hardstats 2002

CSSA

CSSA Commercial Benchmarking Study

1 Executive Summary

The purpose of this study was to collect data to enable CSSA to benchmark commercial performance that will allow member companies to compare themselves with others of a similar profile. In addition we have collected views on the pressing commercial issues of the day.

As always there are extremes and polarised findings. For example there are many companies in the survey growing faster than the market rate and some that have seen revenues shrink. However a number of core findings emerge.

The market has tightened and leading to deferred decisions. Cycle times are generally reported as lengthening. Nonetheless the majority of companies in the survey reported that they were comfortable with their pipelines: an indication of some optimism. Generally, however, customers are subjecting capital expenditure projects to a higher level of scrutiny and expecting higher ROI's. Business cases, therefore, have to be very compelling. Clearly solutions and services have to be <u>sold</u> as opposed to being <u>bought</u>. The implication being that in the lead up to Y2K the industry was in a seller's market and now we are in a buyers market.

The survey has revealed that companies face difficulty in adjusting to this shift in the balance of power. Where respondents have commented on the subject of sales and the sales process there is virtually unanimous dissatisfaction.

One root cause of the problem being the lack of ready trained professional sales people who 10 years ago would have arrived on the job market via IBM, Unisys, HP, Digital, ICL and others who operated large scale sales training programmes. Respondents highlighted an increasing requirement for domain expertise in preference to product/technical knowledge among their sales teams. Secondly there is growth in demand for the many flavours of outsourcing, as always in a recession, and this is very much a complex business sale. Many respondents are changing the profile of their business to take advantage of the demand trends and find that transitioning to a business solutions selling organisation is very difficult mostly due to the lack of suitably profiled people. The survey reveals low investment in training and under-utilisation of marketing as contributory factors.

The issue here is whether the industry could be more successful in spite of current market conditions if only it could market and sell its offerings effectively.

Contents

2. Background and Methodology

In 1999 CSSA, together with *Contact to Contract*, conducted a survey into commercial performance of the software and services sector. This focus of the 1999 survey was to gather statistics relevant to the commercial function, including: sales/marketing/bid costs, qualification and win rates, sales targets and remuneration, utilisation rates, fee rates and marketing spend.

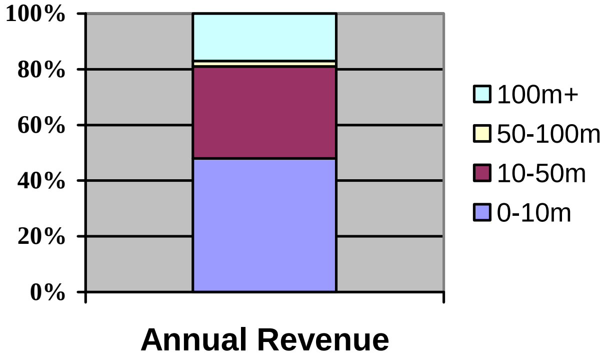
This information has proved extremely useful to CSSA members not only through the report that was produced in 1999 but also in various CSSA training courses and Business Growth seminars that have followed.

A cross-section of CSSA members was invited to participate in the study in late 2001. This report contains data from interviews conducted between November 2001 and February 2002.

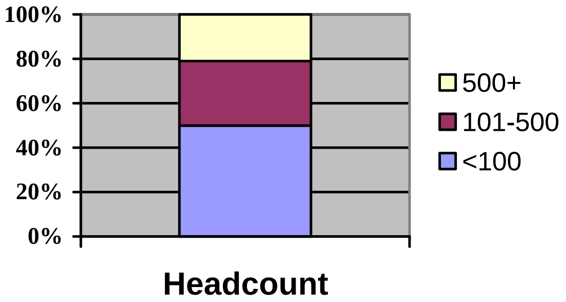
The data was obtained in face-to-face interviews, using a pre-designed questionnaire, focussing on a single Strategic Business Unit (or SBU). Typically respondents were Managing/Divisional Directors or other senior managers from the Sales and/or Marketing functions. Open questions were also asked about perceived key commercial issues of the day.

