

CFO RESEARCH BRIEFING 2011



AN INDEPENDENT RESEARCH STUDY:

THE SENIOR FINANCE TEAM AND CORPORATE PURCHASING DECISIONS:

- ◆ **Product and Service Investment Plans**
- ◆ **Vendor Selection Process**
- ◆ **Impact of Media on the Decision Making Process**

About this Report

A new study conducted by Martin Akel & Associates on behalf of *CFO* magazine explored trends in the procurement of technology, financial services and other services by U.S. corporations. The study, “The Senior Finance Team and Corporate Purchasing Decisions: Product and Service Investment Plans, Vendor Selection Process, and the Impact of Media on the Decision Making Process” identifies the extent and types of purchases that companies will make, the role of the finance team in corporate purchasing decisions, the criteria used for vendor selection, and the trends and influence of various types of media on vendor choices.

Inside:

- **The Intentions of Corporate America to Make Necessary Investments in Systems & Services**
- **Trends in the Involvement of the Finance Team in Vendor Selection**
- **Criteria Used by Corporate Executives to Select Vendors**
- **How Corporate Executives Perceive Vendors and Measure Their Performance**
- **Trends in Media Usage by Executive Decision Makers**
- **The Use of Media by Corporate Executives to Research/Contact Vendors**

Executive Summary

SURVEY OBJECTIVES: This survey, based on the responses of 570 executives who are members of CFO Publishing's audience, sought to determine:

- The intentions of corporate America to *make necessary investments* in systems & services.
- The involvement of the *finance team* in vendor selection.
- *Criteria* used by corporate executives to select vendors.
- *Trends in media usage* by executive decision makers.

Findings

Levels and Types of Investments in 2011 & Beyond

Organizations will be most aggressive about making necessary investments in *IT for the finance function* and for *IT throughout their organizations* with more than half reporting that “all or most” investments will be made, and with nine of ten making IT investments overall. Also worth noting, two-thirds foresee increased spending in these areas over the next two years.

In addition, three-quarters will be making investments for *financial services*, 85% in *professional services* (e.g. consulting), and three-quarters in *business services* (e.g. business process outsourcing). A third of respondents project increases for these areas over the next 24 months.

The Role Of Finance Teams in Investment Decisions

As a result of the economic downturn finance teams now play an even more active role in spending decisions at three-quarters of the organizations surveyed.

In fact, nine of ten executives report that members of their company's finance team are now collaborating with business management on key issues affecting the selection of vendors.

- 98% collaborate on “developing/reviewing business and functional requirements.”
- 95% collaborate on “preparing/reviewing financial justification and ROI analyses.”
- 85% collaborate on “speaking with and evaluating prospective vendors.”

In addition, executives identified multiple situations that cause their firm's finance team to become involved in the vendor selection process. The top factors are “*purchases/investments that affect the way we conduct business*” (71%), and “*purchases/investments over a specific dollar amount*” (69%).

Roles Played by the Senior Finance Team in Determining Product/Service Investments

As expected, the senior finance team is most heavily involved in the selection of *IT for the finance function* (98%) and in the selection of *financial services* (96%). For both of these IT categories, half or more indicated that finance teams are involved throughout *all stages* of the purchasing decision.

For three other categories (*companywide IT, professional and business services*), half or more report that senior finance teams are involved in “*evaluating vendors and their proposals*” and in the “*final selections/approvals*.”

Criteria Used to Select Vendors

Executives rated 13 different factors on their importance in vendor selection. Based on a rating of “extremely important,” the most critical factors in vendor selection are.

1. *Vendor attention to the firm's specific problems and needs* (67%)
2. *Price/value relationship* (60%)
3. *Proven performance/reliability* (functionality, efficiency, productivity, ROI, etc.) (57%)

The Use of Media by Executive Decision Makers —and its Impact on Vendor Consideration

The survey also provides insights into key issues regarding the marketing of products and services to senior executives.

Executives identified the types of media that they currently use and projected how usage will change over the coming years. Engagement with online media is on the upswing, but executives continue to value and utilize print publications in their work.

Media, as well as branding, also plays a role in executives' consideration of vendors. Executives are most likely to contact vendors with whom they've previously done business but are positively influenced by ads and other media exposure to brands with whom they haven't worked.

