

# Strategic Guide to Creating a World Class Customer Advisory Board Program

This paper is authored from CustomerAdvisoryBoard.org industry association research including the CAB Manager Industry Surveys, Maturity Benchmark Model, sessions presented at the Annual Conference and discussions held during the Quarterly Conference Calls.



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## What is a Customer Advisory Board?

A Customer Advisory Board (CAB), also known as a Executive Advisory Council, is a type of B2B sales & marketing program. The program involves regularly convening a small group of influential customers who have a vested interest in helping to shape the host company's strategy. A well-designed customer advisory board will provide a forum for peer networking, while enabling all members to develop solutions to grow their businesses.

## Why Create an Advisory Board?

Business is personal. Now more than ever it's imperative to build deeper relationships with your top customers. It's well known that your top 20% of clients typically generate 80% of your revenue. Engaging key players in these accounts through Customer Advisory Councils will deliver:

- Early warnings of shifts in customer needs and emerging opportunities (Market Research)
- New Product Development feedback (Innovation)
- Less customer attrition and churn, especially among CAB members (Customer Loyalty)
- Advice on approaching and appealing to similar customers, including referrals (Sales)
- Intelligence on competitor's tactics and strategies - what's working and what's not (Market Intelligence)
- Development of Customer Advocates/Brand Ambassadors (Marketing)

A Customer Advisory Board can drive significant new revenue IF managed effectively.

## Challenges in Creating an Advisory Board

Designing and running a world class Customer Advisory Council is not an easy task. The main challenges include:

- Developing a shared vision or theme, for the host company and the members to rally around
- Creating an effective charter that is based on best practice
- Recruiting the best members to the board, by reaching up the corporate ladder
- Creating a relevant and powerful agenda
- Running a successful facilitated meeting, that is not be perceived as a thinly veiled sales pitch

- Creating actionable insight reports following a meeting, that can be used in decision making across the organization
- Balancing the need for regional and global CABs
- Securing the appropriate level of executive support and subject matter expertise
- Keeping the members engaged throughout their membership tenure, not just through the annual meetings

## Types of Customer Advisory Boards

There are two main types of Customer Advisory Board:

<i>Type</i>	<i>Executive Advisory Board</i>	<i>Product Advisory Board</i>
<i>Purpose</i>	Overcoming strategic challenges facing both vendor & customer	Improving a product and its delivery
<i>Composition</i>	Senior level decision makers in customer base	Most influential and knowledgeable product users in customer base
<i>Executive Sponsor</i>	Sales/Marketing	Product Management
<i>Organized by</i>	Industry	Product

Advisory boards can also be composed of non-customers:

<i>Type</i>	<i>Partner Advisory Board</i>	<i>Prospect Advisory Board</i>
<i>Purpose</i>	Growing partner channel revenue	Penetrating a new market segment
<i>Composition</i>	Senior level decision makers at top partners within partner channel	Senior level decision makers at potential customers
<i>Executive Sponsor</i>	Partner Management	Sales/Marketing/Product Management
<i>Organized by</i>	Geography	Industry

In addition to the above types of advisory board, large programs often implement a 'Alumni' Advisory Board to help retire CAB members who have served their term. The alumni CAB can provide valuable insights to an organization, its membership can scale beyond the size of a traditional CAB and tenure is longer, as there are far less responsibilities and commitments for both the members and the corporation.

## CAB Costs & Benefits (ROI)

Creating a successful customer advisory board is a long-term process that yields many different benefits along the way, as illustrated below:

<b><u>STRATEGY</u></b>	<b>Target # per year</b>	<b>Business Value</b>
Validation of strategic planning for business development, marketing, M&A.		\$
New Business Concept or Market Segment		\$
Resolution of Strategic Challenge		\$
<b><u>SALES</u></b>		
Deeper relationships with senior leaders in key accounts		\$
Referrals to new prospects		\$
Increased average customer spend through cross/up sell opportunities		\$
Higher renewal rates (less churn with CAB members)		\$
Reference fulfillment		\$
<b><u>MARKETING</u></b>		
Branding and positioning revisions		\$
New Value Proposition development		\$
Marketing spend and marketing mix		\$
Analyst Briefing/ Speaking opportunity		\$
Case Study/Press Release		\$
Competitive Intelligence Insights		
<b><u>PRODUCT</u></b>		
New Product Innovation		\$
Beta Program Volunteer		\$
Cost Saving		\$
Validation of Product Roadmap		\$
<b><u>CUSTOMER SATISFACTION</u></b>		
Increase Net Promoter Score or other metric		\$
Increase customer loyalty		\$
Faster problem resolution through senior executive access in both organizations		\$
<i>TOTAL BUSINESS BENEFITS</i>		\$

**Costs:**

Annual 2 day meeting including hotel catering, meeting facilities, accommodation, travel and social event.	\$40 - \$70k
Consultant to design CAB, manage recruitment, facilitate meeting and engage company and members following the meeting	\$ Variable
Materials development & branding	\$5k
Technology to manage CAB and members online	\$2k
<i>Total Annual Budget</i>	<i>\$100k+</i>

**Role of CABs in Overall Customer Engagement Strategy**

An advisory board (also known as an advisory council) is one of many customer-marketing programs available to B2B organizations. The following chart describes the two main types, namely Executive Engagement and Customer Engagement. A Customer Advisory Board is often the most effective Executive Engagement program available to drive loyalty, grow sales, create thought leadership and help penetrate new markets.

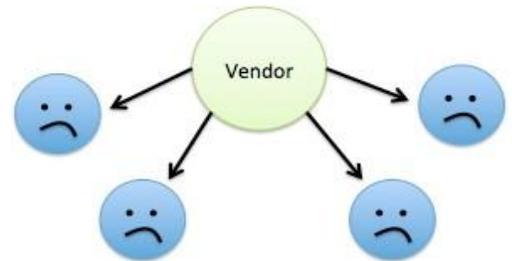
Type	Audience	Level	Programs	Outcomes
Executive Engagement	C-level or VP	Strategic	Customer Advisory Board Executive Sponsor Program Executive Summit/Forum Executive Voice of Customer	Loyalty Grow Sales Thought Leadership Develop New Markets
Customer Engagement	Manager or User	Operational	User Group Voice of Customer Customer Reference Program Customer Symposium	Customer Insights Customer Satisfaction Customer References

## Benchmarking CAB Performance

The following scale can be used to rank and compare performance of poorly designed to world-class advisory board programs.

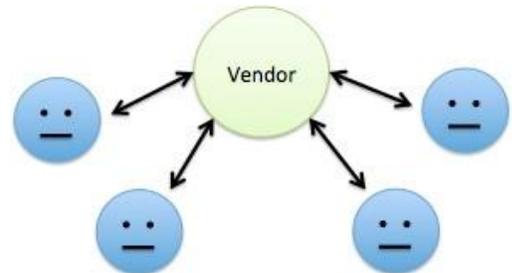
### Level 1: Vendor presenting 80% and listening 20% of time.

This is a poorly executed advisory board that has been convened without the necessary research into top of mind topics for members in advance. The vendor is left to do all the talking due to a lack of insight into the board member's challenges in advance. The vendor struggles to get 12 people to attend a meeting from a pool of 30, and the members typically delegate their attendance to more junior colleagues.



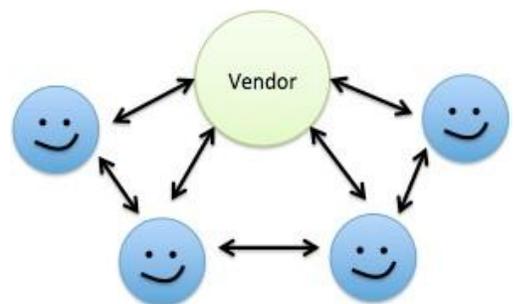
### Level 2: Vendor presenting 50% and listening 50% of time.

