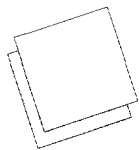


An executive summary for managers and executive readers can be found at the end of this article



Marketing: is it still "just advertising"? The experiences of accounting firms as a guide for other professional service firms

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Abstract Professional service organizations are finding themselves increasingly involved with marketing in order to develop and maintain relationships with their clients. Restricted by professional standards, and hindered by a lack of experience, firms are struggling to understand marketing and implement marketing programs. Nowhere is this struggle more evident than in the accounting profession, where firms are regulated by professional standards and guidelines. Based on a series of one-on-one interviews with accounting professionals, American Institute of Certified Public Accountants standards and guidelines, and information from both practitioner and academic literature, this research identifies the extent to which firms are following the prescriptive advice. Discussions of initiatives are provided as guidelines for further implementation of marketing strategies in the accounting profession and other professional service firms that are following in the accountants' footsteps.

Introduction

One of the most obvious changes that one sees when watching television today as compared to a few years ago, is the number of commercials for law firms, medical and dental firms, and financial service firms. You can now find information about new dentures, life and disability insurance, chiropractic care, and personal injury lawyers by tuning into prime time TV. Times have certainly changed, for only a few years ago, advertising by these types of professional service organizations would have been considered in poor taste, and unprofessional.

The impetus behind this flurry of advertising has been a rapidly changing environment, in which professional service firms have found themselves fighting to maintain their current positions in the marketplace. Competition has intensified. Non-traditional ways of delivering service have broadened the range of firms now competing for clients. Growth has come, in many cases, from taking clients away from other firms.

While advertising appears an obvious way to facilitate growth, there are a vast number of other marketing tactics that professional service organizations are undertaking to aid in this competitive struggle.

Changing environment



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Strategic tool

Sponsorship of community events, sports facilities, and even children's sports teams, are more subtle ways to build an organization's image. Firms have established practice development committees to plan and facilitate networking opportunities for their staff. In many professional service firms, marketing professionals have been hired to help.

Nowhere has marketing by professional service organizations been more debated than in the professional accounting arena. It is in this context that we address the extent to which professional service firms have embraced marketing as a strategic tool. While this study looks specifically at accounting firms, it is possible to look at how they have embraced marketing and consider whether other professional service firms might be in a similar place in their knowledge and use of marketing as a strategic tool.

A quick perusal of any of a half dozen or more publications focused on the profession of public accounting is sure to turn up a number of articles related to marketing by accounting firms. In the past 20 years, marketing of the accounting profession has been denounced, then debated, and ultimately declared necessary. Due to increased competition among the large, now "Big 5" firms, and smaller, yet competent regional and local firms, the accounting profession has found itself in an environment where survival and success are dependent upon the tenets of marketing:

- (1) determine who your customers are;
- (2) determine what your customers want and need;
- (3) determine your own capabilities and those of your competitors; and then
- (4) let current and potential customers know which of their wants and needs you can fulfill.

Sounds pretty simple, and yet accounting firms, not unlike other professional firms, have slowly and cautiously incorporated marketing into their strategic plans. Or have they?

Three sources

The purpose of this research is to look at how, and the extent to which, accounting firms are using marketing in their organizations. While a great deal has been written regarding what firms *could* and *should* be doing, there is little literature that reports what they actually *are* doing. To provide an overview of what accounting firms are doing in the area of marketing, we used three sources of information including:

- (1) the American Institute of Certified Public Accounting (AICPA) guidelines as one example of suggested marketing tactics and strategies;
- (2) prescriptive articles encouraging accounting firms to undertake a more serious, strategic approach to the development of their marketing programs; and
- (3) reports from the field.

