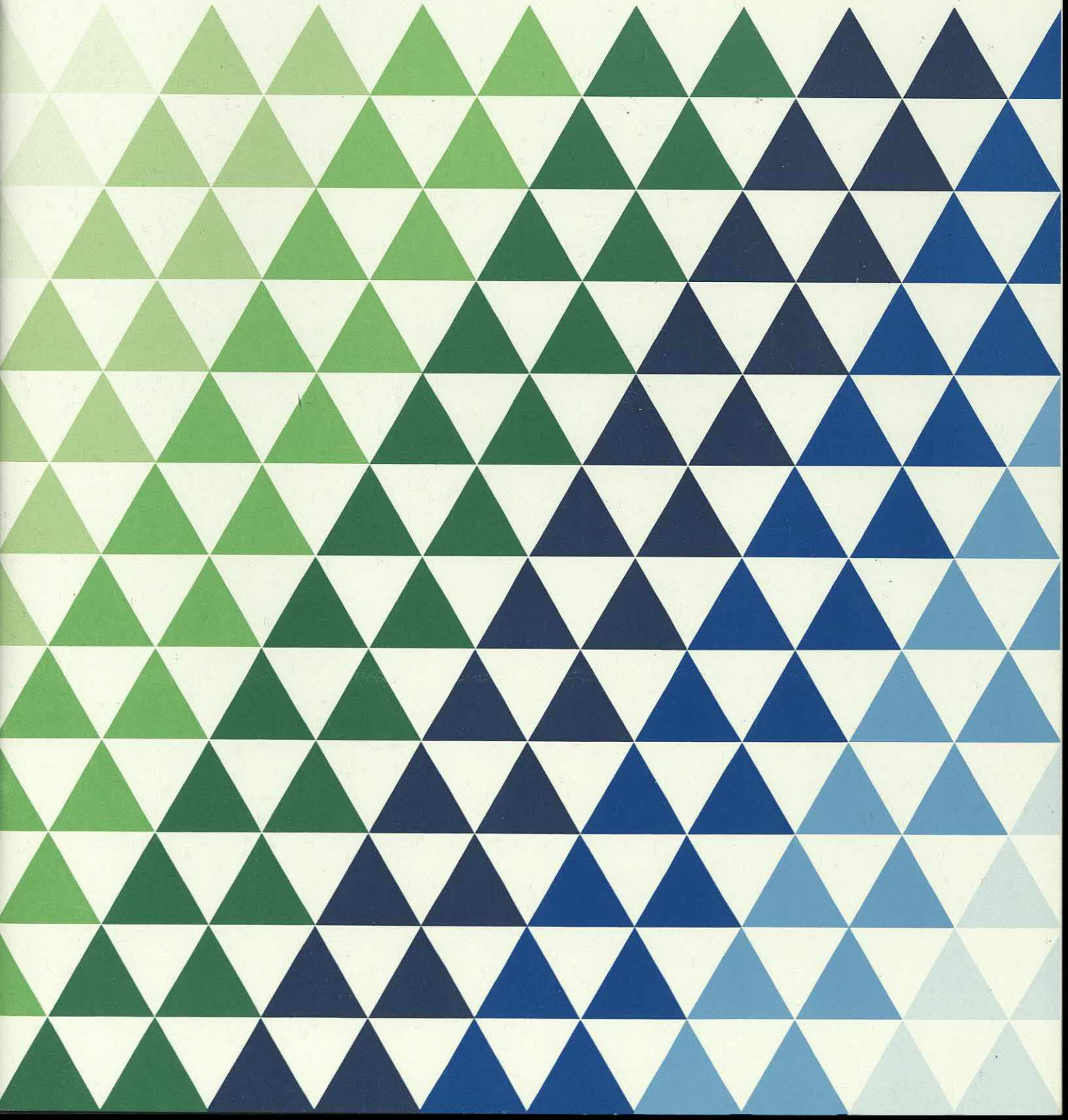


Marketing the Systems Department



BUTLER COX
FOUNDATION

Marketing the Systems Department

Management Summary
Report 66, October 1988

Butler Cox & Partners Limited

LONDON
AMSTERDAM MUNICH NEW YORK PARIS

Published by Butler Cox & Partners Limited
Butler Cox House
12 Bloomsbury Square
London WC1A 2LL
England

Copyright © Butler Cox & Partners Limited 1988

All rights reserved. No part of this publication may be reproduced by any method
without the prior consent of Butler Cox.