Survey Objectives

As American business emerges from the economic slowdown, *CFO* magazine benchmarked the trends affecting vendors who sell products, systems and services to U.S. corporations. An independent research project was undertaken, which sought to determine:

- The intentions of corporate America to *make necessary investments* in systems & services.
- Trends in the involvement of the *finance team* in vendor selection.
- *Criteria* used by corporate finance executives to select vendors.
- How corporate finance executives *perceive* vendors and *measure* their performance.
- *Trends* in media usage by executive decision makers.
- The impact of media on corporate finance executives' *consideration of vendors*.

RESPONDENTS' DEMOGRAPHICS

Titles: Three-quarters (77%) of survey respondents indicated that they are in financial management roles, with 34% holding the title of CFO. The balance is comprised mostly of other senior executives (presidents, CEOs, COOs, owners, etc.).

Types of Businesses: Respondents' companies span a wide range of industries, led by financial/real estate and insurance services (18%), auto/industrial/ manufacturing (16%), wholesale/retail trade (10%), and business professional services (9%).

Annual Worldwide Sales Revenues: The average sales revenue of respondents' firms is \$1.8 billion (median = \$203 million) with all respondents working at firms having sales revenues of \$10 million or more.

Research Methodology

The online research project, sponsored by *CFO* magazine, was conducted independently in July, 2011 by Martin Akel & Associates (Chester, NJ, USA).

The study reflects the opinions and activities of 570 U.S. corporate executives. Each respondent was a member of the *CFO* Publishing audience (e.g., a subscriber to *CFO* magazine and/or a registered user of *CFO's* website, *CFO.com*). Margin of error at the 95% confidence level = +/-4.1%.

I. Trends in Investments with Vendors; the Role of the Finance Team in Vendor Selection

A. Intentions to Make Necessary Investments in Systems & Services

1. **Level of Investments in 2011:** Executives described their companies' *current actions* regarding necessary investments in specific systems and services.

Organizations will be most aggressive about investments in *IT for the finance function* and for *IT throughout their organizations*, with more than half reporting that "all or most" investments will be made, and with nine of ten making IT investments overall.

In addition, three-quarters (73%) will be making investments for *financial services*, 85% in *professional services*, and three-quarters (72%) in *business services*.

WHICH BEST DESCRIBES YOUR COMPANY'S ACTIONS THIS YEAR ABOUT MAKING NECESSARY INVESTMENTS IN EACH OF THE FOLLOWING AREAS? (ANSWER="MOVING FORWARD WITH")

Product/Service	All Investments	Most Investments	Sub-Total	Some Investments	Sub-Total	No Investments
a. IT for the finance function	31%	22%	53%	37%	90%	10%
b. IT for use throughout your company	29%	27%	56%	37%	93%	7%
c. Financial services	24%	16%	40%	33%	73%	27%
d. Professional services	25%	21%	46%	39%	85%	15%
e. Business services	18%	15%	33%	39%	72%	28%

2. Trends in Future Investments:

Over the next two years ...

- Approximately two-thirds (60%) foresee increased spending on IT for the finance function and 70% expect increased spending for IT throughout their organizations. Very few anticipate decreases.
- A third (32%) project increases for financial services, 34% for professional services, and 37% for business services over the next 24 months. Only a minor number foresee decreases.

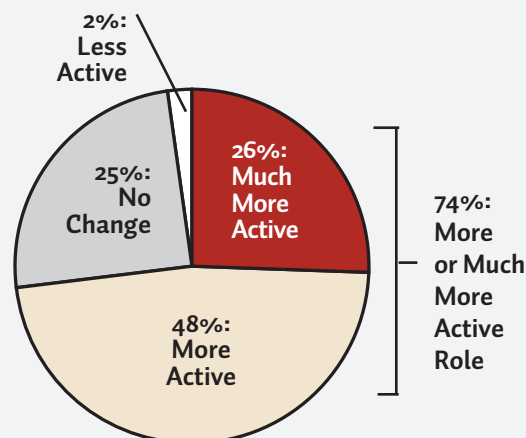
3. Frequency of the Finance Team Collaborating with Business Management:

Nine of ten executives report that members of their company's finance team are now collaborating with business management on key issues affecting the selection of vendors.