Survey demographics

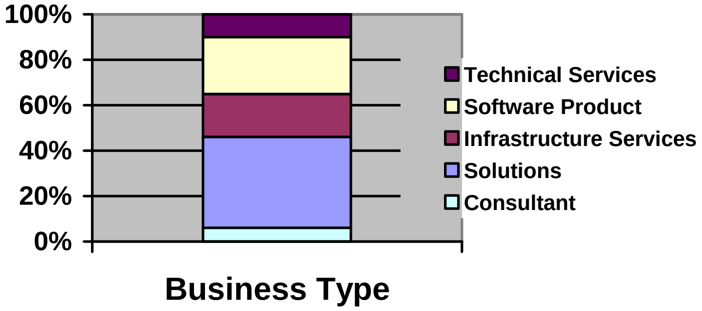
48 software and service companies had participated in the survey at the time of writing. In all cases respondents were asked to identify an SBU on whose behalf the answers were given. In some cases this was a business unit within a large company, in others it was the whole company. The vast majority of respondents focussed on multiple vertical sectors. Less than 10% had a single vertical sector focus.



The annual sales of respondents ranged from £0.5m to £1,100m with a median of £11m



The headcount of the SBUs analysed ranged from 20 to 12,500 with a median of 112.



Solutions companies are defined as those companies that provide systems integration and bespoke software development services, including consultancy

Infrastructure services are defined as those companies that provide outsourced/managed services including hosting and ASP

Software product companies are those that sell and market software products

Technical services companies are those companies that provide offshore development or technical services such as software testing

Consultants are those companies whose principle business id the provisions of consultancy and advice.

3. Summary of Findings

3.1 Business breakdown

3.1.1 Revenue streams

The average revenue breakdown of those companies interviewed was:

	Software licences including upgrades	Projects (implementation & integration)	Support	Consultancy	Other
Small	20%	26%	24%	17%	13%
Medium	19%	44%	23%	10%	4%
Large	21%	33%	33%	7%	6%
All	**20%**	**33%**	**26%**	**12%**	**9%**

3.1.2 Renewable vs non-renewable revenue

Respondents were asked to estimate what proportion of their revenue will automatically renew into the next period such as maintenance contracts and managed service provision.

	Renewable	Non-renewable
Small	46%	54%
Medium	32%	68%
Large	48%	52%
All	**42%**	**58%**
Solutions	35%	65%
Infrastructure	73%	27%
Product	41%	59%
Technical Services	26%	74%
Consultants	10%	90%

As expected infrastructure services companies have the highest proportion of renewable income given they operate annuity models. In general there is an increased recognition of the value of the service/support revenue streams with very few respondents viewing this type of business as a distraction to core business.

3.1.3 Source of revenue

Respondents were asked what proportion of their total revenue in a given period was obtained directly or via a partner (defined as “who invoices the customer”). On average, 88 percent of respondents invoice the customer directly with 12 percent being invoiced by partners.

	Direct	Partner
Small	89%	11%
Medium	86%	14%
Large	87%	13%
All	**88%**	**12%**
Solutions	94%	6%
Infrastructure	92%	8%
Products	71%	29%
Technical Services	93%	7%
Consultants	100%	0%

As expected the Software Product companies have the highest proportion of indirect revenue.

3.1.4 Customers and customer split

Respondents were asked to identify the number of active customers in the current quarter and the number of customers providing 50 percent of revenue. On average, 50% of revenue came from just 17% of customers (the lowest being 1% and highest 40%), which is only a small change from 1999 where the average was 18 percent.

	Average number of active customers	**Percentage of customers that provide 50% of the business**
Small	144	20%
Medium	286	17%
Large	814	9%
All		**17%**

Small companies rely on a broader base of customers, especially when compared to the larger companies who, once established, are better positioned to grow by penetrating key accounts.

3.1.5 Repeat business

Respondents were asked what percentage of revenue came from customers that they had been doing business with in the previous year as opposed to new customers.

	New	**Repeat**
Small	37%	63%
Medium	32%	68%
Large	36%	64%
All	**35%**	**65%**

This finding reflects current market conditions in that suppliers are focusing on more existing customers rather than pursuing new business. The equivalent repeat business figure from 1999 CSSA survey was 57 percent.

3.1.6 Pipeline

Respondents were asked to give the percentage of their rolling 12 month revenue plan was covered by orders already booked. Respondents were then asked their comfort level with this pipeline figure. Overall 72 percent of respondents said they were ‘comfortable’.

	% rolling 12 month revenue plan covered by orders
Small	36%
Medium	40%
Large	64%
All	**43%**
Solutions	47%
Infrastructure Services	53%
Software	34%
Technical Services	44%
Consultants	26%

The average pipeline was 43 percent of rolling 12 months revenue plan. The lowest was just 8% (small Software company) and the highest was 98% (large Infrastructure Services company).

The figures suggest that the larger the company the more secure it is. Typically the larger companies have a higher proportion of annuity business and longer-term projects, which result in a more balanced order book. Smaller companies currently face more of a “hand to mouth” existence.