Availability of reports

Members of the Butler Cox Foundation receive three copies of each report upon publication;
additional copies and copies of earlier reports may be purchased by members from Butler Cox.

Photoset and printed in Great Britain by Flexiprint Ltd., Lancing, Sussex.

This document summarises the main management messages from Foundation Report 66, published in October 1988. The full report is available to members of the Butler Cox Foundation.

Most Foundation members recognise the need to market the systems function and its services. Most of them also recognise that they do not fully understand the subject and that they do not have the necessary skills (see Figure 1). They also realise that their staff do not have the right attitude. We believe, however, that they have not recognised the true purpose of marketing — which is to reposition the systems function within the organisation. Nor have they fully recognised the competitive threats to their existing role. Our survey of members suggests that only a small proportion are alert to these threats (see Figure 2 overleaf).

There is a real need to market the systems function

Many members believe that marketing is simply about promotion, either of the use of information

technology, or of the systems function, or both. Several have also perceived that it is concerned with keeping their users — their customers — happy. However, most have not realised that marketing can help to change the role of the systems department and its relationships with its customers. More often than not, changes occur as a result of major crises or organisational upheavals. The need consciously to plan and implement marketing activities that will change the department's role in a controlled way is recognised too late, or even not at all.

The need for marketing also arises from the increasing share of systems expenditure now made directly by user departments. Information technology suppliers have, for some time, attempted to bypass the systems department in selling first minicomputers, and, more recently, personal computers direct to user departments. Our discussions with some of the leading computer suppliers show that they are attempting to extend their influence with users even further. Their professional approach to marketing puts them in a good position with users who are disillusioned with the indifferent attitude of some systems

Figure 1 The main problems faced in marketing the systems function

The main problem is perceived to be the nonmarketing attitude of systems staff.

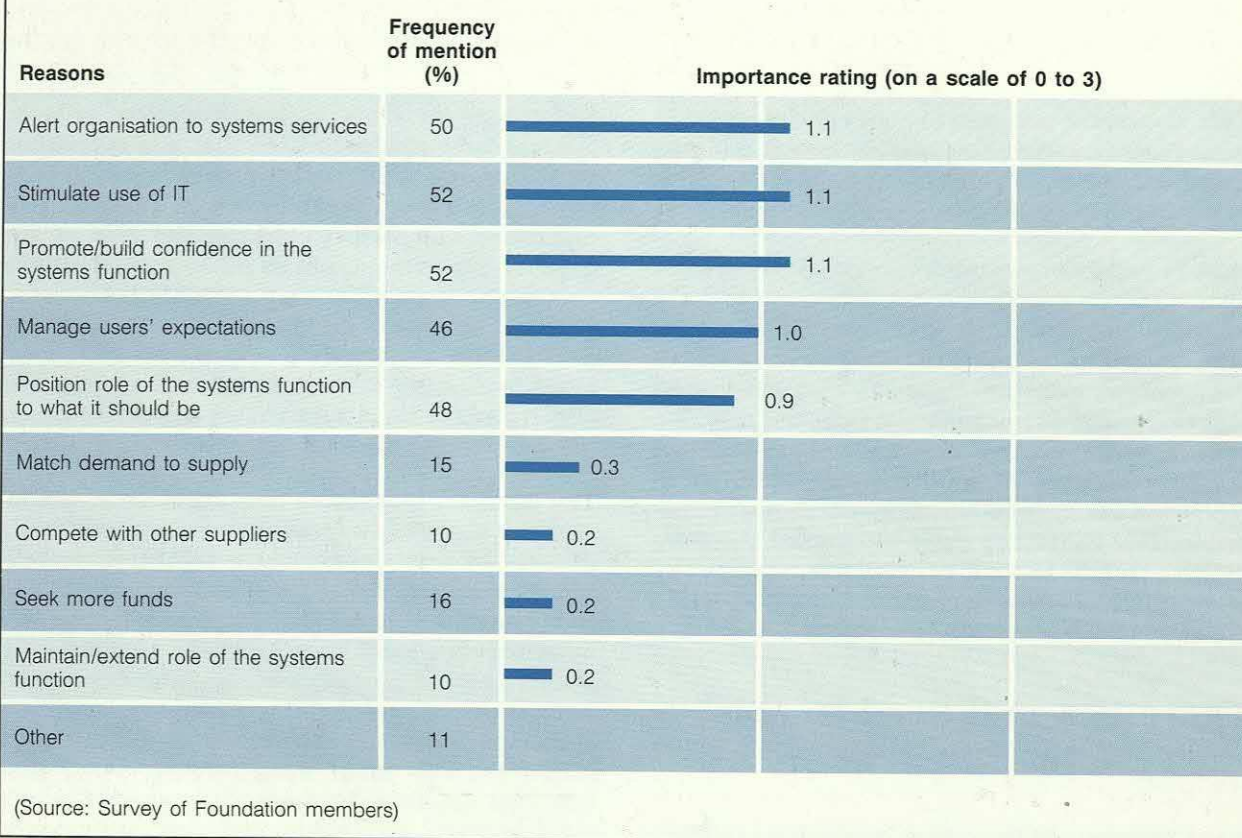
Problems	Frequency of mention (%)	Importance rating (on a scale of 0 to 3)
Systems staff do not have marketing attitude or outlook	81	1.9
Systems function does not have marketing skills	74	1.4
Systems function does not understand how to market	61	1.1
Difficult to gain approval for cost of marketing activities	29	0.6
Marketing is not acceptable	11	0.2
Other*	24	0.6