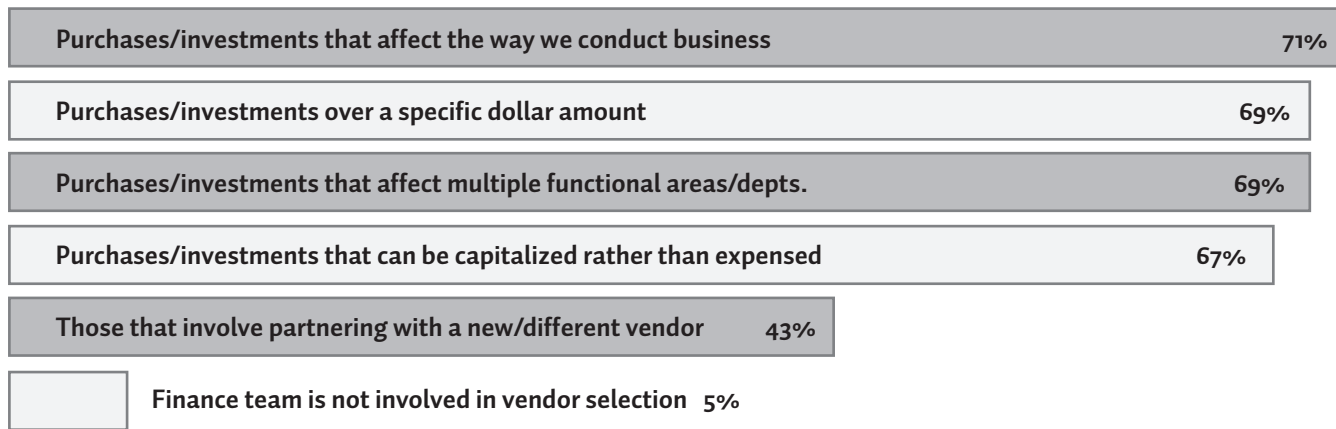
- 98% collaborate on "developing/reviewing business and functional requirements."
- 95% collaborate on "preparing/reviewing financial justification and ROI analyses."
- 85% collaborate on "speaking with and evaluating prospective vendors."

TRENDS IN THE INVOLVEMENT OF THE FINANCE TEAM IN VENDOR SELECTION

1. **The Role of Finance Teams in Spending/Investment Decisions:** As a result of the economic downturn --three-quarters of the organizations (74%) finance teams now play an even more active role in decisions affecting spending on products, systems and services.



CHECK ALL THE SITUATIONS THAT CAUSE YOUR FIRM'S FINANCE TEAM TO BECOME INVOLVED IN THE VENDOR SELECTION PROCESS



4. Situations that Cause Finance Teams to Become Involved in Vendor Selection: Executives identified an average of more than three distinct situations that cause their firm's finance team to become involved in the vendor selection process. These situations are led by "purchases/investments that affect the way we conduct business" (71%), and "purchases/investments over a specific dollar amount" (69%).

5. Levels of Expenditures that Cause the Involvement of Finance Teams: As shown above, two-thirds of respondents (69%) indicated that their finance teams become involved in vendor selection when the investment is "over a specific dollar amount."

At those companies, a quarter (25%) start involving their finance teams with investments of less than \$10,000. Almost half (44%) involve the teams with investments of less than \$25,000. And two-thirds (60%) involve the teams with investments of less than \$50,000.

6. Roles Played by the Senior Finance Team in Determining Product/Service Investments: As expected, the senior finance team is most heavily involved in the selection of *IT for the finance function* (98% involved) and in the selection of *financial services* (96% involved). For both of these categories, half or more indicated that finance teams are involved throughout *all stages* of the purchasing decision.

For the other three categories (companywide IT, professional services and business services), half or more report their senior finance teams are involved in "evaluating vendors and their proposals" and in the "final selections/approvals."

PLEASE CHECK ALL THE ROLES YOUR FIRM'S SENIOR FINANCE TEAM USUALLY PLAYS IN INVESTMENTS FOR THE FOLLOWING TYPES OF PRODUCTS AND SERVICES

Product/Service	Prepares Business Case	Evaluates Vendors	Recommends Vendors	Final Selections/ Approval	Sub-Total	Not Involved
• IT for the finance function	66%	69%	51%	80%	98%	2%
• Financial services	64%	66%	52%	76%	96%	4%
• IT for use throughout your company	39%	49%	23%	70%	94%	6%
• Business services	40%	54%	33%	70%	92%	8%
• Professional services	40%	55%	34%	68%	90%	10%

CONCLUSIONS/RECOMMENDATIONS

Most businesses surveyed are *moving forward* this year with necessary investments in specific products and services. And between a third and two-thirds project their *spending will increase* over the next 24 months for the products and services studied.