3.2 Sales Function

3.2.1 Resources

Respondents were asked to quantify their sales resources and distinguishing between sales professionals (ie “quota carriers”) and other staff in the function.

	Sales cost as a % of revenue (Mean)	**Sales cost as a % of revenue (Median)**	**Total staff in sales function**	**Number of sales professionals**	**Revenue per sales professional £ million**
Small	13.2%	10%	8	6	1.2
Medium	13.9%	10%	20	15	1.6
Large	9.4%	7%	134	88	4.8
All	**11.6%**	**10%**	**39**	**27**	**2.1**
Solutions	10.7%	10%	38	22	2.8
Infrastructure	8.9%	10%	71	57	2.5
Software	14.2%	10%	37	24	1.2
Technical Services	7.4%	6%	6	5	2.1
Consultants	21%	15%	10	8	.8

Given the range of sales costs (0 to 37%) declared both mean and median figures have been shown. The extremes are explained by early stage Software Products companies (typically very high costs in both sales and marketing) contrasted against mature specialist Solutions companies in niche sectors using only delivery resources to sell.

The revenue per sales professional is much higher in the larger companies. This is due to two factors; firstly, the size of contracts is typically much higher. Secondly, the sales professional does not work alone and often has an account team working in support. Software Products and consulting companies’ revenue per professional is significantly lower than the survey average though margin levels counterbalance this. The fact that some professional services companies also operate a combined seller/deliver model also explains the difference.

The ratio of sales professionals to total sales staff is lowest in large companies and solutions companies many of whom have pre-sales resources in the function.

3.2.2 Non-sales staff involved in selling

Respondents were also asked to estimate the total selling effort undertaken by those NOT identified as sales professionals.

	Share of selling effort provided by non-sales staff
Small	38%
Medium	35%
Large	36%
All	**37%**
Solution	51%
Infrastructure	27%
Product	24%
Technical Services	31%
Consultants	30%

The sales effort provided by non-sales staff was reported as 24% in the 1999 survey. The rise to 37% is a reflection of the change to solution selling and the requirement for a wide range of disciplines required to produce winning proposals. As expected the proportion of non-sales effort used is much higher in the Solutions companies.

Several respondents expressed concern that over one-third of the sales effort was being performed by non-sales professionals. Others recognised that customers expect and value exposure to delivery personnel during the sales process.

3.2.3 Sales staff profile, background & training

Respondents were asked to provide information regarding their sales staff profile in terms of education, sex, background, training and staff attrition

Sales Staff	Male	Female	Graduate	Non-graduate	Companies with formal sales training program	Training days per employee per annum	Staff attrition Rate
Small	84%	16%	72%	28%	56%	6	24
Medium	75%	25%	72%	28%	50%	6	30
Large	74%	26%	71%	29%	80%	10	18
All	**79%**	**21%**	**71%**	**29%**	**61%**	**7**	**25**

	Sales background	Technical background	Other background
Small	59%	31%	10%
Medium	83%	11%	6%
Large	60%	22%	18%
All	**66%**	**24%**	**10%**

The average attrition rate for sales staff is currently 25% with the highest being 60% and lowest zero. This contrasts with an average of 30% in the 1999 survey and is a reflection of the current employment market with fewer employees leaving voluntarily. The figures show that from an employment perspective the larger companies are the most secure and provide the most training for sales people who don't necessarily require classical sales backgrounds.

3.2.4 Sales targets

Respondents were asked to explain the basis for setting sales targets. Whilst many companies target their sales people on more than one measure, 60% of respondents use revenue as the principle target with 17% using order value. The remainder use a combination that can also include margin/gross profit.

£k	Min revenue target	Max revenue target	Average revenue target
Small	550	1200	1100
Medium	1090	2430	1850
Large	2390	3070	2610
All	1100	2300	1700

In the 1999 survey the average annual sales targets was £1170k.

3.2.5 Sales remuneration

The remuneration data comprises base salary for sales professionals with a corresponding figure for on target earnings. Respondents were asked to provide the minimum, maximum and average for their teams. Additional benefits such as cars, car allowances, stock options and high achiever schemes are not included. The highest reported base salary was £110 and the highest OTE was £200k (different respondents).

It should also be pointed out that high achievers in many companies exceeded the maximums shown here. The commission schemes of some companies have "accelerators" to encourage over-performance.