*Other included 'no resources' and 'marketing is of low priority'

(Source: Survey of Foundation members)

Figure 2 Systems department's reasons for marketing itself

Foundation members market to promote rather than compete or expand.



staff. The ultimate threat is for a facilities-management company to displace the systems department completely.

At the same time, systems users are becoming increasingly sophisticated. Data processing is no longer a black art, understood only by a few technocrats. User departments' confidence in planning and acquiring their own systems is steadily increasing.

Systems directors need a better understanding of marketing

Even though most Foundation members acknowledge they need a better understanding of marketing and how to apply it, we did encounter the view that marketing the systems department's services is a waste of time and money; that a good service sells itself on its merits. We even found one member who held that marketing the systems function is morally suspect — "evil" was the word used. We believe, however, that this viewpoint rests on a misunderstanding of what marketing is

all about. Marketing is not just a euphemism for selling, and certainly not a cover for unscrupulous sales tactics. In fact, it is the very opposite.

Our research plan for this project led us to study very carefully the body of accepted literature on marketing and to consult some of the world's leading experts on the subject. Naturally, these sources differ on points of detail and emphasis. But on the central issue they are unanimous. Marketing is about truly understanding the needs of groups of customers or potential customers, and shaping the products or services offered accordingly. In a real marketing organisation — and the experts agree that there are very few of them — the customer is king. The needs, the ambitions, the convenience, and even the culture of the supply organisation, are completely subordinated to those of the customer. Who decides what a company makes and sells? In a true marketing organisation the answer is not the staff, not government, not industry trends, and not even the board of directors of the firm — but the customers and their needs.

We define marketing as "the deliberate management of the whole relationship between a supplier

and its customers'. Two consequences flow inescapably from this definition. The first is that any systems director who treats marketing as a minor preoccupation is tacitly accepting that relations with his or her customers (the users of the service) will be haphazard, chaotic, and unmanaged. The second is that there is no one in the systems department, whether in operations, development, technical units, or administrative support, who does not share in the marketing role. Every aspect of the work of the department has an influence on the service provided to the customers. So everyone is involved.

Marketing is more than good promotion and happy customers

The experts describe several levels of marketing awareness to which organisations can aspire. At the lowest level of awareness, marketing means having impressive sales brochures, good presentations, and coloured slides. At the next level, marketing means having pleasant sales people who get on well with the customers.