Brief history of marketing on the accounting profession

The accounting profession is guided by standards set by the AICPA, an organization to which all certified public accountants (CPAs) belong. These standards are recognized as the authoritative guide to good accounting practice, and are carefully followed by accounting firms across the USA. The AICPA, until 1978, had very strict codes pertaining to advertising and the

solicitation of business (Section 502 of the AICPA Professional Standards), which controlled and restricted the marketing efforts of CPAs. However, in 1977, these guidelines came under the scrutiny of the Federal Trade Commission for being too restrictive, when a suit was filed against the Arizona state bar association (*Bates vs State Bar of Arizona*, 1977, 97S.Ct. 2961, 2699, 2700). In 1978, the AICPA made significant changes in the code regarding marketing and advertising. More loosening of restrictions was instituted in 1979, and again in 1983 (Allen and Herring, 1991). These changes opened the door for CPAs to begin to market themselves and their firms more aggressively.

AICPA suggested guidelines to marketing of accounting firms

Today, the AICPA provides suggestions for marketing and advertising in professional accounting firms. The AICPA's (1998) *Management of an Accounting Practice Handbook* offers ideas regarding how to both retain and increase services to existing clients, and obtain new clients. The focus of the handbook chapter on practice development is both strategic and tactical. Extensive guidelines help firm managers think and act strategically and ethically in an increasingly competitive marketplace. A variety of marketing tactics (tools and techniques) are highlighted, providing firms with numerous choices for implementing marketing strategies. (See Appendix for an illustrative excerpt from the *MAP Handbook* chapter on practice development regarding one possible marketing tactic.)

AICPA guidelines

As a result of the changes in the competitive professional accounting environment, and in compliance with AICPA suggested guidelines, firms have begun to hire marketing directors, public relations consultants, salespeople, and business development directors, and to incorporate "practice development" into their strategic plans. Much of the research focusing on the marketing of accounting firms has confirmed that the profession is beginning to understand and appreciate what the power of marketing can do for them, but we still know little of what they are implementing.

Marketing according to the literature

Many articles have been written since the early 1980s that describe what marketing is, and why and how accounting firms should utilize marketing techniques to create competitive advantages for themselves (e.g. Whisnant, 1982). (A recent computer search of the accounting literature turned up several hundred articles focused on marketing/advertising in accounting firms.)

Initial concerns

Interestingly, many of the early articles equate marketing with advertising. This may be because the initial concerns were around advertising and protecting the "image" of the profession, and because the initial challenge to the AICPA guidelines was about advertising (*Bates vs State Bar of Arizona*, 1977, 97S.Ct. 2961, 2699, 2700). As a result, external marketing communication (including advertising) was the predominant subject of research and writing regarding marketing of accounting firms. Most of these articles were "prescriptive" in nature, providing advice on what tactics to use to increase information about one's firm in the marketplace (Shepherd and Helms, 1996; Lowry and Wrege, 1996). While advertising dominated the attention of firms early on, typical external marketing communication techniques used today by CPA firms include networking, involvement in community service,

Marketing suggestions

publicity, public speaking, and writing articles for local outlets, in addition to advertising (Shamis, 1995).

Whisnant (1982), in one of the early prescriptive articles, provided marketing suggestions in many different categories, including office administration (have an answering service pick up calls when you are out of the office), charitable contributions (give to non-profit organizations in your town to show community support), location of offices (at one time this was the second most important factor in one's choice of a CPA), recruitment (hire people who are technically adept, but also good listeners – salespeople are good listeners), and communication (CPAs need the skills of a doctor who has good bedside manner, who can deliver both good and bad news, and who can establish and maintain rapport with their clients). Her advice, appearing in *The CPA Journal*, provided concrete “how-to” marketing suggestions to accountants. Dozens of articles of this nature have appeared in print beginning in the early 1980s and continuing to the present.

By the mid-1990s, the marketing of CPA firms was becoming more accepted as a method of doing business, and more sophisticated, as well (Wiegers, 1995). It was also predicted that by the year 2000, CPA firms with annual business of \$3 million or more would have fulltime marketing directors (Wiegers, 1995). Distinctions were made between large and small firms. Colette Nassutti, a marketing consultant specializing in the marketing of accounting and law firms, suggested that networking was the most successful way to market, although networking alone was not sufficient in large firms. Nassutti further suggested that large firms should consider using salespeople to make initial contacts, telemarket and cold call current and potential customers (Weigers, 1995), thus freeing their accounting staff from these tasks.

