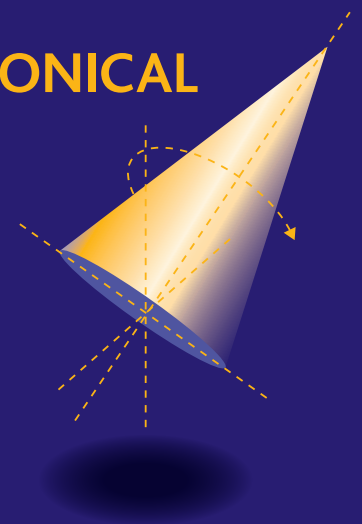


Accountancy Sector Marketing Report

CONICAL



The Purpose of this Report

Accountancy firms have, like other professional service businesses, seen the need to embrace a more professional approach to marketing. Many have appointed full-time dedicated staff to manage marketing issues and specialised agencies are being widely used.

This report sets out to reveal what techniques are being used within the sector and to discover whether there is a consensus as to which marketing activities are the most effective. As such, it is designed to assist Marketing Managers and Partners within accountancy firms and, to a certain extent, other professional service companies.

This report also provides an insight into how marketing issues are being managed and explores decision making structures.

It also attempts to identify some strategic issues faced by the accountancy sector.

Report Methodology

The information contained within this report is based upon interviews with 50 accountancy firms across England and Wales carried out towards the latter half of 2009. The interviews were based on a structured script and questionnaire that captured both quantitative and qualitative information. Not all respondents felt able to answer all questions.

The survey work was split across a wide range of practice sizes and for the purpose of reporting, the information contained within this report is split between firms of fewer than 10 Partners, firms with between 10-20 Partners and firms with more than 20 Partners. The total number of respondents was, broadly speaking, spread equally across the practice sizes.

The survey should provide a useful insight into the variation of approach adopted by different sizes of firm and should be more useful than simply grouping all firms together irrespective of size.

An attempt was made to spread the survey geographically across England and Wales, although no regional information is contained within this report.

The core of the report details the raw findings of the survey work and this is followed by a commentary and conclusions section. The conclusions section draws upon the findings of the report and also provides some observations based upon practical experience of accountancy and other professional services marketing.

SECTION 1

Understanding of Marketing

The interviews commenced by identifying the person responsible for marketing management and decision making within the firm. This individual was then asked to respond to a series of questions. The first of these questions related to the importance of marketing over the next few years.

Question 1.1

“Could you state whether you see marketing as being more important to the firm in the next few years, less or about the same?”

	Under 10	10 to 20	20+
More important	71%	100%	67%
Same	29%	0%	33%
Less	0%	0%	0%

The findings reveal that there is a clear consensus that marketing will increase in importance with no respondents anticipating a decrease in importance.

Question 1.2

“Has anyone in the firm received any formal marketing training?”

	Under 10	10 to 20	20+
Yes	54%	83%	100%
No	46%	17%	0%

When it comes to formal marketing training it seems that the smaller firms have taken less action in relation to training than the firms with over 10 Partners. This could be a function of a variety of influences such as; budget, decision making structures, relative importance attached to training, knowledge of providers etc. Given the findings in question 1.1 this is rather surprising and could suggest a lack of understanding amongst the smaller firms as to the professional disciplines associated with marketing management.

Question 1.3

“Do you think accountants in general have a good understanding of marketing issues?”

	Under 10	10 to 20	20+
Yes	21%	33%	60%
No	79%	67%	40%

It is not surprising that the firms with less than 10 Partners do not feel that they have a good understanding of marketing issues, but what is highlighted, is the discrepancy between the firms of between 10-20 Partners and the firms with 20 or more Partners. Both scored quite high on the question about formal training; however this training is not necessarily reflected in their understanding of marketing issues.

Conclusions here are problematic but it could be that whilst marketing training has been embarked upon, the understanding of marketing best practice requires further reinforcement, mentoring and / or additional activity.