For the systems department, both these levels (though low in the order of sophistication) are important. The strategic plan for the systems department can and should be an important sales document. But far too many plans are 300 pages long, full of technical details about hardware and architectures, and mostly irrelevant to the department's customers. And far too many systems staff still secretly regard the customers as a nuisance — essential because they can authorise projects, but maddeningly ignorant of the 'real' world of systems. Nevertheless, we did examine some publications that acted as excellent marketing tools for the systems department — one of them is shown in Figure 3, which reproduces a page from a newsletter published by ICI in Australia. Like any good periodical, the key thing is the content. Layout should be clear, uncluttered and stylish. But expensive printing is not needed — and may give the wrong impression.

The aim of good marketing literature and friendly sales staff is to improve relations with the customer. But at a slightly higher level of marketing sophistication (say the experts), more complex issues arise. What, for example, is the market position of a company? Is it a highly innovative organisation, opening its customers' eyes to new ways of meeting their needs? Or is it simply intent on tracking minor variations in their needs and responding accordingly? Figure 4 overleaf shows how the position of a systems department in

relation to its host organisation can vary. On the vertical axis we show the warmth or chill of customer relations. Do the customers love or hate the department? On the horizontal axis we show the degree of leadership versus responsiveness that the department aspires to. Is it actively seeking to set the pace in development, to promote the use of IT, to encourage the customers to be more ambitious? Or is its market position one where responding to expressed demand is the right aim?

Our evidence suggests two important lessons from this analysis. The first is that the natural point of equilibrium on the horizontal scale — the leadership versus responsiveness axis — depends heavily on the culture of the host organisation. If the host is monolithic and centrally driven, then a leadership role will be sustainable. If it is devolved, with lots of divisional autonomy, then bids for leadership can easily be seen as arrogant and insensitive.

The second lesson is that the two axes are independent. Progress along one axis is not transferable to the other. If your basic market positioning is wrong, no amount of brochures and smiles will

Figure 3 Sample page from ICI Australia's information centre newsletter

PIRATES SCUTTLED

We mentioned in a previous issue of the TIC Newsletter the danger of breaching Australia's copyright laws by the unauthorised copying of computer software.

Sixteen software companies have recently committed large sums of money to setting up the Federation Against Software Theft (FAST). They have declared war on software pirates, pledging to eradicate them in the next six months.

The anti-piracy campaign will kick off with a \$50,000 advertising campaign and will be followed by a mailshot to the chief executives of Australia's top 500 companies, reminding them that the corporate penalty for copyright infringement is \$250,000.

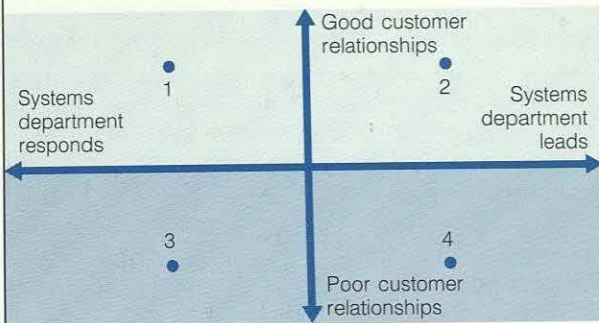
If you use a software package on a PC at work it is **your responsibility** to ensure that it is being used legitimately. When using a package you are effectively agreeing to abide by the licence agreements in force. These usually state that copies, other than for backup purposes, are expressly forbidden and that the package can only be used on one machine at any time. If you suspect that you are not using a legitimate copy then check - if you do not have a manual for the package there is a chance that you are using a copy. It is in your interests to check this out.

Don't forget - it is the user of the software, not ICI, who is responsible for it and could face prosecution for using an illegal copy.

DON'T BE A WALLY!

Figure 4 Positioning of the systems function within the host organisation

The optimum position of the systems function (the point of equilibrium) depends on its position on two axes — one represents the degree to which it responds to the business or leads it, and the other represents the state of its relationship with its customers.



- 1 Is a possible point of equilibrium in a decentralised, diversified organisation.
- 2 Is a possible point of equilibrium in a monopolistic, centralised organisation.
- 3 Is a dangerous lack of equilibrium in a diversified organisation, and possibly dangerous in a centralised organisation — leading to criticisms of inertia and introversion.
- 4 Is a dangerous lack of equilibrium in a centralised organisation, and possibly disastrous in a decentralised structure — leading to criticisms of arrogance and technical obsession.

make it right. And if your relations with the customers are sour, having the right positioning will not sweeten them.