However, although purse strings are opening, the landscape has changed regarding the *role of firms' finance teams*. At most firms, these teams now play a *more active role* in the decision process, collaborating directly on investment issues with business managers. And finance teams are often involved in vendor selection in *multiple stages* of the purchasing process — especially in *final* decisions.

Therefore, even with a more optimistic outlook for spending, the increasing involvement of the *finance team* requires vendors to *build strong marketing and sales relationships* with these finance executives.

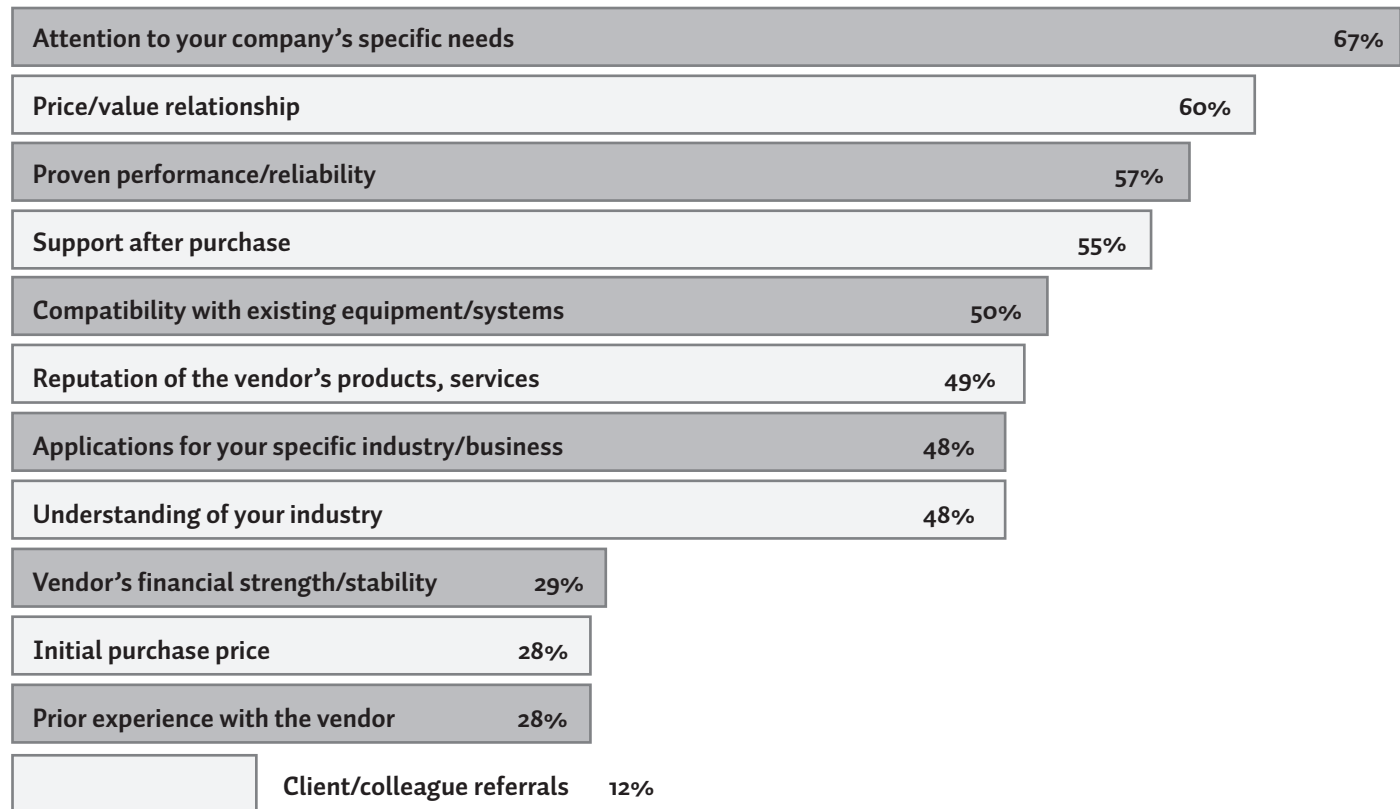
II. Criteria Used to Select Vendors; Perceptions & Measurements of Vendor Performance

Criteria Used to Select Vendors: Executives rated 13 different factors on their importance in vendor selection for their companies. Based on a rating of “extremely important,” the most critical factors in vendor selection are:

1. Vendor attention to the firm’s specific problems and needs (67%) extremely important.
2. Price/value relationship (60%)
3. Proven performance/reliability (functionality, efficiency, productivity, ROI, etc.) (57%)

Of note: while “price/value relationship” is the second most important factor, “initial purchase price” ranks #10, with only 28% rating it as “extremely important.”