Marketing Components

Arguably the most revealing section of the survey, Section 2, relates to the importance respondents attach to the different components of marketing. Respondents were asked to indicate on a scale of 1-7 (1 being low and 7 being high) the importance of marketing activities.

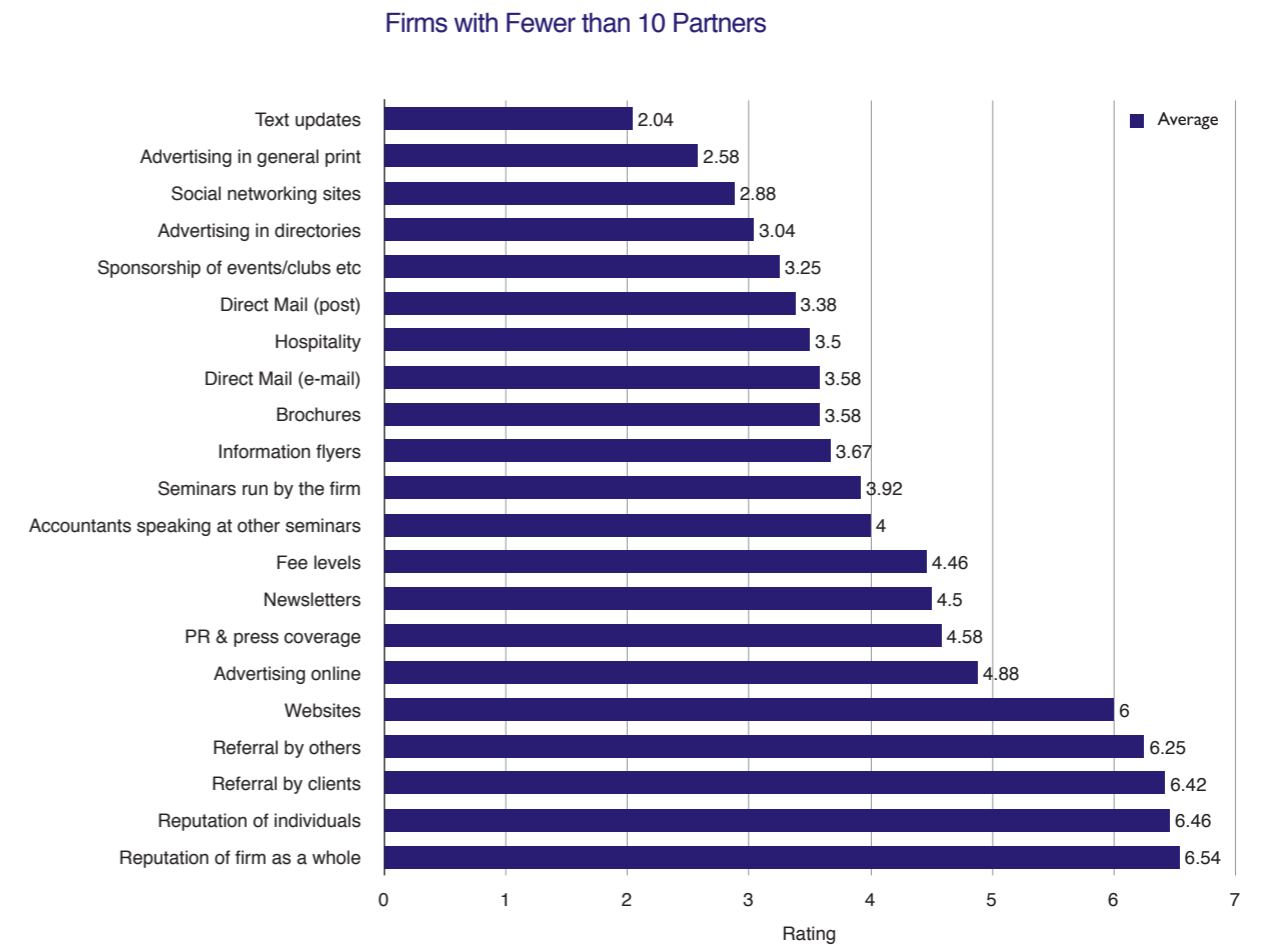
The areas covered were as follows:

- Accountants speaking at other seminars
- Advertising in directories
- Advertising in general print
- Advertising online
- Brochures
- Direct Mail (e-mail)
- Direct Mail (post)
- Fee levels
- Hospitality
- Information flyers
- Newsletters
- PR & press coverage
- Referral by clients
- Referral by others
- Reputation of firm as a whole
- Reputation of individuals
- Seminars run by the firm
- Social networking sites
- Sponsorship of events/clubs etc
- Text updates
- Website

2.1 Firms with Fewer than 10 Partners

The chart below shows the average importance score attached to the different marketing components. This graph gives an indication of how accountancy firms of fewer than 10 Partners view the tactical use of the different components.

There were wide variations observed when it came to importance scoring for traditional forms of advertising and PR. There is however, some consensus in the higher scored areas of referral, reputation of individuals and the reputation of the firm as a whole.



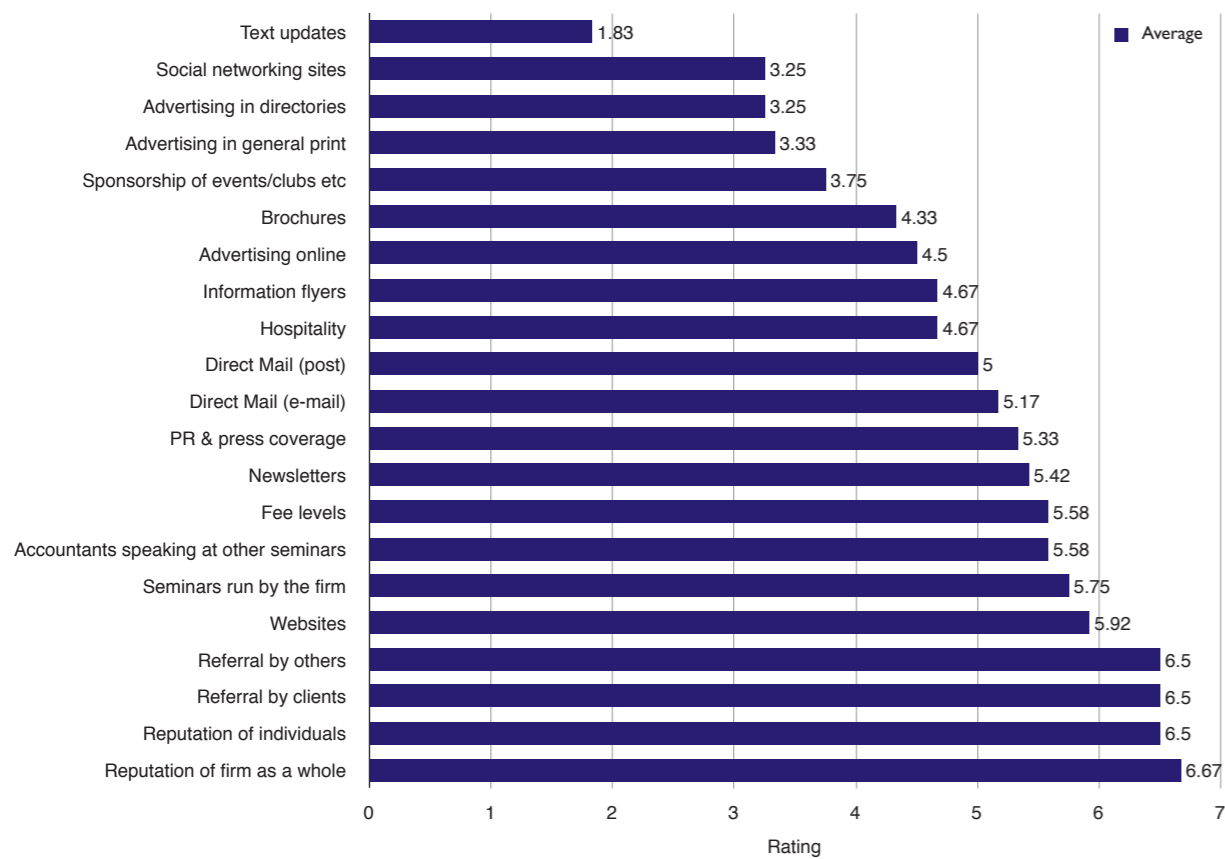
2.2 Firms with 10-20 Partners

The chart below shows the average importance score attached to the different marketing components. This graph gives an indication of how accountancy firms with between 10-20 Partners view the tactical use of the different components.

A similar level of importance is placed on websites and PR as that of the smaller firms however, firms with between 10-20 Partners placed a higher emphasis on both direct mail (post) and email marketing. Seminars and seminar speaking are also seen as being significantly more important by this group than by the smaller firms.

As with the smaller accountancy firms, there was little disagreement about the importance of the highest scoring areas of referral, individual reputation and the reputation of the firm as a whole. SMS text and social networking sites again score relatively low in terms of importance.