The marketing aims are to define the systems function's role and improve customer relations

The most effective marketing organisations in the systems world tacitly accept these facts of life. Accordingly, they pursue a twin-track policy. They work at their market positioning through organisational change, through new ways of managing projects, and through the development of new skills. Typical moves in such a campaign are to site systems development staff on the customers' premises, to establish joint bodies of systems and customer staff for resource allocation and project control, and to create or promote the role of account managers. That is one track of the policy, concerned with market position.

The other track is aimed at improved relations. Systems services are what marketing experts call

an 'intangible'. You cannot touch, feel, and taste such a service before you buy it. What you buy is essentially a promise to deliver what you need at a later date. There is a considerable body of expert literature on the subject of marketing intangibles, highlighting the fact that intangibles can be much more like tangibles than is commonly recognised. "Sell the sizzle, not the sausage," is a famous remark about a tangible product. But "I'm Mandy, fly me," makes an intangible service (air transport) tangible and glamorous.

Systems teams make their service tangible in all kinds of ways — the way they dress, speak, behave, write, and present feasibility studies. If marketing really is the management of the whole relationship with a customer, then all these outward signs of the inner attitude have to be designed — not left to chance. In this context, the assertion that systems "sell themselves" and thus require no marketing, can be seen as naive in the extreme. It is another manifestation of the bad, old attitude that the systems function is somehow special, that the facts of life that govern the rest of the business are held in suspension for systems.

Fortunately, most systems directors understand this lesson.

Recognise the competitors and use them to best advantage

Many of our members now face stiff competition to maintain their share of the market for systems services. Some perceive that whatever happens, that share will decline. One source of competition is the customers themselves. The advent of the PC triggered the explosion in do-it-yourself computing, and the provision of help desks and information centres has fuelled its expansion. With more and more emphasis now on 'departmental computing', the trend will gather further momentum. However, the truly explosive competitive mixture comes not from customers alone, but from the alliance of customers with alternative suppliers.

Facilities-management suppliers, for example, will offer to take over the management of part or all of the communications and computing facilities of the customer organisation. They will offer jobs to most or all of the staff currently employed in the data centres. Their sales message is seductive: "While you are the experts in making and selling cold meats, or insurance policies, or motor cars, or whatever — we are the experts in running computer

and communications facilities. Why not divide the labour according to skill?"

Relying on their undoubted expertise and the economies of scale inherent in their operations, these suppliers are sometimes willing to enter into price and service-level agreements that the internal department finds very hard to match. As well as EDS, who really put facilities management on the map, those suppliers now include computer manufacturers, systems houses operating in specialist industrial niches, and (as a relative newcomer) the systems consultancy division of at least one major accounting firm. Facilities management is here to stay. As a business, it has grown rapidly in recent years and will continue to do so.

The point about facilities-management vendors is that they take marketing very seriously. During our research we had access to internal briefing documents from several service vendors. As the relative price of hardware declines, computer manufacturers are seeking to earn more and more of their revenue from selling services. Facilities-management contracts figure prominently in their plans. Their marketing aims include, in many instances, the gradual erosion of the systems department's role as the supreme arbiter of systems policy. Their staff are being trained to encourage senior managers to exercise their own judgement about expenditure levels, project selection, systems strategy, and the role of the systems department.

There is nothing surprising or blameworthy in these tactics. They are the obvious tactics for any service supplier to adopt; they would be fools not to do so. But the conclusion is obvious. Unless systems directors arrange their own marketing policies to best advantage — and quickly — then the debate about who does what may go by default. The interests of the systems department may suffer. But, more importantly, the interests of the host organisation may suffer, with second-best solutions being adopted because the case for the alternative is never properly stated.

How does the systems function respond to this threat? In some cases, a siege mentality prevails. The department erects pillboxes and digs trenches around its territory. Every inch of ground is bitterly contested against the invading enemy. This is the wrong approach. Systems directors must seek not to resist the competitive pressure, but to turn it to their advantage. How? By ensuring that the alternative suppliers are part of their marketing policy, rather than the reverse, for example, by identifying those areas where external suppliers can work with the department to improve the service available to its customers.