PLEASE RATE THE FOLLOWING FACTORS ON THEIR IMPORTANCE IN SELECTING VENDORS OF PRODUCTS, EQUIPMENT, SYSTEMS AND SERVICES FOR YOUR COMPANY: (ANSWER=“EXTREMELY IMPORTANT”)



How Vendors Could Improve Service to Customers:

Executives commented on how vendors can serve customers better. Sample comments are shown below. The

comments are common to all types of vendors studied (IT, financial, business and professional services). Remarks by type of vendor are available in the full research report.

1. The Vendor's Staff - Greater Knowledge is Needed

- "Assign knowledgeable staff - not 'rookies' that are learning the product on the job."
- "Sales people should have a better understanding of (what) they are selling so they don't promise things that it really can't do."
- "Having those with significant industry-specific experience."

2. Vendors Must Customize Their Approaches to Customers' Needs

- "Drop the company sales speech. Concentrate on showing you understand our business."
- "Focus more on the client's real problem and not just what you think your product can do."
- "I don't care what is most convenient for the vendor's implementation team, I need the right customization (for) my business."

3. Vendors Must Improve the Way They Communicate

- "Speak in English - (technical) talk can lead to misunderstanding around business requirements."
- "Clear ROI case."
- "Listen and evaluate customer needs. Respond to what customer needs now."

4. Vendor Ethics/Performance - Room for Improvement

- "Honesty regarding the product's capabilities."
- "Be more open about the issues that could occur after the product or service is implemented."
- "Act like a partner, helping from implementation to manage the process after."

5. Technical Improvements

- "Better ability to integrate with (our) systems."
- "Online info. that is easy to navigate; tired of getting a "747" menu when I just need a 'Piper Cub'."
- "Focus on doing things simpler."

6. Reporting Improvements

- "Ability to easily pull custom reports."
- "Dashboard reporting of productivity and service level achievement."
- "Assist organizations in quantifying the benefits of vendor product implementation."

7. Support/Customer Service - the Need to be There Post-Sale

- "If I can have one point of contact, I don't have to explain my problems to ten different people."
- "Get aggressive, and be responsive to our needs and requests."
- "Increased sense of urgency."

8. Pricing Issues

- "Be more specific and transparent on pricing."
- "Provide total cost of ownership data."
- "Stop trying to charge for every single type of transaction."
- "Help illustrate the price/value for the expenditures."

Metrics Used To Gauge ROI from Investments in Products, Systems, Services: Executives also commented on the metrics used to gauge ROI. Sample comments are

shown here. The comments are common to all types of vendors studied. Remarks by type of vendor are available in the full research report

1. Whether Performance was Achieved as Promised

- “Did this vendor provide the service as it was sold to us in their presentation?”
- “Achievement of all functionality expected at time of purchase ... check off the list.”
- “Meets proposed objectives on budget and on schedule.”

2. Enhancements In Productivity/Efficiencies

- “Overall impact on the organization’s streamlining its business.”
- “Are we processing faster? Are we getting more information?”
- “Are we receiving a competitive ROI compared to other products?”

3. Labor Savings/Increased Speed

- “What processes or positions were reduced or eliminated?”
- “Delivered labor savings and speed of completion of automated tasks.”
- “Turnaround time to complete tasks, processes, and procedures.”

4. Acceptance/Use by Staff & Customers

- “User surveys and time studies.”
- “Behavioral changes in the users, productivity improvements.”
- “Customer satisfaction scores.”

Ease Of Use

- “Does it work with minimal disruption to personnel performing their assigned tasks?”
- “How well it meets our needs to keep our business going without too much aggravation”
- “How much effort does it take to make it work?”

5. Increased Revenues

- “Customers gained based on service provided compared to cost to implement.”
- “Number of new contacts, business volumes.”
- “Try to link the specific change/improvement to revenue/profitability.”