£k pa	Base Min	Base Max	Base Ave	OTE Min	OTE Max	OTE Ave
Small	32	55	41	51	93	73
Medium	38	59	50	72	142	100
Large	41	62	50	75	108	90
All	**35**	**58**	**46**	**61**	**112**	**85**
Solutions	37	58	47	63	101	80
Infra Svcs	26	49	41	53	141	91
S/W Product	35	54	42	60	110	82
Technical Svcs	45	65	52	80	130	99
Consultants	33	73	52	49	108	78

With most respondents businesses having multiple revenue streams commission schemes are often quite complex with margin performance, new account wins, reference sites examples of additional factors. The 2002 figures are higher than 1999 when the average OTE was £80.7k with the highest at £150k

3.2.6 Guarantee Periods

Respondents were asked whether they guaranteed sales professionals earnings during the initial period of employment.

	Companies offering OTE guarantee
Small	67%
Medium	33%
Large	80%
All	**59%**

The fact that 41% of respondents, particularly, the medium sized companies don't offer a guarantee period, suggests an expectation of instant results

3.2.7 Sales team structure

All respondents were asked to describe their top-level structure for sales. Inevitably some combined models exist but the overriding approach is to structure by account with a dedicated focus on new business development.

Top level structure	All respondents
Account	35%
Sector	21%
Geography	15%
Business/product line	6%
Combination	21%

3.2.8 Satisfaction with the sales process

Respondents were asked open questions about issues they faced related to sales. Responses typically included issues with availability of sales people in the market, salary expectations, requisite skill profiles and dealing with huge variances in individual performance.

On average 58 percent of respondents reported that they have an issue with sales (with 75 percent of large companies reporting dissatisfaction). Later on in the survey respondents were asked whether these issues were retarding the growth of the business and a surprisingly high proportion replied "yes". The root cause, confirmed by the comments of many respondents, being an acute shortage of sales people with the range of skills, knowledge and experience to manage all the phases of a complex sale/engagement that, in current market conditions, needs to be underpinned by a compelling business case with convincing ROI justification.

The data is this survey provides evidence of a pattern emerging, particularly among medium size companies who pay the most, train the least and have the highest attrition rates. Respondents clearly expect, rightly or wrongly, to be able to hire ready made solutions sales people off-the-shelf who deliver fairly instant results. The following selection of comments illustrates the frustration felt by many respondents.

"Only 20% of new hires turn out to be capable of selling solutions."
(Small infrastructure services company)

"Very hard to find people. We need 1/3 services experience, 2/3 business domain knowledge. It's a business issue now."
(Medium sized tech services company)

"Young (30's) skilled people don't exist."
(Small tech services company)

"Classic software sales people find it difficult to adapt. New hires must have application environment knowledge."
(Small software company)

"Very successful sales people are untouchable and impossible to tempt away from their employers."
(Small technical services company)

"It's tough to find high quality people with a good track record who can add business knowledge. Real value of such people is to be capable of engaging at senior level and building the business case. The directors are currently doing a lot of the selling."
(Large services company)

"Market is paying too much"
(Small solutions company)

"NCR, DEC and Unisys would have been a source of well trained people in the market in the past. This supply line no longer exists."
(Small solutions company)

3.3 Bid statistics

3.3.1 Average value, qualification and win rates

Respondents were asked what constituted a small, medium and large bid for their business unit and estimate both the proportion qualified out before bidding and the win rate of those pursued. They were also asked to estimate the proportion of bids that become 'no jobs' (that is, the buyer ultimately doesn't place an order and the work 'goes away') and the proportion of total projects that became "troubled" (defined as being seriously adrift of one or more KPI's at a key milestone point).

	Small bid £k	**Medium bid £k**	**Large bid £K**	**Opportunities qualified out**	**Win rate**	**No jobs %**	**Troubled projects %**
Small	40	185	601	37%	41%	22%	8%
Medium	61	286	751	24%	48%	12%	9%
Large	220	1300	6000	25%	33%	19%	11%
ALL				**30%**	**42%**	**18%**	**9%**

The smaller companies appear to more efficient at qualifying out bid opportunities, this is probably due to the fact they have more scarce bid resource and need to be confident they have a decent chance of winning the work. In 1999, the average percentage of opportunities qualified out was 43%. The reduction in 2002 is probably a reflection of fewer opportunities being chased by the same number of suppliers. The win rates reported in 1999 were equally bullish!

Larger companies report a higher proportion of troubled projects. One explanation is possibly that they take on more ambitious risky projects than smaller companies.

3.3.2 Bid effort

Respondents were then asked to quantify what the amount of effort required for each size of bid.