Overcome systems staff's aversion to marketing

New skills are required if the systems department is to run a successful marketing policy. Our survey confirmed that few systems staff have any kind of marketing background or experience. But the main problem is more general. The fact is that most systems staff not only lack the basic approach that marketing demands; their inbred attitudes and beliefs are the very reverse of what is needed.

Of course, a minority of systems staff are natural marketers, people who would have made excellent brand managers if they had not gone into systems. Such people are often good at marketing without even recognising what they do as marketing. But how can the rest be changed?

Training and learning have a part to play. We certainly recommend that systems staff should learn from their marketing colleagues in their host organisation. But the evidence from the best case histories suggests that the best learning is done not in the classroom but through action. The greatest cultural shift has taken place where senior systems managers have set the tone for a new kind of project work, where the organisation of the systems team and the roles of the individuals have been radically reappraised, and where the key tasks have been given to those best qualified in a marketing sense to undertake them. Some organisations have established account, or customer, managers who play a key role in marketing the systems function. Such managers need not all come from a systems background.

Plan and implement a marketing policy

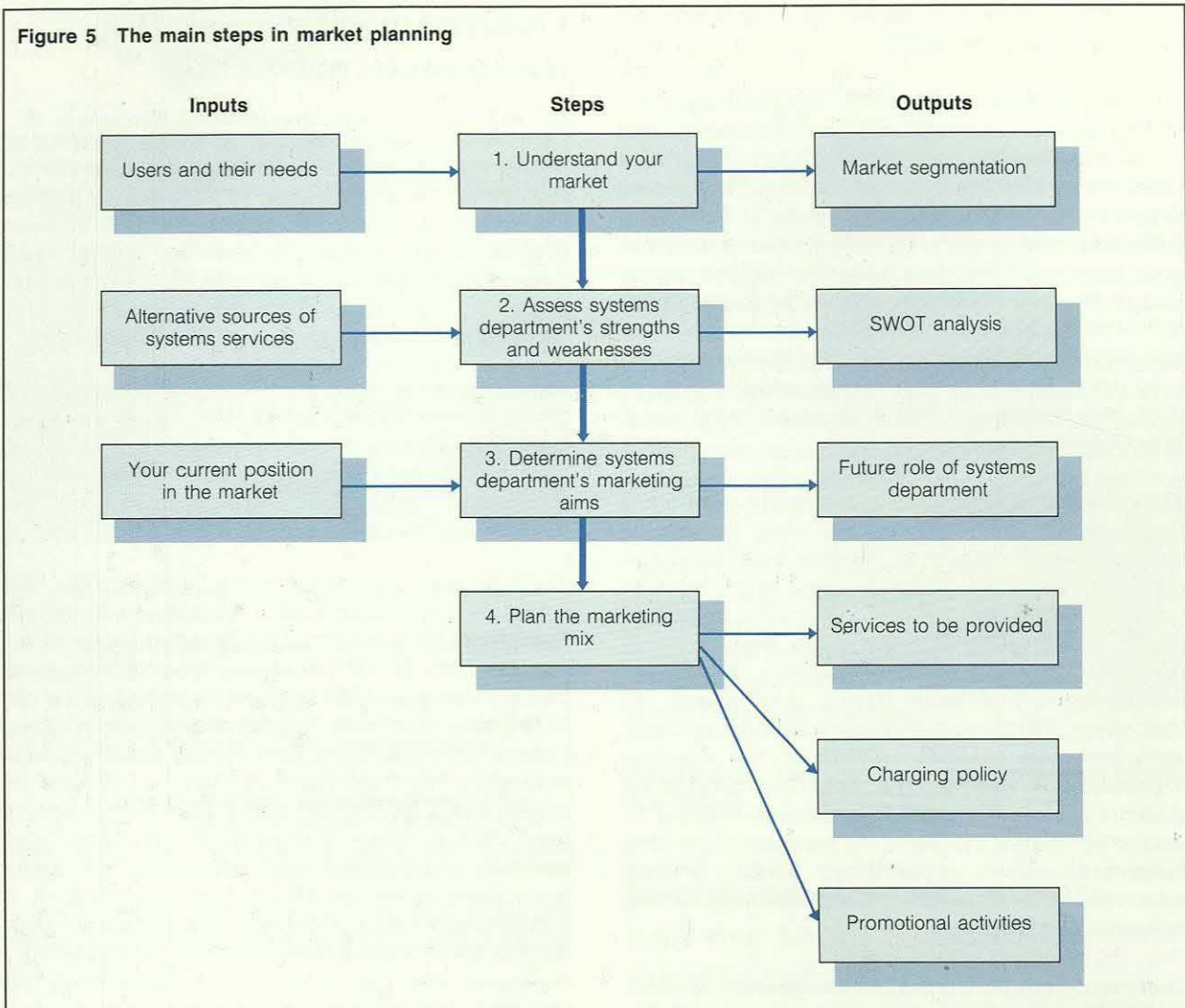
Systems directors need to take a professional approach to planning and implementing their marketing campaign. Planning the campaign falls into the four steps shown overleaf in Figure 5.

