

Advertising the Accounting Firm: A Review with Managerial Suggestions

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ABSTRACT. Competitive pressures have forced professional service providers to consider advertising and other marketing techniques to retain and increase market share. This paper highlights advertising by accounting firms and focuses on a strategic-based marketing plan. Specific guidelines for developing and implementing effective, professional advertising programs for CPA firms are outlined. The customer focus, or client preference, approach is highlighted as the basis for the comprehensive marketing plan. [Article copies available for a fee from The Haworth Document Delivery Service: 1-800-342-9678. E-mail address: getinfo@haworth.com]

The marketing of professional services is a relatively new area of inquiry within the marketing field. Its introduction was hastened by a series of legal decisions, the most famous of which was *Bates v. Arizona* (1977). In this decision, the court ruled the state bar's advertising ban was inhibiting the free flow of commercial information and keeping the public in ignorance. Perhaps more important than these regulatory changes, increasing competitive pressures have forced CPA firms to look to marketing, and in particular ad-

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vertising, to allow their firms to maintain or grow market share (Marts, Honeycutt and Kenan 1989).

Although more and more accounting firms are embracing the concept of growth through marketing, at a very basic level there appears to be a complete lack of understanding about marketing, both as a management function and as a business philosophy. In particular, there seems to be a strong tendency, within the accounting profession, to confuse marketing with selling. For instance, many firms simply equate marketing with sales communications (Morgan 1990a). This is reflected in both the responsibilities given to marketers and in the experience and backgrounds of the marketers recruited by professional service firms. Of course, while marketers have responsibility for formal communications, this is only one element of the firm's overall marketing strategy.

This paper discusses the advertising of accounting firms. Advertising will be presented in its proper context, as only one element in the firm's promotional mix. Specifically the focus will be on an advertising approach grounded in the firm's overall marketing plan. Further, guidelines for developing and implementing advertising programs will be discussed.

PRACTICE DEVELOPMENT

The ability of the accounting firm to both attract new clients and retain existing clients is essential in today's competitive marketplace. Retaining existing clients requires effective service delivery. Growth through marketing requires adherence to a principle known as the "marketing concept." The basic principle that underlies the marketing concept is one of focusing on the customer and their needs. Unfortunately, the "professional culture" that permeates most accounting firms has traditionally encouraged an inward focus. This professional culture is typically characterized by an almost religious zeal around the concept of professional quality based almost entirely on the technical service excellence of the organization (Morgan 1990). In marketing terms this professional culture is a form of product-oriented marketing that focuses on the needs of the marketer instead of the customer. An excellent example of this inward focus can be seen in the selection of office location. Ac-

counting office locations are usually selected for the convenience of professionals and their staffs rather than for that of clients.

Strategic Planning and the Marketing Plan

To achieve a client-focused orientation, accounting firms should ground marketing efforts in an overall strategic plan (Bradlow, 1986). Strategic planning facilitates identification of specific opportunities for practice growth, determining which offer greatest long-term potential, and capitalizing on them. In essence a strategic plan identifies where the firm wants to go and how it will get there.

Strategic planning should not take place in a vacuum, it begins with a thorough situational analysis. Brody (1989) describes this assessment as the process through which professionals evaluate and continuously monitor the practice environment (involving all of the external factors that influence the welfare of the practice, including competitor actions and substitute offerings), the client environment (consisting of social, economic, and demographic trends that may influence attitude, opinion, and decision-making processes), and the internal environment (encompassing all those factors that may make the practice attractive or unattractive to existing or prospective clients or patients). As a part of the situational analysis the firm should thoroughly evaluate its sources of revenue. The firm may find that it is spending large amounts of time and effort in areas that generate little revenue.

This firm's marketing plan is an outgrowth of the strategic planning process. The marketing plan provides specific actions for accomplishing the firm's mission, using existing or readily available resources. The marketing plan includes tactics designed to allow the firm to communicate its expertise to the marketplace in order to reinforce current customers and generate new business. These tactical guidelines delineate the most productive ways to promote services, factoring in specific constraints, such as limited financial resources, depth of expertise, existing skills and current business utilization.

Some of the key tactical tools available to accounting firms include: newsletters, segmentation research utilizing survey research,

databases, seminars, client advisories, speaking engagements and client development lunches (Gillis and Gumpert 1990).

