Doing the Right Things and Doing Them Right: A Strategic Approach to Marketing the Accounting Firm

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ABSTRACT. Increasing numbers of CPAs in the marketplace, relaxed advertising and marketing restrictions, and the emergence of non-CPA businesses providing accounting services have created a competitive landscape unknown to previous generations of accountants. In this competitive environment the accounting firm has found it must actively seek new clients to maintain or expand revenues. Many accounting firms have turned to marketing to cope with this situation. However, there appears to be a misconception in the accounting profession that marketing is simply promotion. This article addresses that misconception and presents a framework for developing a strategic marketing plan for the accounting practice. *[Article copies available from The Haworth Document Delivery Service: 1-800-342-9678. E-mail address: getinfo@haworth.com]*

INTRODUCTION

Increasing numbers of CPAs in the marketplace, relaxed advertising and marketing restrictions, and the emergence of non-CPA businesses providing accounting services (Linn 1994) are creating a competitive landscape unknown to previous generations of accoun-

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tants. In this highly competitive environment the accounting firm has found it must actively seek new clients to grow or even maintain stable revenues. More and more accounting firms are turning to marketing to cope with this competitive situation (Marts, Honeycutt and Kenan 1989).

In keeping with this interest in marketing, articles on the subject are now commonplace in the accounting literature. However, in general these articles focus on certain aspects of marketing communication such as newsletters, brochures, public speaking, and media advertising. These articles, although informative, reflect a misconception in the accounting profession that marketing is simply promotion. In truth, marketing is a much more inclusive effort that touches almost every aspect of the firm, including not only the promotion of the firm but also the firm's product/service offering, the location and manner in which that product/service is delivered to the client, and the price that client is charged.

Marketing is much more than occasionally preparing a brochure or newspaper advertisement. Successful marketing requires a plan that links all marketing efforts to the objectives of the firm while at the same time maximizing the strengths of the firm and minimizing its weaknesses. This article addresses that need by presenting a framework for developing a strategic marketing plan for the accounting practice.

The Practice Review

Table 1 presents an outline of a strategic marketing plan for the accounting practice. The strategic marketing plan begins with a thorough review of the practice. The cornerstone of the strategic plan is the mission statement. The mission statement essentially defines the firm and its purpose by answering several fundamental questions, such as: *What is our business? Who are our clients? What is value to our clients? What will our business be? What should our business be?* (Drucker 1973). In other words, the mission statement defines what the practice is and what management hopes it to be.

Like a rudder on a ship, the mission statement gives the practice direction. Storms may arise that require strategic and tactical adjustments, but the rudder keeps the ship moving in the desired direc-

TABLE 1. The Strategic Marketing Plan Applied to the Accounting Practice

1. The Practice Review
   - A. Mission Statement
   - B. Practice Objectives
   - C. Physical Operating Environment
   - D. Service Process/Delivery System
   - E. Fee Structure
   - F. Marketing Communication
   - G. Client

2. Environmental Scan
   - A. Social
   - B. Demographic
   - C. Technology
   - D. Legal/Regulatory
   - E. Competitive

3. Strengths & Weaknesses/Opportunities & Threats Analysis

4. Marketing Goals

5. Marketing Strategy
   - A. Segmenting
   - B. Targeting
   - C. Positioning

6. Action Programs

7. Revenue/Profit Forecast & Marketing Budget

8. Control & Evaluation Measures

tion. If the practice has no mission statement, the first step in the strategic marketing process is the development of one. According to McGinnis (1981) the mission statement should include:

1. The purpose of the business,
2. Principle business aims,
3. Corporate identity,
4. Policies of the company, and
5. Values.

The purpose of the business may be thought of as its reason for being (David 1989). The business purpose should have both an external and an internal focus. For example, the firm may be in business to make a reasonable profit for its partners, to provide quality services to its clients, and to provide a good quality of life for its employees. Additionally, these goals must be meaningful and consistent. For example, a mission statement with goals of providing both the best service and the lowest price in the industry offers conflicting goals, which renders the mission statement meaningless.

The principle business aims focus on the competitive scope of the practice in terms of product/service scope, market-segment scope, and geographic scope. By means of a product/service scope, the mission statement is delimiting the product and services that the practice will deliver to its customers. For example, *will the practice simply provide tax preparation or will it also provide tax advising? Will the firm provide payroll processing or simply client accounting?* The market-segment scope identifies the type of market or customers that the practice will serve. *Will the firm focus on a few very large accounts or will it focus on small business accounts? Will it focus on commercial accounts or personal accounts or both?* Finally, geographic scope delineates the geographic markets the firm serves.