Firms with 10 - 20 Partners



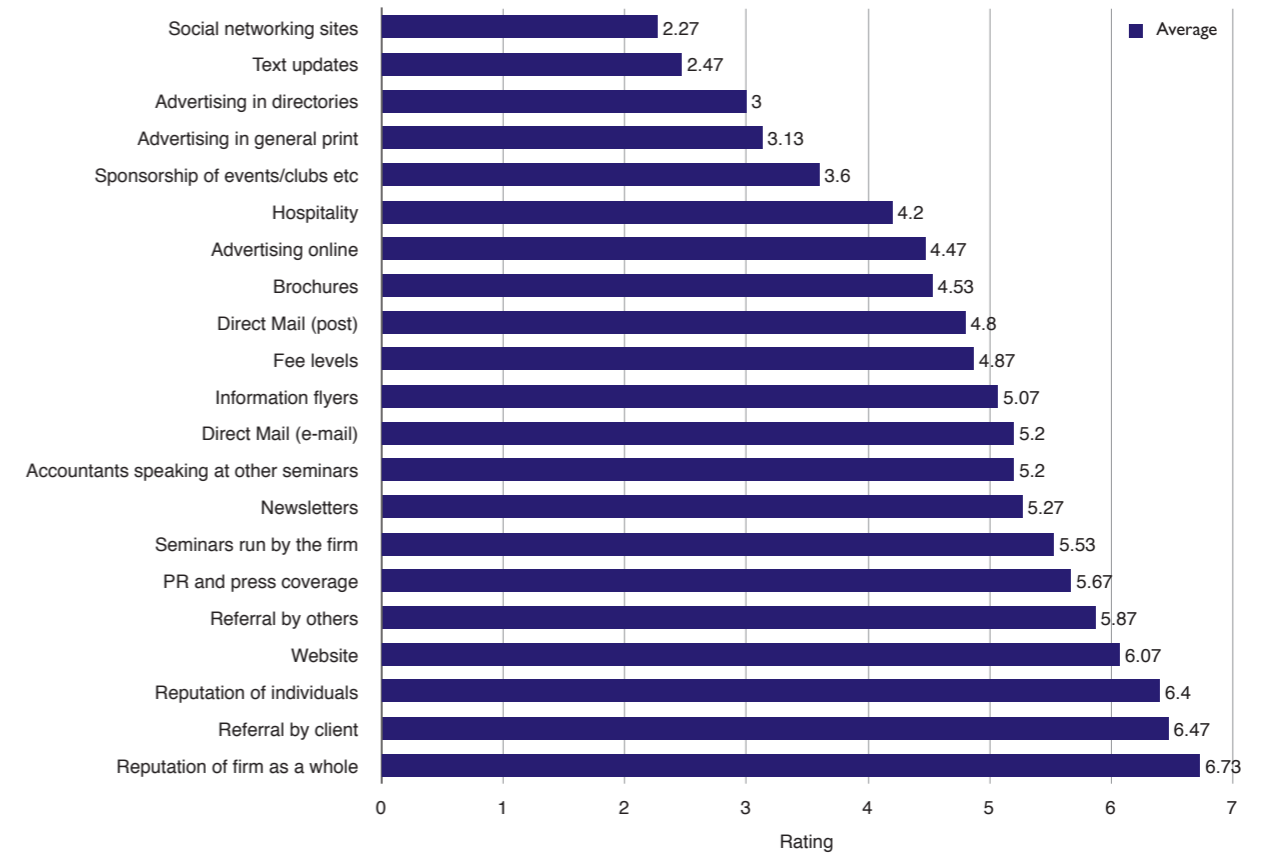
2.3 Firms with More Than 20 Partners

The chart below shows the average importance score attached to the different marketing components. This graph gives an indication of how accountancy firms with more than 20 Partners view the tactical use of the different components.

The larger firms show an increased emphasis on PR activity. It is also interesting to note that despite an explosion of online and e-marketing, print is still seen as having a significant role to play in the marketing mix of these firms (and indeed the smaller firms).

As with the smaller accountancy firms, there was little disagreement about the importance of the highest scoring areas, of referral, individual reputation and the reputation of the firm as a whole.

Firms with More Than 20 Partners



General Observations

There is broadly speaking, a consensus on which aspects of marketing are more important for accountancy firms, these being reputation, referral, an online presence and possibly PR.

Traditional forms of advertising have a relatively low importance rating. This trend is being reflected in other sectors. In this survey advertising online has overtaken advertising in print for all sizes of firm and is particularly valued by the smaller firms. This is perhaps not surprising given the rapid move into 'pay per click' advertising.

It is interesting to note that fee levels only has a middling importance ranking for firms of all sizes. Given the state of the economic cycle when this survey was completed this is perhaps a little surprising.

Web presence rated highly across the board and consistently scored more than printed brochures, although these still seem to have a role to play. Information flyers also have a role to play within the marketing activity of firms of all sizes.