Target Marketing

The first step an accounting firm should take when developing a marketing program is to analyze the market to answer the question: "What group of people am I trying to reach?" (Allen and Arnold, 1991). Marketing efforts are more effective when directed to a specific target audience. Therefore, one of the crucial elements in the marketing plan is the selection of target markets. In other words, CPA firms must realize they cannot be all things to all people (Bunt, 1980). By focusing on one or multiple target markets, or niches, a firm is able to closely define clients' wants and needs. As a part of this process firms should determine relevant demographics of their target audience. Major variables to be considered are age, income, consumer preferences of services, and the geographic area from which the firm wants to attract business. Characteristics like occupation, size of family, home ownership and educational background will be important in both the choice of media and the message (Allen and Arnold, 1991).

The selection of target markets should be based upon the attractiveness of each target market in relation to the firm's capabilities. A market's attractiveness depends on such factors as size, growth and competitive intensity. The firm's strengths vis-à-vis a particular target market are determined primarily by existing market penetration, possession of the requisite technical skills and experience, and the ability to implement an effective marketing program. The situational analysis will reveal how different competitors within a specific target market are positioned and what firm attributes are important to targeted clients. Some of the attributes upon which a distinctive image can be built include: prestige, experience, low fees, aggressiveness, service, quality, specialized expertise, friendliness, pragmatism and empathy with the particular needs of the target market (Bradlow, 1986).

After researching and selecting target markets the accounting firm must focus on the message to be sent through its marketing efforts. Advertising is perhaps the element of the promotional mix that is most useful in creating a well defined identity for the ac-

counting firm. This identity should clearly inform prospective clients about the qualities and practices of the firm that distinguish it from the competition (Bradlow, 1986).

Advertising the Accounting Firm

Advertising is fairly new and still largely unfamiliar to most of the members of the accounting profession. In fact, prior to 1978, CPAs were prohibited from using any form of advertising. In 1978 the bylaws of the American Institute of Certified Public Accountants (AICPA) were amended allowing CPAs "to advertise or solicit for business, but under rigorous constraints" (Allen and Herring, 1991, p. 43). However, it wasn't until August 1990 that an agreement was reached between the AICPA and the Federal Trade Commission lifting the rigorous promotional restraints. Since advertising is such a recent marketing technique for most accounting firms, basic advertising, marketing, and communication principles effectively applied will improve the effectiveness of marketing campaigns (Granat, 1991). Accounting firms should also take the time to create effective advertising and assess the types of advertising media available to determine which medium is most suitable for their particular needs.

The Proper Message

Attracting the attention of the prospective customer is one of the greatest challenges for any marketer. To create effective advertising, accounting firms must first ensure that their messages gain attention if they are to achieve their intended objective. For example, an attention getting headline is essential for effective print advertising. If the first line doesn't stand out on the printed page, and stop the reader in their tracks, the advertising dollars will be wasted (Granat, 1991). In fact, Granat estimates that eighty percent of the people who see an ad will only read the headline.

The tone used in advertising along with slogans, logos, and type of layout chosen also have a significant influence on the overall effectiveness of an advertisement. For example, accountants generally deal with serious financial and business matters, and their ad-

vertising efforts usually reflects that serious attitude. Granat (1991) suggests that humor, used in a dignified manner, could be an effective tool to attract attention and set a firm apart from its competition.

The slogans and logos used in the firms advertising can be very effective in increasing name recognition. A unique and memorable slogan that summarizes and highlights a firm's special capabilities can strengthen the impact of their message and enhance the firm's image. A distinctive and attractive logo can communicate personality characteristics of the firm and the nature of the corporate environment (Granat, 1991).

The layout of the advertisement should be kept simple, direct and to the point. A long and confusing layout may send the message that the firm is poorly organized and inefficient. As a general rule more specific messages tend to be more effective messages (Volpe and Oliver, 1989).

Finally, it should be remembered that the advertising message must be closely linked with the strategic marketing plan. For example, the strategic marketing plan should specify the image the firm desires to cultivate in the marketplace. Every element of the advertising effort should support that image. For example, if the firm desires to present itself as a prestigious firm, then its advertising must take on the same prestigious look.

Promotional Budgets

Before advertising can ever be effective, people must first notice the advertisement. This is where repetition comes into play. Volpe and Oliver (1989) contend that accounting firms should focus on a series of communications to the same prospects, as frequency is often required to gain acceptance. The key to success is to have your firm's message in front of the prospective client at the moment they decide they need the services of an accounting firm. However, it is often impossible to predict when that moment will occur.

Once the market has been analyzed and an effective advertising program has been created the firm must determine how much money can be allocated for advertising and which advertising medium will be used. According to Allen and Arnold (1991) there are

four common techniques that can help accounting firms determine how much to set aside in the advertising budget:

1. The objective and task approach
2. The percent of revenues approach
3. The competition-matching approach
4. The arbitrary approach.