The corporate identity aspect of the mission statement identifies the elements that make this practice unique. It should identify both the firm's philosophy of business and its distinctive competencies. In many cases the philosophy of business is simply a codification of a few principles espoused by the founding partner of the practice. That philosophy may range from stressing such tangible areas as technical competence to more intangible areas such as customer service. Distinctive competencies refer to marketable competencies in which a firm excels to the extent that it out-performs the competition. For example, the practice may possess, or develop, a distinctive competency in the area of financial planning. Such distinctive competency is one important way in which the practice is unique from the competition.

Policies of the company may be thought of as written definitions of the practice's position on certain recurring or significant actions and decisions. For example, the practice may codify a policy of hiring on a nondiscriminatory basis or adhering to high ethical standards. Finally, the values of the firm identify a list of concepts or principles that the practice holds as fundamental values. A typical practice may value ethical behavior, customer service, and technical competence at a reasonable cost.

The mission statement is therefore a concise statement which distinguishes the firm from all others. It should serve as a framework for evaluating both current and prospective activities (McGinnis 1981). Additionally, it identifies the areas of expertise that prospective employees should possess. The mission statement should be motivating and stated in terms sufficiently clear to be widely understood throughout the organization (McGinnis 1981).

The second step in the practice review is an enumeration of the overall long-term objectives of the practice. These objectives allow the firm to pursue the business aims developed in the mission statement. The illustrative business aims of reasonable profit for the partners, quality services to its customers, and a good quality of life for its employees would logically lead to a long-run objective of growth. However, in one firm that objective could be controlled moderate growth, while in another firm it could be aggressive rapid growth. These overall objectives are normally stated in rather loose terms such as survival, growth, profitability, and market share and at this point are not time-oriented or measurable in nature.

The third step in the practice review is a description of the physical operating environment. This description would include the office location, layout, and condition. It would also include any technology used in service delivery, such as word processing and computer facilities.

The fourth step in the practice review includes a description of the service process and delivery systems. This section would detail how client contact is handled. For example, this section would answer such questions as: *Who is the main contact for the client? If a client has a problem, who should they call? Who is responsible for delivering final documents to clients? Are all documents proofread? How should clerical employees address clients? What is the flow of a typical piece of work, such as a tax return, from initial contact to delivery of the final product?*

The next step in the practice review entails a thorough analysis of the practice's fee structure. This analysis should identify the established fee for each of the services delivered by the practice. It should also analyze the manner in which those fees are communicated to clients. Further, it should analyze the profitability of each service delivered. In many cases such an analysis will uncover that some services provided by the practice may actually be unprofitable.

The next step is an analysis of the manner in which the firm communicates with existing and potential clients. This section should include a review of any marketing literature or advertising the practice has utilized. This analysis should also include a review of any other documents, ranging from letterhead to newsletters, that clients may see. Of course, any publicity that the firm has been able to generate should also be included in this review.

The last step in the practice review is an analysis of the firm's client base. This section essentially identifies who is currently doing business with the practice. Clients, both individual and business, should be identified in detail. For business clients areas such as nature and type of business (utilizing SIC codes), time in operation, market share, size of business, tenure as a client, typical services used, billing and payment records, as well as source of the referral should be identified. For individual clients demographic areas such as age, income, sex, occupation, and education should be identified as well as lifestyle variables such as activities, interests, and opinions.

An ABC analysis is a significant component of the client review (Connor and Davidson 1987). In this analysis the existing client base is categorized in one of three categories. Type A accounts are high potential opportunity clients who need and want additional services. Type B accounts are limited-to-no potential clients you want to retain but who seldom use additional services. Type C clients are problem clients who do not value your services.

The Environmental Scan

The second step in the strategic marketing planning process is an environmental scan. Like any business, the accounting practice derives its existence from its environment (Jain 1993). To negotiate an advantageous fit between the accounting firm and its environment, the firm must systematically evaluate its environment. This is particularly true in times of dramatic environmental changes, such as the increasingly competitive environment that the accounting profession faces today.