SECTION 3

The Market Place

This section was designed to gather information on issues which have a significant effect on the trading environment of accountancy firms in the near future. Since environmental analysis is an essential component of the marketing planning process, the findings are likely to be of relevance to accountancy firms when building a marketing plan.

Respondents were asked to either agree or disagree with the following statements:

Statement 3.1

“Accountants will become more sophisticated in their use of marketing”

Under 10		
Agree	Disagree	No View
71%	4%	25%
10 to 20		
Agree	Disagree	No View
100%	0%	0%
20 +		
Agree	Disagree	No View
80%	13%	7%

Statement 3.2

“Accountants will tend to specialise more with regard to sectors, size of client, or type of work in the next few years”

Under 10		
Agree	Disagree	No View
63%	17%	20%
10 to 20		
Agree	Disagree	No View
67%	25%	8%
20 +		
Agree	Disagree	No View
80%	13%	7%

Statement 3.3

“There will be larger firms or more firms which have merged in the future”

Under 10		
Agree	Disagree	No View
33%	42%	25%
10 to 20		
Agree	Disagree	No View
50%	25%	25%
20 +		
Agree	Disagree	No View
47%	20%	33%

Statement 3.4

“Accountancy firms will merge with other professional advisory firms”

Under 10		
Agree	Disagree	No View
33%	38%	29%
10 to 20		
Agree	Disagree	No View
25%	17%	58%
20 +		
Agree	Disagree	No View
53%	40%	7%

Statement 3.5

“Fee rates will come under increased pressure”

Under 10		
Agree	Disagree	No View
75%	21%	4%
10 to 20		
Agree	Disagree	No View
84%	8%	8%
20 +		
Agree	Disagree	No View
93%	0%	7%

Statement 3.6

“Individual Partner self promotion is more important than firm wide marketing”

Under 10		
Agree	Disagree	No View
25%	54%	21%
10 to 20		
Agree	Disagree	No View
0%	75%	25%
20 +		
Agree	Disagree	No View
7%	60%	33%