Step 1: Study the market

The first step in the process is for the systems department to understand better the real needs of the different groups of its customers in the total market, just as an independent company seeks to understand its customers and their needs. The total market will include several groups of customers, perhaps with widely differing needs.

The market analysis must be conducted with the utmost objectivity. Survey techniques can be useful, as a way of quantifying opinions about

Figure 5 The main steps in market planning



where priorities lie. The aim must be to break out of the protective isolation a systems department can easily erect around itself. Several of the organisations studied in the report have conducted user surveys to assess their current position.

Step 2: Assess the department's strengths and weaknesses

The second step is to assess how well the systems department is positioned to serve its market. The term for such an assessment is a SWOT analysis — what are the strengths, weaknesses, opportunities, and threats. The first aim is to determine which parts of the market the department is best suited to serve — where to play to its strengths. The second aim is to highlight areas where performance needs to be improved — the consequences of weakness. A competitor analysis is also required, concentrating on the questions shown below:

- What is the competition, existing and potential?

- Are the main threats internal or external?
- Is it possible to identify the main competitors?
- If so, what are their respective strengths and weaknesses?

Step 3: Determine the marketing aims

The next step is to identify the position the systems department should occupy — to find its point of equilibrium on the two axes shown in Figure 4. But for the first time, this equilibrium is sought on the basis of evidence, not opinion.

We detected two patterns in those systems departments that seemed to have been the most successful. First, they had tended to adopt a two-pronged approach to their marketing — top-down planning to determine and achieve their desired role by strategic moves, combined with bottom-up tactical moves to improve customer relations. Second, they adopted marketing aims related to the relative maturity of the use of systems within the organisation. They did not try to achieve the

Figure 6 Evolutionary stages in the marketing of the systems function

Stage	Characteristics	Marketing aim	Marketing tool
1. Reactive applications developer	A corporate service, developing and running applications for users. No right to propose.	Earn the right to propose.	Promote image as a systems developer and reliable operator. Introduce simple recharging mechanism.
2. Proactive developer	The same task, but now with some influence over the choice of applications. But still at the operational level.	Aspire to strategic applications.	Analyse market for high-profile and strategic applications. Promote general capability of the systems department.
3. Infrastructure manager	Initiative for applications has migrated to the customer. The systems department runs the infrastructure that makes it all possible.	Enhance the value of the infrastructure.	Promote value of the 'unseen service', the delivery mechanism. Analyse prospects for external links to customers or to suppliers. As IT becomes more 'strategic', take the chance to make recharging simpler. Escape from debates about petty cash.
4. Technology leader	The systems function becomes the advocate of change through technology.	Win commercial credibility.	Make the systems function a natural ally of top management. Maintain credibility by operating a high-quality service.

impossible all in one step. The relationship between realistic aims and maturity is shown in Figure 6.

Step 4: Plan the marketing mix

The planning process now turns to how the defined aims are to be met. There are four main questions to be answered:

- What services should be offered, and to which groups of customers?
- What pricing policies should be adopted?
- What means of delivery should be used?
- How should the services and systems function be promoted?

Pricing is a sensitive and tricky area. Far too many customers in the past have bought services — or at least believed they bought them — without being fully aware of the true price. Figure 7 shows our guidelines for choosing a charge-out system.

