superior knowledge of the customer’s industry and markets.

Defining commercial focus

An alternative commercial purpose for developing and disseminating thought leadership content is to indicate where a business is focusing its commercial efforts and growth plans, indicated by its expert analysis of those markets. A good example is banks that regularly research and publish on SME finance issues to position themselves as knowledgeable about those issues and therefore, by association, preferred banking suppliers in that space. Retail banking services are, after all, one of the most commoditised markets around.

In the medical sector

In the medical sector, thought leadership plays a vital role in aligning a commercial company's profile with issues of genuine public interest. This is particularly so because there are (quite rightly) very strict rules governing the marketing of medical devices and pharmaceutical products. Take, for instance, the providers of safety products into the acute care (hospital) environment. No-one could argue that the safety of patients, clinicians, nurses and ancillary staff should be unnecessarily put at risk. On the other hand, most Western world health systems are under financial pressure, and hospital managers have to make hard choices between different areas of spending.

By creating well argued, thoroughly referenced, statistically supported thought leadership material that identifies where safety standards may be put at risk, and then putting those materials in the hands of respected third parties (professional associations, unions, parliamentarians, and other key opinion leaders) the argument to maintain or even increase spending on safety initiatives is more actively communicated to healthcare managers and policymakers. It is important to note, however, that this activity is designed to maintain and grow a market as a whole, by aligning commercial interests with genuine issues of public concern. But the product supplier still has to invest in its broader marketing to convince potential customers to buy its products over those of its competition.

Espousing causes that matter to customers

Thought leadership in the retail sector takes on another form again – focused less on detailed arguments and intellectual understanding, and more on issues which strike a sympathetic chord with the consumer. Issues that customers care about range from global ones, such as environmental sustainability, to local ones, such as good causes on the doorstep which the retailer may be supporting. In each case, the thought leadership output will tend to be authored and issued in collaboration with an independent proponent of the good cause, such as a relevant charity. Yet, if the association is to be a long-term one, it is all the more powerful if the company takes a highly active role, becoming an informed and passionate commentator on the issue, rather than simply a silent funding partner.

Investor relations

Thus far, we have focused on thought leadership designed to influence customers, markets and policymakers. A fourth audience exists, of considerable importance – investors. Investor relations is a key area where thought leadership has a powerful role to play. Take the example of a global home products company, who had become extremely commercially successful, but was encountering 'soft' markets where consumer spending was inevitably being affected by the aftermath of the financial markets crisis. The company closely researched the opinions and intentions (on home decoration matters) of consumers in its key operating countries – insights which it then published in its annual reports and interims. This thought leadership implied that the company had a very good grasp of trends in its markets and, despite difficult economic conditions, its share price largely held up where those of competitors did not.

Content marketing and thought leadership

2013 may be the year when an internet business technique, known as ‘content marketing’, converges with ‘thought leadership’ to provide a compelling combination of content quality and powerful distribution channel. Content marketing, at its simplest, involves authoring and publishing reams of materials on the Web that relate to a company’s area of business. That content might range across press releases, blogs, video testimonials, webinar content, and so forth. The problem for companies wishing to pursue this technique has been the lack of intellectual input, and lack of market knowledge, from the digital agencies who specialise in all the web optimisation skills that lie behind ‘content marketing’.

Digital agencies are extremely skilled in online distribution, keyword selection and optimisation, social media linkage, reciprocal arrangements, and so on. However, they do not tend to have a detailed understanding of client markets, tracking trends and developments. This tends to be the domain of specialist writers and research companies. Enlightened players in both these specialisms (which do not compete with each other) are now starting to collaborate to provide content marketing based on quality content that is actually worth reading (or watching, or listening to). As one digital agency head recently remarked, “We can create the right optimisation slots, but we don’t have the skills to fill them with interesting and informative content.”

In summary, thought leadership has an important role to play in a variety of commercial situations. It is a tool that is largely only applicable in markets where ‘knowledge’ adds significant value for the customer or stakeholder audience. It is not a tool for everyone.

The research – what is the commercial value of thought leadership?

The second part of this research paper, then, seeks to calibrate the value of thought leadership in commercial markets. Over 2,000 companies, broadly representative of UK business by sector, were interviewed online in March 2013, seeking their views of the influence thought leadership played in their buying and tendering decisions. The results are summarised below.