	Days per £1 million of bid value		
	Small bid	**Medium bid**	**Large bid**
Small	136	89	60
Medium	158	56	36
Large	200	65	21
All	**141**	**75**	**48**

The results show the high cost of bidding for small projects. The reason given for persisting with smaller bids is 'opportunity value' – often small projects can lead to bigger pieces of work later and are used as 'door openers'

3.3.3 Bid cycle times

Respondents were asked if they felt that bid cycle times were changing as a result of the current market conditions

	Same	**Longer**	**Shorter**
Small	52%	25%	23%
Medium	45%	36%	19%
Large	33%	33%	33%
All	**47%**	**39%**	**14%**

The high proportion of respondents who felt that the bid cycle time has increased is in line with current market conditions. Customers are ensuring that there is a good business case to undertake the work before they award the contract. Where a supplier shows a compelling business case to make cost savings the cycle time can shorter due to the customer being under pressure to show results.

3.4 The Delivery function

3.4.1 Delivery work

Respondents were asked to quantify the amount of delivery effort provided by their own resources.

	Own	Partner
Small	92%	8%
Medium	85%	15%
Large	91%	9%
All	**89%**	**11%**

The amount both shared work appears low but reflects that many respondents had consolidated their delivery resources in order to ensure their own resources were utilised optimally.

3.4.2 Staff profile

Respondents were asked to provide information regarding their practioner/delivery staff profile in terms of education, sex and staff attrition. (Practioners/deliverers are defined as those staff whose prime function is to consult, deliver or manage the delivery of the offering and are chargeable)

Delivery Staff	Male	Female	Graduate	Non-graduate	Attrition
Small	80%	20%	81%	19%	6%
Medium	81%	19%	80%	20%	13%
Large	76%	24%	83%	17%	13%
All	**79%**	**21%**	**81%**	**19%**	**11%**

The number of female technical staff remains low. The industry remains a highly skilled environment with a high proportion of graduates. Attrition rates have fallen dramatically from 19% in 1999 reflecting current marketing conditions.

3.4.3 Remuneration

The remuneration data comprises base salary for delivery staff with a corresponding figure for on target earnings. Respondents were asked to provide the minimum, maximum and average for their teams. Additional benefits such as cars, car allowances, shift/on call allowances etc are not included. Incentives for practioner/delivery staff are provided by 46% of respondents. (This is not the same as management bonuses paid only to senior staff irrespective of function)

£k pa	Base Min	Base Max	Base Ave	OTE Min	OTE Max	OTE Ave
Small	28	57	38	31	62	42
Medium	28	61	42	30	71	46
Large	25	99	43	29	136	45
All	**28**	**64**	**40**	**30**	**72**	**44**

Remuneration shows a significant increase over 1999 at the lower end. OTE figures of £100k or more were reported by five respondents.

3.4.4 Fee rates

Respondents were asked to provide minimum, maximum and average fees. Several commented that they do not quote or charge standard fee rates.

£ per day	**Min**	**Max**	**Ave**
Small	662	1214	820
Medium	610	1341	800
Large	616	1450	846
All	**636**	**1294**	**820**
Solutions	574	1144	756
Infrastructure	678	1440	912
Software Product	664	1436	883
Technical Services	359	1087	450
Consultants	1117	1900	1333

Compared to 1999 the lowest rate charged has increased by 18% with average and maximum rates showing only marginal increases.

3.4.5 Fee rate pressure

Respondents were asked to comment on whether they felt any pressure on fee rates. 26% stated that rates were under pressure.

Companies offering commodity type skills are understandably more vulnerable to price pressure in current market conditions. Some respondents, typically those with specialist skills operating in niche markets reported that they were successfully increasing rates.

3.4.6 Utilisation

Respondents were asked estimated utilisation rates (measured as time working on projects as a percentage of available time which excludes holidays, sickness, and training). The lowest reported was 10% and highest 100%.

	Utilisation %
Small	59
Medium	73
Large	66
All	64

The 2002 utilisation rate is lower than that reported in 1999 (69%), this is in line with current market conditions. It should be noted that prior to this survey many of the respondents had consolidated delivery resources in response to the market downturn

3.5 The Marketing Function

3.5.1 Resources

Respondents were asked to provide total marketing costs, separating out external spend, and to distinguish between marketing professionals and other staff in the function.