In the case of services, there is little distinction between the actual service and its means of delivery; in the very real sense, the service is its own delivery mechanism. In several of our case histories (which are detailed in the main report), the systems director signalled a change of marketing approach by decentralising the delivery of some services. Sometimes, the location of project staff on the customer's premises is an important step. The choices made should reflect the marketing aims already established.

Figure 7 Guidelines for choosing a charge-out policy

The system must be cost-effective, not burdensome.
Customers must be involved in the process of fixing prices and levels of service, not presented with a <i>fait accompli</i> .
Recharges should aim to recover full costs over the medium term; in the short term it may be expedient to allow the systems department to make a small profit or loss, or to account for some costs as a corporate overhead.
Operation charges should be related to volume of usage and level of service, otherwise they will seem arbitrary. They must be based on deliverable output, not on internal consumption. Otherwise it will seem that inefficiency is being rewarded.
Development costs should be allocated in line with risks. Customers cannot expect fixed prices when projects are still in the investigation phases.
If the system of recharge is to reflect the maturity of the customer, there may be more than one system. The most mature customers will demand more flexibility and more information — in a word, more control.

Promoting the systems function and its services should be the last area to be tackled in the marketing plan — not, as is so often the case, the first.

The evidence suggests that, in implementing the plan, action speaks louder than words. The projects that are undertaken, the way they are handled, the organisation of customer involvement, the way top management's concerns are handled — all these things are effective ways of demonstrating a change of role. Just announcing such a change is not

▲ Management Summary

sufficient. Tangible evidence of the changes must also be provided.

Two major obstacles to implementing a marketing plan for the systems function were mentioned earlier. The less important is the need for systems staff to learn marketing skills. The more

important is to change the basic attitudes of many systems staff, away from their traditional anti-marketing bias. No one doubts the difficulty of this task in many organisations. But the evidence of our case histories suggests that progress can be made, given a clear lead from the systems director.

Marketing the
Systems
Department



Butler Cox is an independent management consultancy and research organisation, specialising in the application of information technology within commerce, government, and industry. The company offers a wide range of services both to suppliers and users of this technology.

The Butler Cox Foundation is one of the services provided by Butler Cox. It provides the executives responsible for information systems in large organisations with a continuous analysis of major developments in the technology and its application.

The Foundation publishes six Research Reports each year together with a series of special Position Papers. The programme of activities includes a wide range of meetings that provide Foundation members with a regular opportunity to exchange experiences and views with their counterparts in other large organisations.

Butler Cox & Partners Limited
Butler Cox House, 12 Bloomsbury Square,
London WC1A 2LL, England
☎ (01) 831 0101, Telex 8813717 BUTCOX G
Fax (01) 831 6250

Belgium and the Netherlands

Butler Cox BV
Burg Hogguerstraat 791c,
1064 EB Amsterdam
☎ (020) 139955, Fax (020) 131157

France

Butler Cox SARL
Tour Akzo, 164 Rue Ambroise Croizat,
93204 St Denis-Cédex 1, France
☎ (1) 48.20.61.64, Télécopieur (1) 48.20.72.58

Germany (FR)

Butler Cox GmbH
Richard-Wagner-Str. 13,
8000 München 2
☎ (089) 5 23 40 01, Fax (089) 5 23 35 15

United States of America

Butler Cox Inc.
150 East 58th Street, New York, NY 10155, USA
☎ (212) 891 8188

Australia and New Zealand

Mr J Cooper
Butler Cox Foundation
3rd Floor, 275 George Street, Sydney 2000, Australia
☎ (02) 236 6161, Fax (02) 236 6199

Ireland

SD Consulting
72 Merrion Square, Dublin 2, Ireland
☎ (01) 766088/762501, Telex 31077 EI,
Fax (01) 767945

Italy

SISDO
20123 Milano, Via Caradosso 7, Italy
☎ (02) 498 4651, Telex 350309, Fax (02) 481 8842

The Nordic Region

Statskonsult AB
Stora Varvsgatan 1, 21120 Malmo, Sweden
☎ (040) 1030 40, Telex 12754 SINTABS

Spain

Associated Management Consultants Spain SA
Rosalia de Castro, 84-2ºD, 28035 Madrid, Spain
☎ (91) 723 0995