Statement 3.7

“The firm as a whole could win more work from existing clients if fee earners were not over protective about their client relationships”

Under 10		
Agree	Disagree	No View
41%	38%	21%
10 to 20		
Agree	Disagree	No View
42%	33%	25%
20 +		
Agree	Disagree	No View
74%	13%	13%

Statement 3.8

“The firm could do much more to sell more to existing clients”

Under 10		
Agree	Disagree	No View
63%	20%	17%
10 to 20		
Agree	Disagree	No View
92%	0%	8%
20 +		
Agree	Disagree	No View
87%	13%	0%

Statement 3.9

“Accountants need more sales and marketing training to help them win more work”

Under 10		
Agree	Disagree	No View
67%	20%	13%
10 to 20		
Agree	Disagree	No View
83%	17%	0%
20 +		
Agree	Disagree	No View
100%	0%	0%

Some Conclusions

There are some strategic issues revealed by this section. There is a broad consensus that firms will increasingly specialise in terms of the types of client and the sectors they serve. This is particularly the case with the larger firms and this will clearly have a significant impact on how firms not only market themselves but also potentially in how they structure themselves.

Despite earlier middle ranking findings about the importance of fee levels in the marketing mix, fee rates look like they will continue to come under pressure and this is especially the case with the larger firms.

A majority of the larger firms believe it is likely that they will merge with other professional advisory firms. If this is translated into reality it could have a dramatic impact on strategy.

The section dealing with individual Partner promotion and that of the firm revealed only small percentages believing that individual self promotion is more important than that of the firm as a whole. Despite this it does seem that some senior personnel are limiting the ability of the firm to secure more work from existing clients by either being over protective of their relationships or not fostering cross-selling. This might suggest that work associated with building brand recognition, and enhancing brand perception within the target market would be of benefit to many firms.

SECTION 4**Client Care****Question 4.1**

“Does the firm currently monitor client satisfaction?”

	Under 10	10 to 20	20+
Yes	50%	64%	87%
No	50%	36%	13%

Question 4.2

“Does the firm monitor and measure feedback from the seminars or hospitality events it runs for clients?”

	Under 10	10 to 20	20+
Yes	70%	83%	100%
No	30%	17%	0%

Some Conclusions

Given the overwhelming levels of importance attached to the issues of reputation and referral by respondents, both of which are heavily influenced by client service/care, it is surprising that there are still plenty of firms that are not monitoring satisfaction levels. It could be that this is an area that firms should prioritise not only to protect existing relationships but also to foster referrals.

Budget

Question 5.1

“Do you have an agreed marketing budget for the firm?”

	Under 10	10 to 20	20 +
Yes	67%	75%	100%
No	33%	25%	0%

Question 5.2

“If yes what is the annual spend (excluding employee costs)?”

	Under 10	10 to 20	20+
Less Than £40k	73%	17%	10%
£40-£65k	9%	17%	0%
£65-£90k	9%	17%	0%
£90k +	9%	49%	90%

Question 5.3

“Do you have departmental marketing budgets?”

	Under 10	10 to 20	20 +
Yes	13%	25%	93%
No	87%	75%	7%

Some Conclusions

There is no surprise here that the larger firms spend more on marketing than the smaller ones however, it is interesting to note the emphasis placed by the larger firms on departmental budgeting and the steep lift in budget from the smaller to medium sized firms.

Marketing Management

Question 6.1

“Do you have a formal written marketing plan?”

	Under 10	10 to 20	20 +
Yes	58%	83%	93%
No	42%	17%	7%

Question 6.2

“Which of the following management structures do you use for implementing marketing activity?”

	Under 10	10 to 20	20 +
Marketing manager with delegated powers	38%	75%	80%
Marketing committee	25%	50%	60%
Partnership meetings	88%	83%	93%
Use of specialist agencies as required	71%	75%	87%

Question 6.3

“Do you actively target organisations for a direct personal approach?”