The arbitrary approach is perhaps the approach most often used by CPA firms in their initial attempts at advertising. In essence, the arbitrary approach is a very subjective "seat-of-the-pants" approach to spending based on intuition. The major weakness of this approach is its subjectiveness. The competitive matching approach is used when the firm simply tries to spend the same amount as their competitors on advertising. A major drawback of this approach is the fact that the firm is allowing outsiders to determine its advertising outlays. Rarely will two firms be pursuing identical objectives, and therefore require the same advertising outlays, at exactly the same time. The percent of revenue approach ties the advertising budget to a fixed percent of revenue. For example, past revenues, forecasted revenues, or both are multiplied by a certain percentage based on past experience or an industry average to arrive at an advertising budget figure. Due to its simplicity this approach is popular. However, this approach essentially "puts the cart before the horse" as it implies that revenue results in advertising. The objective and task approach first requires a determination of the advertising tasks necessary to reach desired objectives. For example, achieving an objective of market share growth may require the development and implementation of an advertising program along with supporting materials such as brochures. The advertising budget is simply the projected costs of each of these advertising tasks. This approach is recommended because it clearly ties the advertising budget to the firm's objectives.

Advertising Choices

According to a 1989 study of American Institute of CPAs members, the majority use some form of advertising (Marts, 1989). Granted the fact that advertising is relatively new to many account-

ing practices, it is perhaps not surprising that the most prevalent form of advertising (practiced by 73% of the firms surveyed) is a simple one line advertisement in the telephone yellow pages. According to Marts, other major types of advertising employed by accounting practices include: brochures (46%), local newspapers (31%), radio (18%), and television (16%).

The message the firm desires to deliver, the nature and complexity of that message, the target market they want to reach, and the advertising budget all impact which advertising medium a firm will use to communicate their message. Each advertising media has its advantages and disadvantages. These advantages and disadvantages should be weighed by each accounting firm in order to determine which of the advertising mediums would best suit their needs. For example, direct mail offers the highest level of selectivity and most personalized, but can also be the most expensive advertising medium. Conversely, a radio spot may be much less expensive, yet only reach a small percentage of the target audience. For a discussion of the advantages and disadvantages of various media categories, see Volpe and Oliver, 1989.

Advertising Attitudes

Traditionally, advertising has been viewed negatively by many in the accounting profession. For example, a survey in the April 1990 issue of the *CPA Journal* showed that the reasons accounting firms give for not advertising include: 43% said it wasn't professional, 29% said it was ineffective, 8% felt it was too costly, and 6% said it was too time consuming (Cooper, 1990). However, the attitude that advertising is not professional appears to be changing for at least three reasons. First, as previously mentioned, competitive pressures have forced many firms to consider advertising as a means to grow. Second, a newer generation of accountants appear to view advertising in a much more positive light. In fact, a 1991 study by Marts indicated that accountants with fewer years in practice are much more willing to advertise. Finally, clients and prospective clients have been shown to hold a positive attitude towards advertising. In fact, research indicates that consumers look to advertising as a quick and inexpensive means to acquire information about an accounting firm (Ott, 1991).

As the competition among accounting firms intensifies, from other accounting firms as well as lawyers, bankers, insurance agents and financial planners, more firms can be expected to realize the potential benefits of advertising. Advertising can be a powerful positioning tool used to create a desired image of the firm in the consumer's mind. By carefully analyzing the market, creating effective advertising programs, and selecting appropriate advertising media, accounting firms can differentiate themselves in the marketplace and create competitive advantages. As Volpe and Oliver have stated, advertising is "an investment of time and resources that will be successful" (1989, p. 78).

Other Marketing Efforts

Effective networking is one of the most important marketing tools for the accounting firm. Members of firms are encouraged and sometimes pressured to become active in professional societies and organizations as well as social clubs. Another appropriate method for making contact is by giving professional speeches to various organizations (Bunt, 1980). These contacts represent an additional way to market the firm and its services.

A well-written, well designed brochure can be effective in converting a qualified prospect to a valued client. It should create a favorable impression of your firm by establishing the scope of its activities, demonstrating its competence and highlighting the qualifications and experience of its members. Firm newsletters, brochures, and other material should support other marketing efforts.

CONCLUSIONS AND DISCUSSIONS

Marketing is a new, unfamiliar area for most accounting firms. Yet as external macro- and micro-level environmental pressures increase, CPAs must consider a developed marketing initiative grounded in strategic planning. Firms existing newsletters and brochures are not enough to retain current clients or increase the client base. Firms can easily try various messages and media as they gain marketing expertise. While it is unfamiliar to these professional service providers, it is no longer a competitive advantage, but a requirement for competing in the competitive accounting arena.

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