The board has yet to develop trust and the agenda touches on challenges that members face, but the skills of facilitators and the structure of the agenda does not allow for in-depth discussion between members. The organization is able to convene 12 people on a regular basis from a pool of around 20.



### Level 3: Vendor listening 80% and presenting 20% of time.

This represents a well-designed Customer Advisory Board. The company has selected hot topics that are top of mind for members. The facilitator ensures that each member's opinion is heard and that vendor presentations are kept to a minimum to allow for more member discussion. The organization is able to convene 12 of all 15 members, without any delegation of membership. All attendees are the most senior customer executives in the account. Sub-committees chaired by advisory board members with work streams outside of CAB meetings are addressing strategic challenges facing the organization. A clear ROI exists from CAB activity and C-level executives internally and externally make reference to CAB insights during their decision-making. External consultants typically manage Level 3 customer advisory boards, or CAB Managers with prior experience managing CABs at Stage 2.



## Organizational Structure Required to Support a CAB

World-class customer advisory boards typically have the support of multiple stakeholders across the organization:

Role	Responsibility	Time Commitment
Core Team & optional External Consultant	Design, Development, Implementation, Communication, Reporting	Weekly
Steering Committee	Cross functional team (sales/marketing/product) reviews progress and offers guidance	Monthly (relied on heavily during recruitment phase)
Subject Matter Experts	Advise on specific agenda topics and Sub-committee work streams	Bi-monthly
Invested Leadership	These are ambassadors who should be aware of progress for counsel and access to resources	Quarterly
Executive Sponsor	C-level executive provides direction and ensures organizational commitment	Quarterly

## Methods to Improve and Existing CAB

Best practices, templates, and a proven process are required to overcome the challenges typically facing organizations with poorly performing customer advisory boards.

1. **Getting the right team members:** Recruiting the right executives from the customer base is no easy task. Have you developed an effective plan and communication program to recruit and keep the right members?
2. **Having the right conversations:** How are you organizing your agenda to make sure you get the most from the limited conversation time you have available?
3. **Providing enough value:** What are you doing to make sure members receive as much tangible value from their participation as you receive?
4. **Capturing strategic insight:** How are you organized to make sure you can separate the truly important from the merely interesting and useful insights?
5. **Leveraging insight and relationships:** Do you have an effective process in place to leverage what you accomplished with board members across your organization and track progress?

6. **Measuring impact:** How can you be sure you're getting a real return on the time and resources invested? Do you have appropriate metrics and an effective measurement system in place?
7. **Executive sponsorship:** Do you have the right level of engagement from your organization? Access to funding and subject matter expertise?

## How to Get Started

### Outsource

There are two main reasons to consider using consulting firms that are experienced in designing and delivering CABs:

1. **Save time and money.** There is a significant amount of time dedicated to selecting, communicating with and following up with council members, company executives and vendors. From initial design through ongoing discourse, the CAB owner must manage continuous dialogue to ensure the successful direction of each council meeting. An external vendor provides best practice program management, meeting facilitation and access to blueprints from previous engagements, including all the necessary communication materials (recruitment letters, charters, interview guides, meeting kits, presentation guidelines, agendas, feedback forms etc.).
2. **Get it right the first time.** The two biggest challenges facing CAB success is attaining a high level of member engagement and delivering quantifiable business benefits over time. External consultants have the proven techniques and structured processes to ensure a high level of member engagement and measurable benefits to deliver a good ROI in 6-12 months.

### Join CustomerAdvisoryBoard.org

The association offers CAB members the opportunity to:

- Share best practices in our Quarterly CAB Conference Call
- Access content in our Research Library (case studies of leading CAB programs, conference presentations, quarterly conference call summaries and survey results)
- Save \$100 on upcoming conferences & workshops
- Learn from an Online Community of 500+ CAB managers & facilitators
- Attend professional training to develop your CAB management and facilitation skills Lifetime