	Total marketing cost as % of revenue	External marketing spend as % of revenue	Total Staff in function	Marketing professionals
Small	9.3%	4.7%	2	1
Med	5.5%	3.5%	4	3
Large	1.7%	1.1%	30	22
All	**6.5%**	**3.7%**	**8**	**6**
Solutions	4.4%	2.5%	9	6
Infrastructure	2.2%	1.4%	14	11
Product	13.3%	7.0%	6	4
Technical Services	5.7%	4.4%	1	1
Consultants	3.0%	2.0%	1	0

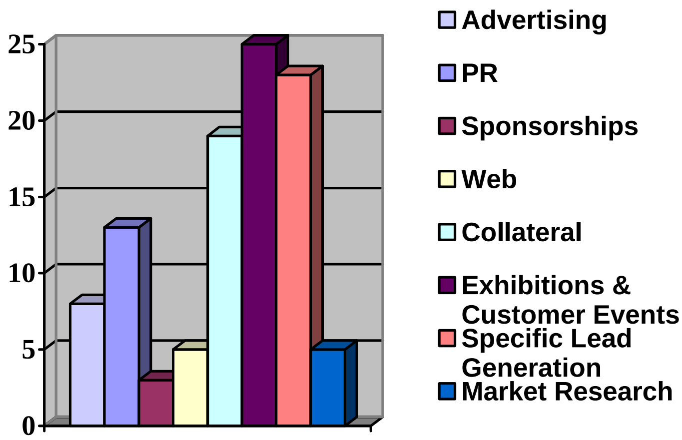
As with sales costs the extremes are explained by early stage Software Products companies (typically very high costs in both sales and marketing) contrasted against mature specialist Solutions companies in niche sectors that do not separate marketing as a cost though inevitably marketing activity takes place.

Large companies would appear to be spending less on marketing or be highly efficient. In practice though SBU's within a larger company typically receive corporate marketing services such as PR and advertising for which they are not directly charged.

3.5.2 Marketing spend breakdown

Respondents were asked to apportion there external spend among the categories shown below.

	Advertising	PR	Sponsorship	Web	Collateral	Exhibitions & customer events	Specific lead generation	Market research
Small	12	10	2	7	21	23	22	4
Medium	8	21	3	2	16	25	20	6
Large	2	11	7	2	20	28	22	8
All	**8**	**13**	**3**	**5**	**19**	**25**	**23**	**5**
Solutions	4	13	2	7	19	27	24	4
Infrastructure	10	13	7	1	17	28	19	7
Product	12	11	4	3	18	22	23	7
Technical Services	2	20	5	1	25	18	25	4
Consultants	19	15	0	12	21	17	16	0



Collateral, events and lead generation activities, such as direct marketing, account for the lion's share of external marketing spend. Companies clearly understand the return on face-to-face contact with customers and prospects and the importance of building relationships. The low spend on market research and, to a lesser extent PR, is surprising especially in the current market where precise segmentation and crisp value propositions are paramount.

3.5.3 Marketing staff profile

Respondents were asked to provide information regarding their marketing staff profile in terms of education, sex, background, training and staff attrition

	Male	Female	Graduate	Non-graduate	Training days pa	Attrition rate
Small	35%	65%	72%	28%	3	5%
Medium	40%	60%	67%	33%	7	31%
Large	49%	51%	75%	25%	7	7%
All	**40%**	**60%**	**71%**	**29%**	**5**	**10%**

	Marketing	Sales	Technical	Other
Small	60%	11%	10%	19%
Medium	75%	5%	2%	18%
Large	59%	8%	11%	22%
All	**64%**	**8%**	**8%**	**20%**

3.5.4 Marketing team structure and goals

All respondents were asked to describe the structure of their marketing team and how the team is goaled.

Structure	All respondents
Activity	55%
Business/product line	18%
Sector	18%
Combination	9%

The majority of companies structure their marketing teams by activity with typical responsibilities separated into planning/research, PR/communications and programmes

Goals	All respondents
None	14%
Overall SBU/company performance	23%
Specific marketing performance measures	17%
Task/deliverable related	46%

Only a minority of companies 17% goal their marketing teams on specific performance measures, ie volume & quality of leads generated, market visibility & awareness. The majority of marketing people are goaled on completion of tasks rather than outcomes.

