

# Analyst Launchpad



UNIVERSITY OF EDINBURGH  
Business School

tech<sup>UK</sup>

## **FAQ: What should companies know?**

### **What is the 'endorsement economy'?**

The 'endorsement economy' captures the idea that market actors provide assurances about the viability or value of a venture and play a role in helping to realise that value through championing a venture.

### **What are industry analysts?**

Industry analysts are in the business of shaping the technological and economic future. In just a few short years, they have developed a surprising degree of authority over technological innovation. They attempt to:

- Predict what will become the next big thing
- Spot new emerging trends and paradigms
- Decide which hi-tech products will win over others
- Figure out which technology vendors can deliver on their promises.

### **Why does the endorsement economy matter for tech businesses?**

With the accelerated pace of digital innovation and the added impetus from the appearance of lightweight technologies such as 'apps', important technological developments now come to prominence quickly and often from outside the large vendor labs. Start-ups and SMEs are emerging as crucial drivers of innovation.

Recognising this shift, there is a growing trend among analyst firms to discover and promote innovative, impactful and intriguing companies which currently remain under the radar. For example, the leading analyst firm Gartner has a category for potentially transformative start-ups labelled 'Cool Vendors'. HfS and Aragon Research have similar 'Hot Vendor' designations. There is also the proliferation of specialist analyst services sold to equity investors (IDC Private Vendor Watch Service, 451 KnowledgeBase, Ovum's Investment Tracker, etc.) which aim to introduce investors to intriguing new ventures.

Research by the Analyst Observatory of the UEBS and the IIAR show that industry analysts are becoming important influencers of company's sales and investment potential,

particularly for start-up and SME segments. For example, nearly 60 per cent of all enterprise software sales are influenced by industry analysts, driven through press/opinion influence, written research, and recommendations to tech buyers and investors.

The UK is recognised among the most vibrant places in the world for innovation and the creation of tech start-ups. However, its new enterprises are often unable to take the next important step. Too many start-ups start, but never scale.

A mounting evidence suggests that utilisation of these industry analyst firms for scaling-up and internationalisation can offer real benefits for start-ups and SMEs through increased attention and essential forms of 'credentialising'. Since industry analyst outputs are widely read by technology adopters and investors, those pitching to industry analysts can gain greater 'visibility', 'sales enquiries', and 'investment'. Importantly, the Analyst Observatory of the UEBS also reports that UK firms which manage to get under the radar of the analyst firms typically have higher average survival rate.

As a result, pitching to analysts is quickly becoming recognised as a critical practice in fiercely competitive tech markets where attention gets funneled to some enterprises and away from others. In particular, it is a crucial step in the early life of a digital venture which aims to scale but still lacks credibility. Success in overcoming this hurdle can determine whether venture grows or not.

Due to the lacking legacy of engaging with industry analysts, the UK's start-ups and SMEs are often at a disadvantaged position and there is a steep learning curve needed for UK tech companies in order to get them into the radar of global analyst firms. This includes, among other things, understanding the importance of analyst relations, their impact on growth, the benefits they can bring, and the right strategies to engage them.

With the barriers to digital innovation continuing to come down and competition between tech businesses increasing, enterprises that are connecting with analysts will continue to do well. However, those failing to do so will be put at a disadvantage, losing out on finding new customers, attracting further investment, and reaching international markets.