6. Cost Reductions; Financial Issues

- “Number years pay back.”
- “Actual cost vs. planned cost.”
- “Hard savings recognized only; not interested in soft savings such as ‘reduced time to process a PO’”

CONCLUSIONS/RECOMMENDATIONS

Executives utilize *specific criteria* to select vendors. Chief among them are the vendor’s attention to the firm’s needs, price/value relationship, proven performance, and support after the purchase.

Of significance - many of these same criteria are where executives feel *vendors need to improve*. And those same areas are also reflected in the *metrics* buyers use to gauge ROI from their investments.

Therefore, these issues should be taken into account by vendors as they develop their relationships and communications programs. Those suppliers who feel they *already have strong offerings*, should make these facts known marketwide, for they will be welcomed by today’s business executives as they select vendor partners.

III. Trends in Media Usage by Executive Decision Makers

Number of Publications Read: Overall, virtually all business executives surveyed (99+%) read professional magazines, journals and/or newspapers, an average of 7.5 publications each month, in print and/or digital format. Across the four types of publications studied, “corporate finance magazines/journals” are read by the highest number of respondents (98%).

The Desirability of Print Publications: Virtually all executives (96%) value *print* magazines and journals. The top characteristics

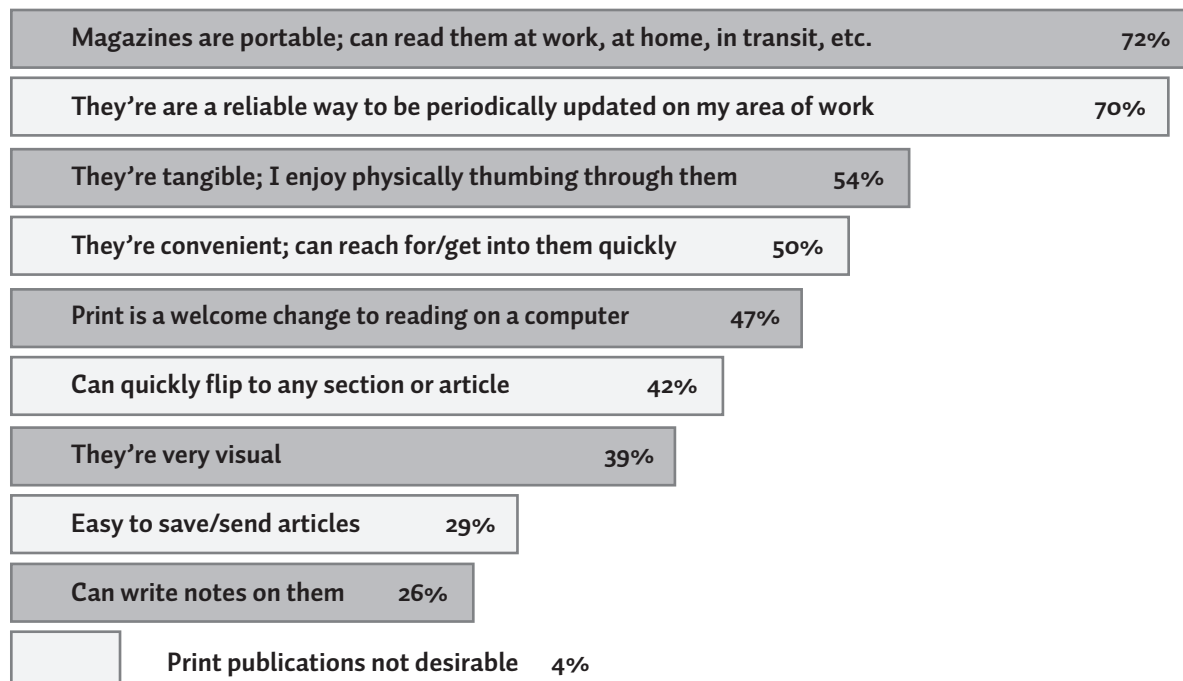
that make print publications desirable are that “they’re portable” (72%), “magazines are a reliable way to be periodically updated on my area of work” (70%), and “they’re tangible” (54%).

C. Trends in the Amount of Time Spent with Magazines & Journals: Compared to 3 - 4 years ago, 80% indicate that their readership of professional magazines (including print and online editions) has *increased* (50%) or *remains the same* (30%), with only 20% indicating a decrease.

And over the next 2 - 3 years, 87% project that their readership will *increase* (36%) or *remain the same* (51%) while only 13% anticipate a decline.