One aspect of the environment that the accounting practice must evaluate is the social environment. The practice must stay abreast of social trends that may impact its livelihood. For example, consumer behavior experts predict that this decade will see more frugal consumers (Jain 1993). It has also been predicted that consumers want more control over their lives (Popcorn 1991). These trends have influenced the medical and legal professions as patients tend to be less willing to blindly accept their doctors' recommendations without a detailed explanation of expected results and alternative treatments, and individuals have begun to perform many legal tasks themselves. Unless these trends are accommodated, physicians, attorneys and accountants may lose significant business.

A second area that the environmental scan should address is demographic shifts. The strategic marketing plan must address any significant demographic shifts, such as population size, location, age, gender, race, or occupation, that could impact the practice. For instance, in order to stay near its client base, the accounting firm should monitor shifts in population and business location.

Demographic changes often result in social changes. An increasingly educated population is one reason given for the consumer's increasing demand for outstanding customer service. Capitalizing on this demand for high levels of service has become a distinctive competency for certain retailers such as L. L. Bean and Nordstrom. By acknowledging this trend and delivering outstanding customer service, the accounting practice could develop a competitive advantage.

Technology is another environment that the accounting firm should systematically scan. The computer industry has offered both threats and opportunities for the accounting practice. As a threat, the proliferation of personal computers and tax processing software has impacted firms that depend on a high volume of personal tax processing. Conversely, some firms have benefited by offering computer consulting support to their clients.

The last two areas of the environment scan are the legal/regulatory environment and the competitive environment. Changes in the legal/regulatory area create both opportunities and threats. Certainly, major changes in tax legislation offer opportunities for the accounting practice, while recent changes in the regulatory arena that allow other entities to provide services traditionally viewed as accounting services may be seen as a serious threat. The accounting practice should attempt to know its competitors almost as well as it knows itself. In particular, the practice should know the marketing strategies and distinctive competencies of its competitors (Linn 1994).

The Strengths and Weaknesses/Opportunities and Threats Analysis

The next step in the strategic marketing plan is the Strengths and Weaknesses/Opportunities and Threats (SWOT) Analysis. Strengths are competitive advantages and other distinctive competencies that a practice can exert in the marketplace, while weaknesses are constraints that hinder movements in certain directions (Jain 1993). Opportunities are areas of need in which a practice can perform profitably, while threats are challenges posed by an unfavorable trend or development that would lead, in the absence of defensive marketing action, to sales or profit deterioration (Kotler 1994). Strengths and weaknesses are internal to the firm and should emerge from the practice review. Opportunities and threats are external in nature and should be identified from the environmental scan.

A systematic measurement of strengths and weaknesses requires an honest evaluation of the practice in each of the many areas that form the practice review categories. For example, a typical firm may evaluate its technical expertise highly, an aspect of service process and delivery, while giving itself a low rating in the area of marketing communication. The opportunities and threats analysis involves: (a) identifying the opportunities and threats that emerged in the environmental scan, (b) prioritizing the opportunities by comparing their attractiveness versus the firm's success probability, and (c) ranking the threats by comparing their seriousness to the firm with their probability of occurrence. The marketing plan can then focus on the opportunities that rank highest on attractiveness and success probability while at the same time provide strategies to deal with the most serious and likely threats (Kotler 1994).

Marketing Goals

Upon completion of the SWOT analysis, the practice is ready to establish the goals of the marketing plan. Goals may be defined as time-oriented, measurable objectives of the firm (Jain 1993). These goals must be realistic and internally consistent as well as consistent with the overall objectives of the firm.

Given the rapidly changing environment, the marketing plan is usually a one year document. Accordingly, the goals of the marketing plan are usually stated as one year goals. Goals may be stated in terms such as a 5% revenue growth rate over the next year or a 10% increase in the target market's awareness of the firm. In short, goals should be realistic but challenging, consistent with each other and with the firm's overall objectives, measurable, and time-oriented.

Marketing Strategy

Marketing strategies explain how the accounting practice will reach its goals, given its strengths and weaknesses, in its competitive environment. Strategy development starts with an assessment of the firm's momentum (Jain 1993). This is a prediction, largely based on historical performance, of the firm's performance over the planning period, given its current marketing strategies. If this predicted performance will meet or exceed the marketing goals, the practice will simply refine and continue its current strategies. However, if the predicted performance falls short of goals, the firm should develop new strategies to eliminate the gap between desired goals and expected performance.