	Under 10	10 to 20	20 +
Yes	63%	75%	100%
No	37%	25%	0%

Some Conclusions

Despite the previous mention of the use of marketing training there are still a substantial percentage of smaller firms that do not make use of formal marketing planning. Partnership meetings are the dominant decision making body and there is considerable use of specialists as required, even by the smaller firms. Marketing managers would appear not to be the norm in the smaller firms and even some of the larger firms appear to operate without an in-house function.

Agencies

Question 7.1

“Do you use agencies for any of the following services?”

	Under 10	10 to 20	20 +
Advertising	29%	25%	40%
Graphic Design	75%	92%	73%
PR	29%	25%	73%
Hospitality	0%	8%	7%
Sponsorship	4%	0%	7%
Market Research	17%	25%	20%
Client Care	4%	8%	7%
Web Design	88%	100%	87%
Project Management	12%	0%	7%
Outsourced Marketing Management	8%	0%	7%
Telemarketing	38%	75%	7%

Question 7.2

“Do you anticipate using agencies, more often, about the same, or less in the future?”

Under 10		
More	Same	Less
9%	87%	4%
10 to 20		
More	Same	Less
27%	64%	9%
20+		
More	Same	Less
0%	86%	14%

Some Conclusions

There is no surprise that accountancy firms across the board use web design and graphic design agencies, however it is a surprise that more do not use specialised marketing companies to assist them with their marketing, given the responses to earlier questions in this report, relating to understanding of marketing.

It is also worth noting the difference between the firms with less than 20 Partners and firms with more than 20 Partners when it comes to using outside agencies for telemarketing, with the larger firms taking little action.

As one might expect (given earlier responses) the larger firms are much greater users of specialist PR agencies than the mid-sized and smaller firms.

Agency use looks like being broadly static in the near future although it is possible that the ‘mix’ of agency type could change.

Survey Commentary and Observations

There is no doubt that firms now see a need to market themselves and that they anticipate that need to grow in the short to medium term. There is no coverage in this report of how the organisations manage strategic business planning, but it does identify that formal marketing planning processes are being used by many, which will inevitably involve the use of some strategic planning tools and techniques. Given a market that could see accountants face demands for increased specialisation, pressure on fees and potentially the growth of multi-service professional service firms this is encouraging. However, it is one thing to have an appreciation of some tools and techniques and it is another to move an organisation in a particular direction. Partnership structures are not always the most dynamic of decision making structures and it will be interesting to see how firms respond.

Tactically the tools and techniques used by firms vary and the use of averages in this report masks a degree of variation between different respondents. There is no ‘perfect mix’ of tools and techniques that can be applied ‘blanket like’ to all firms. Variations in specialisation, sector and structure, strategic objectives etc. will all influence what tools should be deployed. A common question that is asked of marketing professionals is how much should be spent on marketing? Alternatively what percentage of sales should be allocated to a marketing budget? These kind of questions are flawed in that different scenarios determine different tactics. For example, a firm looking to penetrate 50 organisations within a particular sector will use very different marketing tactics to a firm looking to reach 75,000 local people for tax return compilation. Clearly issues of focus will have an impact on the budget and tools and techniques that are required to implement differing campaigns.

There are some interesting findings contained within the report that reveal that accountancy practices are adjusting their marketing campaigns to embrace online activities. This is an area that is developing at considerable pace providing both opportunities and challenges. Online advertising activity has grown quite dramatically in recent years and advertising online now appears to have overtaken advertising in print however, brochures and printed flyers endure. This is an area that could benefit from further exploration.

E-mail marketing is an incredibly crowded, busy environment that is regularly open to abuse and extremely hard to regulate. This means that the channel can be used for illegal purposes, virus transmission and of course ‘spam’. Inevitably this has devalued the channel somewhat and has resulted in technical responses from programmers aimed at restricting unsolicited mail. Print is still being used by some firms and given the relative traffic levels flowing through electronic channels it could be that print can offer an opportunity to stand out from the crowd. In practice an integrated approach needs to be adopted utilising different channels to achieve varying objectives.