Type of Publication	Percent of Respondents Who Read	Average Number of Publications Read
• Corporate finance magazines/journals	98%	2.2
• Newspapers having business content	93%	1.9
• Other magazines/journals specific to their industry	92%	2.1
• General business magazines/journals	88%	1.7
• Total, All Publications	100%	7.5

PLEASE CHECK ALL THE CHARACTERISTICS OF PRINT MAGAZINES/JOURNALS THAT MAKE THEM A DESIRABLE WAY FOR YOU TO ACCESS INFORMATION



Trends in The Engagement with Digital and Event Media: Executives indicated how their use of, or attendance at, 11 distinct digital and event media will change in the next 1 - 2 years.

In virtually all cases, use/attendance will either increase or remain the same. The only exception is “*vendor exhibits at trade shows*”, where a decline of 24% is anticipated

HOW WILL YOUR USE OF EACH OF THE FOLLOWING DIGITAL AND EVENT MEDIA LIKELY CHANGE OVER THE NEXT 1 – 2 YEARS?

Medium	Significant Increase	Increase	Subtotal	No Change	Decrease + Significant Decrease
• Online webcasts/webinars	17%	63%	80%	18%	2%
• Websites from professional publications	8%	63%	71%	28%	2%
• E-newsletters	7%	56%	63%	33%	4%
• Online white papers	8%	51%	59%	40%	1%
• Online videos	7%	49%	56%	40%	4%
• Websites for your field not affiliated with industry publications	5%	48%	53%	45%	2%
• Online social networks/forums	7%	42%	49%	47%	4%
• Websites from specific vendors	5%	42%	47%	51%	2%
• Online product buyer’s guides/directories	4%	31%	35%	61%	5%
• Face-to-face conferences/seminars	4%	21%	25%	53%	22%
• Vendor exhibits at trade shows	1%	7%	8%	67%	24%

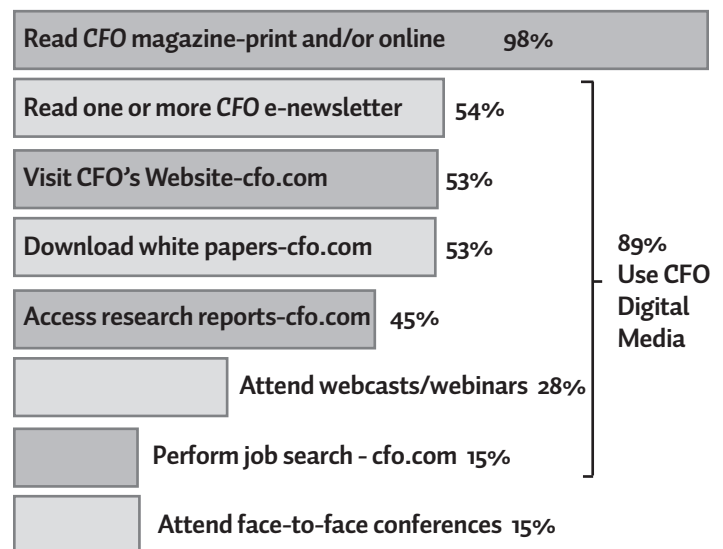
Engagement with Multiple Media: An example of the broad range of media that executives are involved with are the media available from CFO Publishing. The typical audience member is engaged with an average of 4.0 different media produced by the brand.

CONCLUSIONS/RECOMMENDATIONS

Virtually all executives *continue to read* professional publications. Readership, versus the past and expected into the future, *remains strong*. Therefore—despite the opinions of some marketers, professional *publications* (including print and online editions) continue to be an effective medium for *making ongoing contact* with senior managers who make vendor selections.

Along with the continued strength of *print publications* and *face-to-face conferences*, a wide variety of *digital media* will increasingly become effective elements in the media mix.

PLEASE CHECK ALL THE MEDIA FROM CFO PUBLISHING THAT YOU HAVE ENGAGED WITH OR EXPECT TO ENGAGE WITH IN THE NEXT 12 MONTHS:



IV. The Impact of Media on Corporate Finance Executives' Consideration of Vendors

A. Types of Vendors Likely to be Evaluated When

Conducting Online Searches: Respondents were asked "When your online searches for products/services/vendors result in a sizable list of potential suppliers, how likely are you to investigate the following types?"

Overwhelmingly, they first investigate products/services from vendors with whom they've *previously done business* (93%).