Marketing techniques

While larger, more resourceful firms were embracing marketing techniques, smaller and less profitable firms, with some notable exceptions (Manescalchi, 1996; Botts, 1998), were having (and continue to have) difficulty justifying spending limited resources on activities where success was difficult to judge and quantify (Lentini, 1993; Townsend, 1998). The return on investment ratio is hard to calculate for some marketing activities, and, as with lots of businesses, those who need to use marketing most are often in the worst financial position to do so.

The mid-1990s also saw the emergence of a discussion of marketing in accounting literature at a more strategic level. Shepherd and Helms (1996) provided a detailed description of how accounting firms could use advertising not just to provide information, but also to gain competitive advantage in the marketplace. Defining the target market, developing the message for that market, choosing the right advertising medium, and developing an advertising budget were all addressed in their article. In another article, Shepherd (1997) provided accounting firms with the rationale for and a detailed outline of how to write a strategic marketing plan. Given the environment in which firms found themselves then, and continue to find themselves today (more CPAs in the marketplace, fewer restrictions on CPA marketing, and the emergence of non-CPA businesses providing accounting services), it was and continues to be critical that organizations take on a more long-term focus. In this competitive environment, the focus needed to become more proactive, long-term, and integrated into the rest of the firm. Marketing needed to

be something that the entire firm embraced, to help navigate the competitive waters.

Results of field interviews regarding marketing in accounting firms

This review of both the AICPA guidelines and the literature shows that firms were getting lots of advice on “how to” market themselves, but there was not much information available on what firms were actually implementing. With this in mind, we decided to undergo some field research. In doing so, we wanted answers to some fairly straightforward questions that we developed based on what we had read. We decided to start from the basic premise that all firms’ goals were potentially similar (to maintain or increase business), but recognized that not all firms were going to implement marketing plans (if they even had them) in the same way. We were also interested in gaining some insights into how firms define marketing. Is it advertising to them, as much of the early literature describes, or do they understand and accept the strategic role that marketing can play in gaining new clients and growing their businesses?

Key informants

The fieldwork was accomplished by first identifying appropriate key informants in various accounting firm positions. Over 50 interviews were conducted with managing partners, partners, managers, staff accountants, human resource directors, marketing directors, and business development directors. Multiple informants from each firm were interviewed in order to ensure that marketing initiatives undertaken at different levels and positions were all included in the data collection. A convenience sample was drawn from local, regional, and national firms in the Midwest.

Interviews were conducted via phone, e-mail, and face-to-face discussions, providing opportunities for the researchers to inquire further about specific examples regarding a firm’s marketing decisions, practices and strategies. The ability to clarify answers and ask follow-up questions provided a rich and comprehensive set of field data.

Addressing the issues

Our field interviews provide evidence of great variance in the use of marketing strategies and tactics. The data allowed us to consider whether accounting firms are utilizing the suggestions of the AICPA and the many authors who have addressed this area in their writing, are moving in some other direction, or are not addressing the issues of marketing at all.

Overall marketing practices and activities

How do accounting firms define marketing?

Like much of the early literature in this area, many accounting professionals equate marketing with some form of advertising. Individual responses to a question regarding the definition of marketing spanned a very broad range. The typical response defines marketing as a way to inform the public about a firm, its products and services, and promote the same. Common answers included, marketing is “actively promoting or selling a product or service”, “the activity that leads to selling and selling opportunities”, “the process of promoting the firm to current and prospective clients . . .”, “a creative process to gain customers for your services or products”, “marketing is advertising”, “marketing is self-promotion”. In other words, marketing is promotion. It is a tactic that one utilizes to inform or persuade clients for the vast majority of firms’ personnel that we interviewed.

Strategic definitions

A few interviews turned up more sophisticated, strategic definitions of marketing. These appear to be more in line with some of the AICPA

guidelines which are much more strategic in nature, suggesting that firms understand the competitive nature of their industry, and work hard to analyze their current situations in order to best determine the appropriate course of action. Marketing is “determining the needs of our clients and local market while positioning our services against the competition”, “any business activity that directs the exchange of goods and/or services between producers and customers”, “marketing is the planning and execution of events/activities which foster an environment where relationships can be built and services can be sold”.