- When compiling a tender list for *technology and equipment*, six in every ten companies research possible candidate suppliers on the web.
- For companies looking for a *business services* supplier, the proportion rises to almost seven in ten companies using web search to find possible suppliers to tender.
- Almost three quarters of companies declare that thought leadership material from a potential supplier makes them much more likely to include that supplier in a tender list
- To be convincing, however, thought leadership material must be based on credible hard research data, not simply an expression of the supplier’s opinion

<i>When my company is considering investing in new technology or other major equipment, the member of staff compiling a tender list will always use the Web to research key suppliers to put on the tender list, and will visit those companies websites to validate their expertise</i>	61.00%
<i>When my company is considering appointing a business service supplier (marketing, consultancy, outsourcing, financial services, etc), the member of staff compiling a tender list will always use the Web to research key suppliers to put on the tender list, and will visit those companies websites to validate their expertise</i>	69.60%
<i>We are much more likely to invite a supplier to tender if their website offers access to thought-leadership material that is genuinely informative and offers relevant insights, as well as hard-sell propositions</i>	71.60%
<i>We only find thought-leadership material compelling and credible if it is based on hard research, conducted at arms-length through a credible third party organisation, and is not just the author's opinion</i>	80.00%

In short, then, exhibiting thought leadership that is relevant to a buyer company’s recognisable business challenges has, in the majority of cases, a positive effect on whether a supplier is selected to participate in a tender. However, anecdotal evidence gathered from individual, qualitative interviews in this study, consistently identified that thought leadership is no substitute for provable product or service quality. The only exception to buyer demands for a long track record of product/service quality and user testimonials , is when a pioneering buyer is seeking to use first mover advantage to gain competitive edge. Here, thought leadership will often be a powerful tool in attracting interest from such pioneers, who then subject the supplier and their product/service to a carefully controlled acquisition process, proof of concept, testing and rigorously measured roll out.

Thought leadership outputs that are *merely* opinion pieces appear to be of little interest to the buyer community. Four fifths of buyers clearly feel that only outputs backed up by hard statistical or research-based evidence are convincing. This is a very important point. Once, the concept of a 'white paper' was a good way of exposing thought leadership to clients and prospects. However, the white paper vehicle became so abused, often simply being a loosely veiled sales pitch, that the phrase itself is now falling out of use.

Caution also has to be applied to the process of gathering research statistics. Professional research organisations know how to ensure balanced and representative survey sampling amongst consumer and B2B communities. Furthermore, respondent quality – the seriousness and thought with which they give their responses – is reliant on experience and understanding of the research process. Amateurism and commercial myopia are very real dangers when it comes to research, and have often been seen to lead to pseudo-statistics that seem suspiciously supportive of a company's commercial interests and, when compared to more reliable statistical sources, are shown to be clearly false. Publishing statistics that are wrong or exaggerated can lead to huge reputational damage in any marketplace.

Conclusions

Buyer organisations evidently consider the demonstration of thought-leadership by potential suppliers to be important, and influential when deciding which supplier to use. We believe that this is because the demonstration of understanding of the buyer organisation's markets, challenges and business environment generates confidence in the suppliers ability to deliver an effective service or product solution. It may also imply that the supplier is sufficiently expert to ensure that their products or services develop in line with the buyer's growing needs, as well as those of their industry as a whole. Thought-leadership may also positively influence other key audiences, such as market analysts, potential sales channels, investors, politicians and other stakeholders.

While this study provides compelling evidence of the commercial value of demonstrating thought-leadership, the authors of this report are at pains to raise a number of warning flags. The evidence presented does not substitute product or service shortcomings. We are convinced that respondents were talking about decisions between product or service offerings that were technically very similar. Secondly, thought-leadership is only convincing for its intended audience(s) if it has a hard evidential basis, drawn from high-quality original or secondary research. Mere opinion is considered of little or no value.

Methodology

MindMetre Research interviewed 2,003 companies, broadly representative of UK business by sector, and with representative sample from all size bands. The interviews were conducted online between March and June 2013. Respondents held middle- to senior-management positions, and were drawn from sales, marketing, operations, finance, procurement and general management roles. Respondents were asked about tender compilation and invitation to tender criteria in their organisations. The margin of error in this study is +/- 2%