3.5.5 Marketing remuneration and incentives

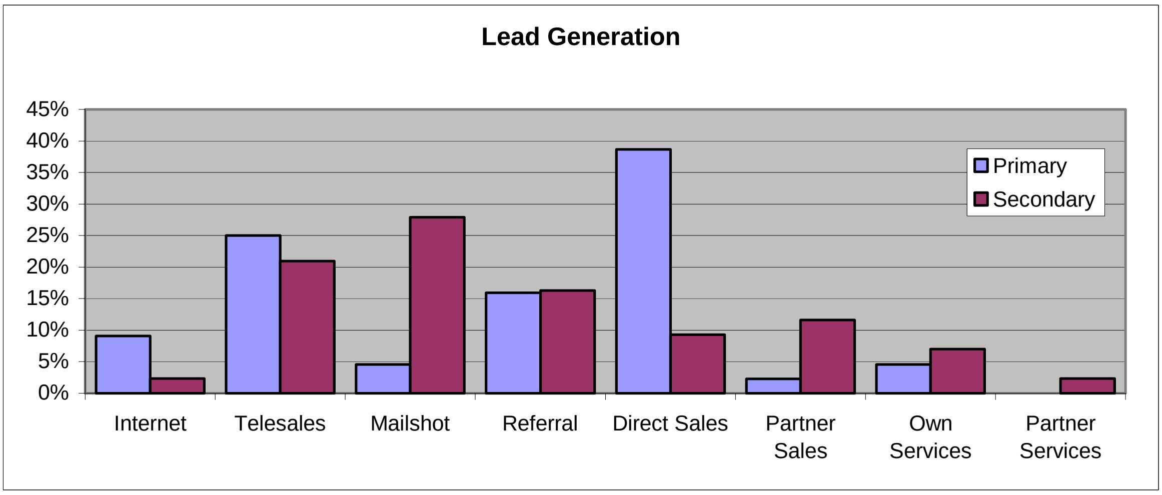
The remuneration data comprises base salary for marketing staff with a corresponding figure for on target earnings. Respondents were asked to provide the minimum, maximum and average for their teams. Additional benefits such as cars or car allowances are not included. Incentives for marketing staff are provided by 43% of respondents with overall company performance being the basis in 80% of cases.

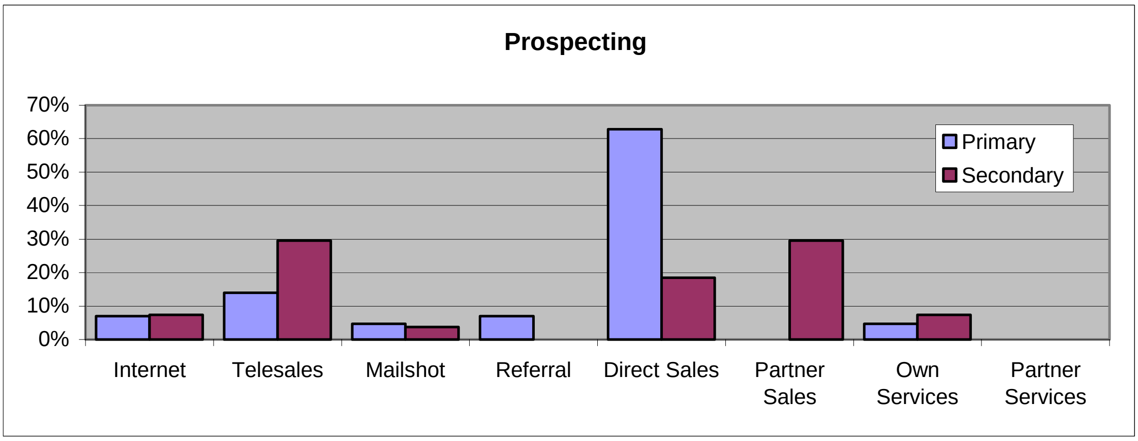
£K pa	Base Min	Base Max	Base Ave	OTE Min	OTE Max	OTE Ave
Small	22	46	32	23	54	33
Medium	27	46	35	29	49	38
Large	28	68	41	33	80	48
All	**25**	**53**	**35**	**27**	**59**	**38**

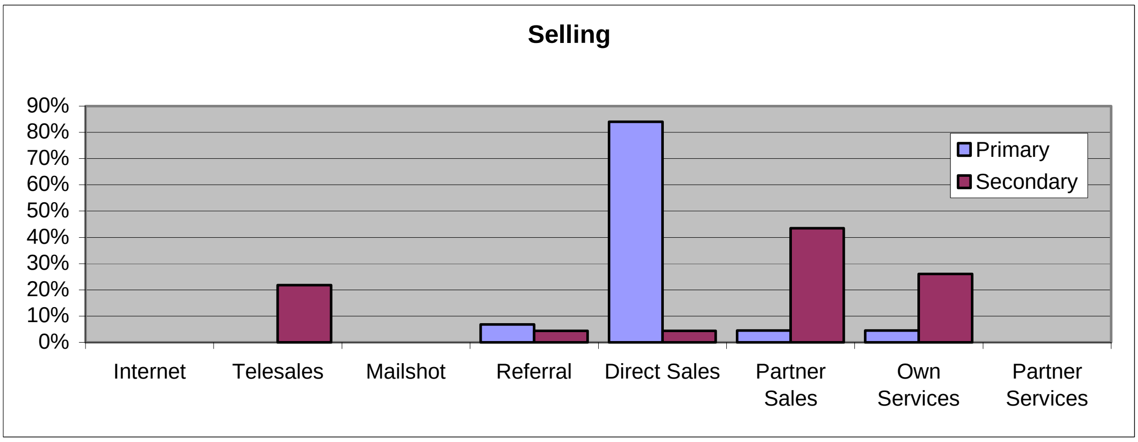
The data shows that of the three functions surveyed marketing teams contain the highest proportion of females and are the least well paid. OTE figures of £100k or more were reported by 3 companies. There was some evidence that companies investing heavily in marketing in terms of both high calibre professionals and significant budgets experience higher win rates.