As one can see from these excerpts, there are at least two schools of thought as to how marketing is defined by professionals in accounting firms. At one end of the continuum is marketing – the tactic for informing and persuading clients and potential clients about the firm and its offerings. Marketing is carried out with a series of short-term activities (themed advertisements, newsletters, direct mail pieces, etc.). On the other end of the continuum is marketing as a strategic tool – the organization’s blueprint for understanding the market in which the firm functions, its clients, and its future. Marketing has a long-term focus resulting in relationships, growth, and competitive advantages.

How do firms differ in their marketing activities? What are the purposes of those activities?

Both the literature and the AICPA list many marketing tactics available for use by the firm, including public relations (e.g. speaking at or sponsoring events); networking (e.g. involvement in the community, membership in professional organizations); advertising, telemarketing, direct mail solicitation, personal sales calls, Web sites, and firm brochures. However, with few exceptions, neither the literature nor the AICPA delineates which tactics firms should utilize for specific goals. The interviews provided evidence of significant levels of marketing activities being undertaken at all of the firms represented, regardless of firm size. There are differences, however, in the types and scope of marketing activities undertaken, which may be a function of firm size.

Human resources

The scope of the marketing activities undertaken by a firm may also be a function of having committed human resources to such activities. Several of the interviews conducted were with marketing professionals working in accounting firms, either as marketing staff, business development managers, or sales representatives. Those firms with full time staff identified to create and coordinate marketing efforts appear to identify marketing as a more strategic function in the organization.

Our interviews indicate that small local and regional firms are focused on building relationships with their marketing activities. They tend not to have the name recognition that the large “Big 5” organizations have, nor the well-known client base. And trying to build a “brand” image in an environment already saturated with CPA advertising (in particular the “Big 5” with more far-reaching impact) may not be a smart strategic move. The accountants in those smaller firms also do not have a “Big 5” name to stand behind them, making it far more important for them to follow up on referrals, respond to negative word-of-mouth, and develop a relationship with the client based on trust and personal commitment to excellence.

Advertising

Regional firms rely heavily on advertising in local and regional press outlets, industry-specific publications, newsletters, and Web sites, although

work-of-mouth remains the primary source of new business for them. Other external marketing activities include public speaking, direct mail, telemarketing, and local sponsorships. As one would expect, small firms have fewer choices, due to lack of funds, expertise and time.

The "Big 5" firms have more financial resources available to participate in large scale advertising, on television, radio, and in national newspapers and magazines. They also supplement national promotions with local and regional activities like newsletters, sponsored seminars, Web sites, industry group publications, and social outings for clients and prospective clients. The "Big 5" firms tend to be more focused on building the image of "The Firm" and not necessarily any one individual within the firm. The image of the individual is hopefully synonymous with that of the firm. Table I provides a summary of the marketing strategies and tactics utilized by the firms sampled.

Practice development

As mentioned earlier, accounting firms, whether practicing tactical or strategic marketing, must deal with a competitive environment where clients are less loyal and are receptive to new ideas and solutions no matter where they come from. To make matters worse, non-accountants can and are providing services at lower fees. Even small business owners are doing their own accounting due to the sophistication of computer hardware and software. Given the current situation, to succeed in such a competitive environment, accounting firms need to focus on retaining existing clients, expanding services (cross-selling), and generating new clients. Again, AICPA guidelines provide useful suggestions to help accounting service

Strategic	Tactical
<i>National and large regional firms</i>	
Focus on enhancing firm image	Large scale national newspaper, magazine, billboard, radio and television advertising, supplemented by local and regional promotions
Hire marketing professionals	
Train staff accountants to recognize opportunities for cross-selling	Professional journal publications for varied industries (articles written by firm professionals)
Focus on building long-term relationships with clients	
Develop and provide products for client use that enhance long-term relationship	
	Web sites
	Local community involvement providing networking opportunities with other professionals
	Corporate sponsorship of national, regional and local events and philanthropies
	Seminars for business professionals
	Nationally produced newsletters
<i>Smaller regional and local firms</i>	
Focus on creating firm image and building client relationships through client service plans	Direct mail
Fast follow up on referrals	Advertising utilizing local and regional press outlets, including newspapers and radio
Quick response to negative word-of-mouth	Newsletters, often produced in-house
Focus on client satisfaction as a way to build competitive advantage	Speakers' bureau
	Sponsorships of local community events