Perhaps the most common of all marketing goals is growth. As some clients will be lost through attrition, even a practice that is pleased with the status quo requires some growth to maintain revenue stability. A lengthy list of strategies can lead to growth; however, Porter has condensed them into three generic marketing strategies: overall cost leadership, differentiation, and focus.

Overall cost leadership requires the practice to be the lowest cost service provider within its competitive domain. Such a strategy requires not only a commitment to holding down costs but also a large market share to allow for experience curve advantages. A weakness of this approach in the accounting profession lies in the fact that clients often view price as a measure of quality. To be successful the firm must clearly signal that lower prices result from factors such as experience, technology, or quantity rather than low quality. Overall cost leadership is seldom a viable alternative for the typical accounting firm.

Differentiation requires the practice to concentrate on achieving superior performance in an area that is important to clients to a degree that the practice is seen as unique throughout its competitive domain. For example, an accounting firm could differentiate itself with outstanding financial or tax advising expertise. Differentiation has the significant advantage of greatly isolating the practice from price competition.

The accounting practice can also isolate itself from price competition, as well as encroachment by larger firms, by focusing on one or more market segments or niches. By focusing on select clients, the firm is able to better identify and satisfy client needs. Focusing also has the advantage of requiring less financial resources than low cost leadership or differentiation. For these reasons focusing on selected market niches is often the soundest strategy available for the typical accounting practice.

When a practice decides to grow through focus, the practice must decide which client group(s) offer(s) the greatest potential. The four strategies for growing the firm are: (a) market penetration (sell more of existing products or services to existing clients), (b) market development (sell new products or services to existing clients), (c) service development (sell existing services to new clients), and (d) diversification (sell new products and/or services to new clients) (Ansoft 1957, Katz 1988).

The decision between market penetration, market development, service development, and diversification should be tied to the mission statement, overall firm objectives, and the SWOT analysis. For example, if the practice review determined that the firm had a large number of Type A clients (high potential opportunity clients who need and want additional services), then a focus on market penetration and/or market development would seem appropriate. As both of these goals focus on existing clients, they have two major advantages. First, existing clients already know and trust the practice and are therefore an easier "sell" than new clients. Conversely, the practice already knows the client and its unique needs.

Service development entails marketing existing services to new clients. When the firm has few Type A clients, this goal is often advisable. Obviously, the drawback to service development is the risk and effort involved. Growth through new clients requires an aggressive marketing stance that many firms have neither the expertise nor resources to pursue. However, with dedication and sound marketing strategy, this approach can produce rapid growth for the practice.

Diversification entails marketing new products or services to new clients. For example, a practice may decide to open a computerized payroll processing service and solicit new accounts for the service. If successful this approach can bring tremendous growth opportunities to the practice. However, as the firm knows neither the market nor the product, this is the riskiest approach to growth (Jain 1993). A more prudent approach would be to first market the new service to the existing client base until the staff really understands all the aspects of running a computer processing service and then expand to a new market area.

Perhaps the healthiest approach is to expect some growth from existing clients through market penetration or market development and additional growth from new clients through service development. The question then becomes one of selecting the right client group(s) as the focus of its marketing efforts. This process begins with segmentation, which is the process of dividing the market into homogeneous groups sharing common needs. As different occupations and income groups have unique accounting needs, an accounting firm may segment individual clients based on variables such as occupation or income. As most industries have unique accounting needs, industry type often proves a useful tool for segmenting business clients.

After the market has been segmented, the accounting practice begins the process of targeting one or more segments (niches) for its focus. A useful approach is to compare niche attractiveness with competitive potential. To do this the accounting firm must first identify attributes that make a niche attractive as well as key variables that would lead to success in obtaining clients in that segment. Attractiveness variables could include variables such as the size of the market, market growth rate, and profitability. To assist in isolating the variables that would make a segment attractive, the practice should look at its best clients and identify why they are considered such good clients. In essence this step helps the firm to "clone" its best clients (Connor and Davidson 1987).

Competitive potential may include variables such as having existing clients in the niche that could serve as references, possessing adequate expertise and resources necessary to deliver the service expected by that customer group. As a second step each of the niche attractiveness and competitive position variables is assigned a weight according to its importance. Finally, each segment under consideration is evaluated. Segments that rate high in both attractiveness and competitive position should be considered, while those with low ratings should be eliminated. All industries that have a significant representation in the practice's client base should be analyzed in this fashion.