The issues of reputation and referral are seen as being the most important factors when marketing a practice. This is in line with previous Conical reports on Solicitors practices and Barrister Chambers. This will not be a surprise to many people. There is a danger of assuming that ‘these issues will look after themselves’ and that no marketing management effort is required.

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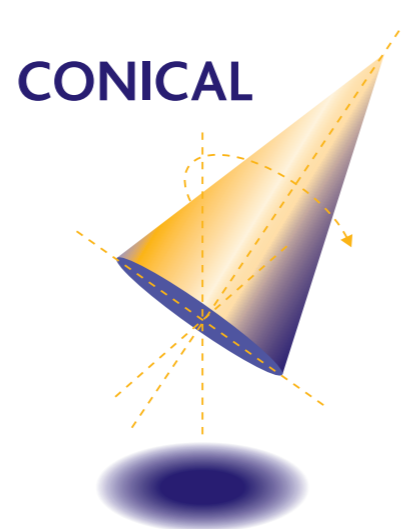
It is possible for firms to maximise the return from reputation and referral issues by, looking to open up client contacts for the benefit of the whole firm (cross-selling), and by seeing client care and service quality issues as being of truly strategic level importance. Referrals can also be stimulated by nurturing existing relationships with referrers in a planned way. It should also not be forgotten that increasing the general awareness of the firm, its service range and its market focus and ‘culture,’ can stimulate referrals. Clearly for a client to instruct a firm they need to at least be aware of what services it can offer. In a rush towards marketing activity that can be easily measured or evaluated the more abstract concept of awareness can be undervalued.

There is much that can be achieved by enhancing the skill set of fee earners enabling them to utilise networking, new business development, tendering, presentation and cross-selling skills to maximise the return for the firm. Within the professions there remains a degree of skepticism about the role of ‘selling’ and it is sometimes seen as the domain of other sectors. The reality is that sales skills are a key component of the resource capability of any firm. In professional service firms the line between marketing and selling is sometimes difficult to define, but even for relatively small clients there is no doubt that the buying decision will ultimately be heavily influenced by direct personal contact with the firm. As such much marketing activity should be aimed at enhancing opportunities for direct personal contact between the firm and the potential client and enhancing and protecting existing relationships.

Hopefully this report has provided readers with a useful insight into marketing activity within the accountancy profession. It suggests that there is little doubt that the profession as a whole sees a central role for marketing as a core management function and a function that is likely to increase in importance. Each firm has its own set of particular marketing needs and caution needs to be expressed when making use of this report. What it cannot be seen as is a template for marketing management action.

As a snapshot of the profession there are some areas that could warrant further examination within individual firms. These include, use of formal marketing planning tools and techniques, marketing and sales skills development amongst fee earners, client and referral body ‘care’ and relationship fostering. These issues require a mixture of professional marketing skill and to a certain extent building a wider understanding of marketing issues across the whole firm. This could see an increased ‘fee earner mentoring’ role for internal marketing resources and possibly external agencies. To be successful any mentoring needs to operate at the very highest (Partnership) level and those seeking to build a marketing and sales aware culture will ultimately fail if this is not embraced and acted upon at Partnership level.

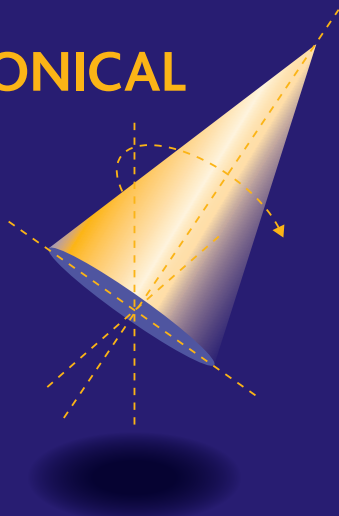
From a strategy development perspective Section 3 reveals a profession facing a period of potential transition. There is a suggestion that some are anticipating further mergers and increased departmental specialisation within larger, possibly multi-disciplinary, firms. Should this be the case it will have a major impact on marketing activity and will place increased emphasis on the function.



NOTES

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