Table I. A summary of the strategies and tactics currently used by a sample of professional accounting service firms

Client retention

providers maintain and grow the practice, industry articles provide the “how-tos” for generating leads, satisfying and retaining current clients, and the accountants in the field also have their views on what is important to succeed.

How should accountants retain clients?

Many articles have been written about keeping clients satisfied because conventional wisdom suggests that customer satisfaction is assumed to be a key determinant in client retention (Ellis and Mayer, 1994; Stanny *et al.*, 2000). Brownlow (1997) suggested that with public accounting firms competing for clients, it was important for smaller firms to change the way they did business by creating a client service plan and a client satisfaction review. The plan should include services that have been identified as most valuable to the client with details of timing, personnel, and costs. At the end of the process, client satisfaction reviews are used to continually improve client relationships. Other advice about client retention indicated that there will be service failures due to human interaction between the client and the accountant and time pressure. When problems occur there should be a strong recovery effort that starts with surveying clients and assessing complaints (Ellis and Mayer, 1994). Rather than focus on why clients leave, practitioner journals look at ways to retain clients.

The AICPA guidelines also support monitoring client satisfaction. It is suggested that CPAs periodically survey their clients because dissatisfied clients can damage a firm’s reputation and discourage referrals. Clients will complain if they are dissatisfied but not always to the firm, so it becomes important to ask clients how the firm is doing. There are many approaches to gain client feedback, including client service teams meeting with client management at the conclusion of a project to assess service quality, periodic surveys sent to clients followed by a face-to-face meeting, and lost client analyses conducted to prevent poor performance from happening again.

Satisfaction surveys

Our interviews suggest that there are many forms of feedback being used by national firms. Some accounting firms send their clients annual satisfaction surveys to gauge success in performing technical services and share the results with the engagement staff. Others create feedback checks as part of the audit plan so that clients are being asked about the service during the engagement, while others discuss expectations prior to the service being provided and then again after the service is completed. With improved communication technology, firms also use on-line surveys to measure client satisfaction regarding issues such as timeliness and efficiency of delivery. Sometimes firms obtain client feedback from client surveys issued by an independent third party consultant and then may follow up with one-on-one conversations.

Client relationships

The survey information is reviewed internally and used for improving future jobs and cultivating client relationships. The client satisfaction information can be used as a part of the client’s service plan, which is a blueprint of how to manage client expectations before, during, and after the service is provided. The client responses are used to evaluate staff performance and acknowledge good employees for satisfying the client and to identify areas that need improvement. This information can also be used externally through a “client bill of rights” to show client dedication. Firms indicate that by encouraging open dialogue with clients, staff become aware of both negative and positive issues as they occur. Some firms even

offer a bonus system for good responses on surveys and for bringing in new business.

What about cross-selling?

AICPA supports expanding services to existing clients. Due to competition, clients are receptive to new approaches for solving problems or to opportunities to improve and will listen to whoever has the best ideas. Thus, selling additional services to existing clients is no longer considered “unethical” but part of a long-term growing relationship. However, recent SEC rulings have made accounting firms more cautious about which services they provide to which clients (McNamee *et al.*, 2000). If clients are satisfied and trust the current firm, offering additional services helps firms grow, be competitive, and increase profits. Selling additional services requires that staff be educated about the various services performed and offer these services on an “as needed” basis.

Variety of services

According to Maister (1993), firms set goals of expanding relationships with existing clients by extending the variety of services provided. However, he suggests that few firms have made cross-selling work on a systematic basis because their approach has been to sell services rather than start with a deep understanding of the client’s business and knowledge about current problems before suggesting solutions. For cross-selling to be successful, client information must be shared between disciplines so that all members work as a team. Marketing to existing clients requires organization and a commitment to the client relationship so that the interests of the client are best served.