3.5.6 Routes to market

Respondents were asked to identify their primary and secondary routes to market through for each of the selling cycle.







The key observation here is the extent to which direct sales is dominant throughout all phases which calls in to question how marketing resources are being utilised. There is however evidence of increased use of telesales/marketing for lead generation, which in may companies, is part of a marketing driven campaign.

3.6 Supplementary questions

3.6.1 Alliances

Respondents were asked whether they felt alliances were important to their business. Overall 84 percent said they were important to the business and a serious issue.

There were mixed reports regarding alliances with respondents stating that whilst a strategy existed, successful implementation had yet to be achieved. It was felt that the era of 'macho' alliances was coming to an end as they delivered very little value.

There is an increased level of realism about alliances. Most respondents were clear what they want from an alliance; generally this was improved market access. Smaller software firms felt an alliance with a recognised industry player would build their credibility with blue chip customers.

The comments below are examples of the spectrum of views on alliances.

"Currently tough to execute. Fewer pieces of business to share and everyone wants more! Alliance roles get cut first when the market tightens because they are hard to justify."
(Large solutions company)

"Partners are critical to our growth. However finding a major solutions partner who is impartial is still a big problem. Many are confrontational, selfish and have hidden agendas."
(Small software company)

"A deal does not equal a strategy. Not important to us and we tend not to do it.   There needs to be a compelling reason to do it and then the effort to make it work."
(Small solutions company)

"Waste of time. We do not see any benefit"
(Small solutions company)

"Partners currently difficult to deal with because they are internally focussed on their own problems and sorting out their business models"
(Medium sized infrastructure services company)

"Putting more management effort into it now having started with product partners first. Customers expect you to have an offshore development partner nowadays."
(Medium sized solutions company)

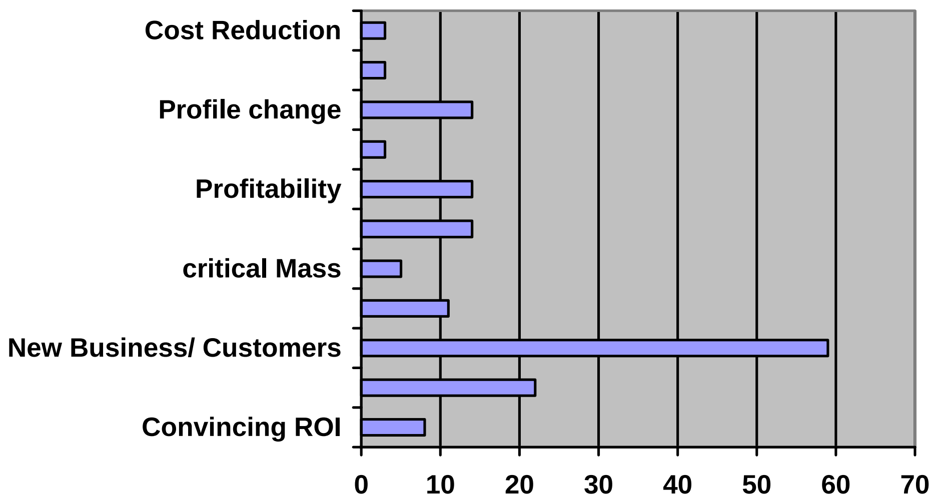
3.6.2 Head count freeze

Respondents were asked whether they had a headcount freeze. Overall 31% reported that a freeze was in place

This figure is lower then expected given the current market conditions. Many respondents said that whilst they are not actively recruiting if the right person comes along then they will recruit them regardless of any freeze.

3.7.2 Major factors important to the business

All respondents were asked to talk freely about the factors affecting their business. The main items are detailed below.



Winning and keeping new customers is paramount to business success. Many respondents commented on the need to get the balance between sales and marketing right and were concerned about the ability of the sales teams to convert opportunities into new business. Many raised the issue of not being able to create compelling 'Return on Investment' type propositions for the customers.