But of the remaining options, they are more likely to examine vendors they *haven't had contact with, but who they've come to know via ads, online conferences, trade show exhibits, white papers, webcasts, etc.* That is, 76% are likely to investigate companies they've become familiar with via communications programs -- companies that have previously "*branded*" the buyers.

Conversely, only 38% are likely to seek more information about vendors they've "*heard of but are not really familiar with,*" and only 29% are likely to do so with vendors they've "*never heard of.*"

Therefore, the *branding* of companies/products/services *prior* to and *together with* the use of search marketing, is essential in the effective use of that activity.

B. The Media that Influence Buyers to Research and Contact Vendors: Executives indicated that in the past two years, a wide range of media have influenced them to research and/or contact vendors. On average media executives indicated that 5+ media types caused them to take action.

- In-person seminars/conferences 62%
- Colleagues in your company 57%
- Recommendations from outside your company (incl. social media, etc.) 52%
- Ads in magazines/newspapers 52%
- Online webcasts/webinars 47%
- "Thought leadership" articles/white paper 42%
- E-newsletters 41%
- Independent research 40%
- Emails from vendors 34%
- Trade show exhibits 30%
- Direct mail from vendors 22%
- Blogs or other online reviews 18%
- Online videos, streaming media 14%
- Promotion on vendor websites 14%
- Ads on websites 12%
- Press releases from vendors 7%
- Ads on mobile devices 5%
- **Subtotal, Taking Action 97%**

WHEN YOUR ONLINE SEARCHES FOR PRODUCTS/SERVICES/VENDORS RESULT IN A SIZABLE LIST OF POTENTIAL SUPPLIERS, HOW LIKELY ARE YOU TO INVESTIGATE THE FOLLOWING TYPES?

Type of Vendor	Very Likely	Likely	Subtotal	Somewhat Likely	Subtotal	Not Very Likely
a. Vendors you've <u>done business</u> with before	61%	32%	93%	5%	98%	3%
b. Vendors with whom you haven't had contact, but you're <u>familiar with them</u> via print & online ads, conferences, trade show exhibits, white papers, webcasts, etc.	17%	59%	76%	22%	98%	2%
c. Vendors you've <u>heard of</u> before, but you're <u>not really familiar</u> with them	7%	31%	38%	52%	90%	10%
d. Vendors who offer the products/systems/services you're seeking, but you've <u>never heard of them</u>	7%	22%	29%	43%	72%	28%

C. The Level to Which Buyers are Branded - Single vs. Multiple Media: The majority of executives believe that when vendors use *multiple* types of media to make contact with them (via publications, third party Websites, newsletters, events, etc.), they will be moved to the *product adoption process* much more quickly.

For example, almost three-quarters (70%) believe that contact via *multiple* media make them more likely to “*remain aware of the supplier*” and almost two-thirds (60%) are more likely to “*contact that vendor when beginning to evaluate their class of product/service*” (i.e., sales leads).

A VENDOR CAN USE EITHER A SINGLE MEDIUM TO EDUCATE YOU ABOUT THEIR COMPANY OR THEY CAN USE MULTIPLE TYPES (PUBLICATIONS, WEBSITES FROM THIRD PARTIES, NEWSLETTERS, EVENTS, ETC.). WHEN CONTACTED VIA MULTIPLE MEDIA, ARE YOU MORE OR LESS LIKELY TO ...

Stages In The Product Adoption Process	Much More Likely	More Likely	Subtotal	No Difference	Less Likely + Much Less Likely
a. Remain aware of the supplier as an alternative vendor	12%	58%	70%	28%	2%
b. Form lasting perceptions about their features and benefits	8%	43%	51%	46%	3%
c. Position their products/services in your mind versus competitive products/services	5%	47%	52%	45%	3%
d. Contact that vendor when you begin evaluating their class of product/service	8%	52%	60%	38%	2%

CONCLUSIONS/RECOMMENDATIONS

Building brand clarity impacts the vendor choices that senior executives make.

When *multiple* media are used, executives are likely to move through the brand adoption process *far more quickly*.

Therefore, the use of *integrated* marketing programs that include magazines, digital media and in-person events, will have a significant impact on a vendor’s ability to *drive executives* through the purchasing cycle.

**Ask Your CFO Representative for Complete Survey Results:
 “The Senior Finance Team and Corporate Purchasing Decisions”**