Another perspective about cross-selling brings up the issue of sharing the client and that some accountants might fear that their position with the client might weaken if another discipline provides the needed service (Garling, 1998). To overcome this fear, client service programs can be developed that specify what types of services the clients need and who might provide those services. Communication was mentioned as the key to success in coordinating integrated services.

No matter the conflicts or extensive coordination between disciplines, our interviews suggest that accounting firms actively use cross-selling (sometimes referred to as “cross-serving”) as a means to grow the practice. Many feel they are providing an invaluable service by bringing expertise from multiple disciplines. Since they know the client, its business and industry, they feel best equipped to provide the needed services to improve the client’s business. On each engagement, staff look for new services or products that the firm can provide to add value to the client’s business and increase the firm’s quality of service. A recent example of a cross-selling opportunity arose when a partner was reviewing a specific tax transaction and a number of accounting issues emerged that enabled the partner to bring in some of their business specialists.

Cross-selling opportunities

To keep staff informed about cross-selling opportunities, monthly partner/manager meetings are held to discuss a new line of services and review examples of previous projects, presentations are made by specialty groups, or types of “internal advertising” via e-mails or newsletters are circulated throughout the firm. These briefings are used to encourage partners to think of their clients and existing opportunities to add value. These meetings also help partners solve a client problem or brainstorm an issue they are facing. In some cases, firms offer bonuses to staff members for

setting up cross-selling opportunities to promote a “firm-wide” attitude about service opportunities.

Client generation

AICPA guidelines suggest that new prospect leads are generated by networking, which is a mutual exchange of ideas or information with a contact. This exchange can come from a referral network, community involvement, active membership in professional organizations, and hosting social events. Referral networking is mentioned as one of the best sources of new business. Those sources include existing satisfied clients, bankers or attorneys who have satisfied customers needing accounting services, and former employees.

Prospective clients

Books written about generating sales normally include a chapter on finding and qualifying leads or prospective clients. Harding's (1994) book is a guide to attracting new clients and specifically provides professionals practical advice on how to write articles, make cold calls, hold a seminar or conference, send out direct mail pieces and get quotes in the press to open opportunities to find new business leads. Another resource focuses on explaining how professionals can make leads into prospects (Aquila *et al.*, 1996). Their interest is in encouraging professionals to consider everyone they meet as a prospective client. Aquila states that “leads are all around us; we just don't see them”. The process involves identifying target prospects, developing leads, qualifying leads, and following up with the generated leads. Kahan (1997) wrote an article about the odd places where accountants are getting leads. He interviewed accountants and asks them how they picked up their first clients. The responses range from meeting clients while skydiving or biking across Montana, to returning a lost wallet.

Based on our interviews of accounting firms, networking with other professionals and referrals from existing clients are the keys to lead generation. Other commonly mentioned sources were attending civic/charitable and cultural events, business conferences or seminars, and telemarketing. One firm stated that if former employees, when they had a good experience with a firm, go to work in industry, they will recommend the firm to top management. The following scenario describes how this process works:

... attending a sporting event with a client and a friend, the discussion turned to tax savings and the mutual friend expressed frustration with his current accountant, so a monthly newsletter was sent and a luncheon was scheduled for further discussion about tax services.

Client referrals

There were a few firms that did not seek client referrals from other professionals, including attorneys, bankers, and investment people, because they felt that this behavior was in violation of their code of professional ethics and instead relied on external communication and current clients.

Why do accounting firms lose clients?

According to the AICPA (1998), it is important for accounting firms to build strong relationships with existing clients due to their impact on future business through referrals and the possibility of losing clients to competitors. The primary reason stated for clients to switch accounting firms is a lack of attention caused by work not being completed on time, lack of communication about problems, unreturned telephone calls, lack of industry or firm knowledge, and high fees.

Client loss

Carcello *et al.*'s (1998) exploratory study of clients "at risk" of leaving their current accounting firm identified multiple reasons, including an unsatisfied controller, the previous background of the controller with another accounting firm, and the lack of active involvement by audit firm executives in the engagement. Audit fees were also mentioned by the at risk clients as reasons why a change in audit firm was being considered.