The final area in the strategy section involves positioning. Positioning concerns creating the desired perception in the client's mind of your firm and its service offerings relative to competition. This positioning is achieved through manipulation of the four Ps of marketing, i.e., the price, place, product, and promotion. Essentially the practice must decide what image it is trying to create and coordinate every aspect of its business to convey that message.

Action Plans

Action plans are designed to achieve the positioning necessary for success in the selected target market(s). Action plans are tactical day-to-day decisions that support the selected marketing strategy. For example, the practice that is trying to achieve a prestigious position must show that prestige in every element of its practice. Such a strategy demands that the firm develops prestigious-looking marketing materials, a professional looking office staffed by professional looking men and women, and a price structure that is somewhat higher than competition. Additionally, this higher price should support a level of service that less prestigious firms do not deliver.

In designing action plans, the focus must always be on the firm's marketing strategy. Every element of action plans must be consistent with that strategy. Earlier sections of the marketing plan have focused on "doing the right things"; this section focuses on "doing things right." As an example, Table 2 presents the rudiments of a cross-selling action plan. This plan identifies the need for training so the staff will: (a) understand the firm's various service offerings, (b) be able to identify existing clients that need these services, and (c) be able to respond to cross-selling opportunities. The plan also demonstrates the need to make staff members accountable for cross-

TABLE 2. The Rudiments of a Cross-Selling Action Plan

1. Train staff on all the firm's service offerings
2. Train staff to identify cross-selling opportunities
3. Train staff how to respond to cross-selling opportunities
4. Provide resources necessary for professional response to cross-selling opportunities
5. Establish cross-selling reward mechanism
6. Create a client data base including: a. Name and address of client b. Information on key decision makers c. Billing history d. Services used history e. Identified opportunities for additional services f. List of referrals generated
7. Identify staff responsible for each account
8. Establish a client-relationship review program This would consist of regular meetings between the staff responsible for the client and a client representative to review the accountant/client relationship
9. Establish a pattern of regular in-house meetings to monitor cross-selling program

selling and to reward them for this activity. In many firms cross-selling is routinely mentioned but rarely done. For a cross-selling plan to be successful, it must elevate the professionalism of cross-selling by both showing how it should be done and that it is valued by management. To operationalize this plan in an accounting firm, an action plan must be developed for each item listed in Table 2 that identifies: *(a) what must be done, (b) who will do it, (c) when will it be done, (d) how it will be done, and (e) how much it will cost.*

Revenue/Profit Forecast and Marketing Budget

The marketing plan is not complete without a forecast of the revenue that will result from its execution as well as a marketing budget. Often marketing budgets are created through some form of a breakdown approach. A firm may predetermine that 3% of revenue will be budgeted for marketing. Such an approach ignores the objectives of the firm and the realities of the marketplace. The marketing budget should be prepared using the objective and task buildup method. In other words, the firm simply budgets the amount of money necessary to fund the tasks identified in the action plan as necessary to achieve the desired goals. If that level of funding is not available, the plan must be changed accordingly.

Control and Evaluation Measures

Even a very well designed and executed plan may fall short of expectations. For that reason a procedure for monitoring the marketing plan must be established and included in the plan. For example, if the marketing plan is designed to increase market share by 5% over the next year, market share should be measured on a regular basis (perhaps quarterly). Similarly, if the plan includes improving customer service, then customer service should be measured on an ongoing basis. Basically, the control and evaluation section should have a series of periodic assessments built into the system to measure the progress the plan is making. If the resulting measures fall short of expectations, the plan should also specify the process for remedial action. In other words, the marketing plan is a living document that will be adjusted as new information becomes available.

CONCLUSION

More and more accounting professionals are turning to marketing to maintain or grow the firm's revenue stream in today's turbulent competitive business arena. Unfortunately, many attempts to market the accounting firm fail because accountants often have a naive view of marketing. Marketing is much than occasionally preparing a brochure or newspaper advertisement. Successful marketing requires a client-focused, coordinated long-run effort that is guided by a strategic marketing plan. Such a plan links all marketing efforts to the objectives of the firm while at the same time maximizes the strengths of the firm and minimizes its weaknesses. This article provides an overview of such a plan. Developing a strategic marketing plan is no small task, but it can only benefit both the accounting professional and the clients.

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