When we asked accounting firms about client retention, we found them mentioning reasons out of their control rather than a lack of attention on the firms' parts for losing clients. National firms mentioned that lost clients were due to:

- acquisitions in which the new CFOs used another national accounting firm;
- fee structure (charging higher fees than competitors); and
- recent SEC rulings regarding conflict of interest (auditor lack of objectivity due to relationships with client management).

One national firm reported dropping clients due to "risky behaviors" (lack of compliance with SEC rulings) on the part of the client. Regional firms lost clients due to acquisitions, disagreements about fees, changes in management, and situations where the client outgrew the firm's ability to service them.

Discussion

There is a great deal of evidence to suggest that professional accounting firms are undertaking significant marketing projects in their efforts to grow their organizations. Those to whom we spoke were keenly aware of the increasingly competitive nature of their business, and the need to be proactive and strategic in their thinking, although it appears many of the marketing activities undertaken are tactical and lack strategic focus. All firms, with few exceptions, rely heavily on referrals from current and past clients, and other professional service providers (bankers, attorneys), and networking, and expect their employees to avail themselves of activities where these interactions can take place. Young accountants are groomed from their early days in the firm to get involved in community organizations and philanthropies in order to take advantage of such relationships. While this is a very common, relatively comfortable and expected role for accounting professionals to take, expecting accountants to develop and implement more elaborate and strategic marketing programs for their firms is not common, or comfortable. It is also not expected in many firms, for much of the burden of developing and implementing those marketing programs falls to professionals outside of the accounting ranks.

Many firms, particularly the "Big 5" and large regional firms, have hired marketing professionals, as the accounting professionals either do not feel equipped, or do not have the time, to handle these responsibilities themselves. While there are certainly exceptions to these findings (partners in many firms are expected to "sell" business, and as such those who are partners must be comfortable in that role), the vast majority of firms have not undertaken full scale strategic marketing programs in which their professional accounting staff are involved and accountable for the results. This is clearly evident in smaller firms, where resources (both human and financial) may be constrained.

Marketing plans

Therefore, it appears that accounting firms, to a large extent, are taking the advice of AICPA and experts in the field. They are becoming more strategic in their marketing plans, although there is still the view that marketing is nothing more than advertising. It was surprising that some smaller regional firms were developing strategic marketing plans to address their competitive environment.

Concerning practice development, it likewise appears that firms have heard the message about getting customer feedback, focusing on ways to gain clients, and promote cross-selling opportunities. Surprisingly, few firms reported losing clients. Those that did report lost clients attributed the loss to factors external to the firm, rather than their own service failures.

Implications to firm management

Managerial implications of the findings

It is important to consider the implications to firm management of the findings from the 50-plus interviews conducted. All firms need to utilize marketing in their efforts to maintain and build their client bases. Better understanding the wants and needs of their customers, both current and potential, and taking great care to build and maintain relationships with those customers are strategic marketing issues. These strategies, which focus on the customer, are implemented through many possible marketing tactics. Large national and regional firms often hire someone with specific marketing background to plan and implement the chosen tactics.

Smaller firms, on the other hand, often do not possess the resources – human or financial – to undertake the design and implementation of elaborate marketing plans. Instead, these firms must utilize tactics that can help them meet their goals without requiring tremendous outlays of scarce resources. Of key importance is the development of strategic alliances with other professional service providers (i.e. legal and financial services, consultants), from which referrals can come.

Additionally, a key tactical element for smaller firms is networking with other business professionals. These professionals can provide introductions and referrals to potential clients, positive work-of-mouth, and industry-specific knowledge (which the firm can utilize to serve industry niches), among other benefits. Encouraging all staff members of smaller firms to involve themselves in activities where networking is likely (not-for-profit boards, community activities, sports, etc.) is an important way to meet the firm's goals.

Limitations of the study and future research opportunities

It is evident that professional service firms must begin to strategically consider the marketplace in which they operate in order to continue to be competitive. This study provides some initial understanding into the tactical and strategic use of marketing by one segment of professional service providers, accountants and accounting firms.

Limitations

While insightful, the findings are not without limitations. The sample was a convenience sample and, although not inherently a problem for exploratory research, it may not be representative of the total population of professional accounting firms.

Included in this total population of professional accounting firms are firms that do business in international markets. Many of the firms to whom we spoke do international work. This is particularly true of the

Professional service firms

large “Big 5” firms. These firms are working in a competitive, international environment in which they must strategically consider how best to retain and gain clients. They may use different marketing tools and techniques (tactics) that are country-specific, and in compliance with foreign government regulations and standards. However, given the competitive nature of the environment, their strategies must continue to be client service-focused, regardless of the country in which they are operating, making these findings generalizable to some extent. A follow-up study that includes a more representative sample of firms (both nationally and internationally) is a natural extension of this work.

Second, this study only addresses the marketing tactics and strategies of professional accounting firms. What about the practices in other professional service firms – law practices, physicians, financial services? Much in the same way that these findings are broadly generalizable to an international community, so too, might they be generalizable to other professional service firms. Other firms can use these findings to define where their own professions are in developing focused marketing strategies and tactics, and move ahead to gain competitive strength. A study of other professional service firms’ marketing programs would provide for some interesting comparisons.

Conclusion

The need for more strategic, proactive marketing programs is obvious in this environment, for all professional service organizations, including accounting firms. However, there is still resistance to marketing. “We struggled with the word marketing”, says one attorney, who also chaired his organization’s marketing and client development committee. “Since the term often gets confused with sales and can be defined in many ways, some firms aren’t sure what to do with it” (Bour, 2001). According to Bour (2001), law firms are finding the value in good marketing programs, and overcoming many of the initial “objections” to the use of marketing.

Marketing programs

More successful marketing programs involve all members of an organization’s professional staff, from partner to staff accountant/attorney/physician, and potentially every member of the administrative staff as well. Each individual with whom the client/patient has contact will become a strategic link to developing and maintaining that client/patient relationship. As a result, it will become increasingly important to make sure that the firm’s employees are capable of and comfortable with their marketing roles. This may require organizations to consider more closely the sales and marketing potential of recruits that they hire for both professional and administrative positions. Firms may also begin to develop training programs in marketing and selling skills that they will require all members of the organization to attend. Some organizations have already begun to hire marketing professionals to train their professional staff and develop personal strategic marketing programs for them. These initiatives may be necessary.

The service professions are in transition. There are many competitors from both inside and outside the professional firm ranks. Non-CPAs are performing accounting services, legal documents are available on-line for those interested in avoiding attorney fees, physicians’ services are being controlled by health management organizations. Firms are in danger of losing clients to other firms who do a better job of marketing themselves

and their capabilities to meet the needs of the client. Firms are trying to build relationships with other firms' clients. The short term fix may be to hire a marketing professional to come into the firm and develop and implement programming (advertising campaigns, brochures, Web sites, etc.), but the long-term competitive advantage from marketing programs will come as a result of commitment and implementation by every individual in the organization.

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Appendix. Excerpt from AICPA (1998) *Management of an Accounting Practice Handbook*

620.21 *Sending Newsletters.* One effective way to keep the name of a firm in front of its clients, potential clients, referral sources, and press contacts is to send out a periodic (quarterly or monthly) newsletter. Although firm newsletters can be effective marketing tools, it is hard to quantify their effect in bringing in new business. They can be quite expensive and time-consuming to produce and mail. Before deciding to provide a newsletter to its clients, potential clients, referral sources, and press contacts, a firm must understand the costs involved in both money and manpower. The firm must make a long-term commitment to the project. Once a firm begins to distribute a quarterly or monthly publication to its mailing list, it will be expected to provide this service indefinitely.

620.22 There are two primary ways to produce a client newsletter:

- a Purchase a ready-made newsletter from an outside source.
- b Prepare an in-house newsletter.

Each of these approaches has significant advantages and disadvantages. They are discussed in more detail in the following paragraphs. The firm should carefully balance the advantages and disadvantages of each type of newsletter before deciding which approach to use. ■