

June 2009: "Positioned to Win" was honored by Canadian Business Press with a Kenneth R. Wilson Award in the category 'best merchandising/marketing article 2008'



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**From the editor**..... a regular contributor, CA Robert Angel teamed with fellow CA Hugh Johnston to survey accounting firms about marketing practices. The results are highlighted in "Positioned to win" (p. 34) and indicate that traditional marketing practices such as networking to attract new clients are outdated and no longer work. They conclude that firms must now differentiate themselves from competitors by branding and positioning. By Christian Bellavance, Editor-in-chief

## Positioned to Win

By Robert Angel + Hugh Johnston  
Illustration: Curtis Parker



**Old-style marketing strategies don't work any more; in the new market, the firms that will lead are those that truly practise branding and positioning**

A big part of what Harry Ort does is support his fellow partners' business development efforts. As KPMG's partner-in-charge of the Greater Toronto Area marketing proposals and event management, he knows that the partners are essentially salespeople with ongoing needs for lead generation. That's why CA firms have traditionally concentrated their marketing budgets on driving demand through networking events and communications media.

For all that, Ort is keenly aware of the importance of the firm's brand and making sure that demand-driving activities are consistent with it. But today a new wave of market changes — such as the hollowing-out of corporate Canada — is confronting his firm (in fact all CA firms) with strategic marketing challenges like never before.

Until recently, structural shifts such as loss of audit clients as a result of takeovers and changes in audit resource economics have not really disturbed most CA firms' marketing equilibrium. Regulators have ameliorated the impact of such changes to some extent by placing mandatory requirements such as Sarbanes-Oxley on CA firms' clients.

### TOP 10 CA FIRMS IN 2007 BY REVENUE

1. Deloitte & Touche
2. KPMG
3. PricewaterhouseCoopers
4. Ernst & Young
5. Grant Thornton
6. BDO Dunwoody
7. Baker Tilly
8. Collins Barrow
9. DKF
10. RSM Richter

*Source: International Accounting Bulletin, February 2008*

“Past activity has been regulation driven,” says Ort, “which has created its own demand. Today, we need to turn our partners’ attention back to engaging the marketplace. We are positioning a proper institutional profile based on a deeper understanding of our clients’ needs and how to service them.”

In other words, the winners and losers in this new competitive market will be those firms that truly practise branding and positioning strategy.

Our survey of marketing practices across a broad range of professional firms shows that recognition of this is spreading across the CA profession — but slowly. The biggest firms (see table of Top 10 firms above) appear to be among the leading beneficiaries of this, although other firms are also reaping benefits. These come from more advanced marketing strategies, especially around market share, market segmentation and competitive differentiation tied to such factors as client needs and service innovation.

#### **Traditional marketing — one practice at a time**

We found ample evidence that many firms are not yet ready to adjust to new market realities.

“My marketing plan is developing new business for my practice. It always has been. I am on a constant search for new clients and for earning more from existing ones,” says a partner at a large Canadian CA firm. “Of course, my firm does have a brand. But it is really mostly left to me in my individual practice to decide on my own marketing efforts.”

This is typical of the way many in the profession have viewed marketing for a long time. The emphasis has been on sustaining annuity business and meeting professional standards, meaning marketing has been mostly about acquiring and retaining client relationships. This rather narrow approach to marketing seems to have served many firms quite well over the years.

“A professional firm today needs a tangible differentiator,” says Bruce McAlpine, president of Fulcrum Search Science Inc., an executive search and human capital firm that supports professional services firms. “It is hard for professional firms to standardize the brand since they are mostly a collection of individual brands [the individual practices] and are not really institutionalized.”

Ken Wong, associate professor of business and marketing strategy at Queen’s School of Business in Kingston, Ont., suggests there are four levels for creating points of difference. “Starting with the biggest they are: the ability to solve a problem no one else can solve; providing a distinctive product or service feature [relevant to solving a specific client problem]; better real/technical quality and better perceived quality.”

The emphasis needs to be on providing ongoing value to individual clients without losing sight of the firm's overall strategic picture. "However," says McAlpine, "most marketing plans tend to look the same, they offer the same platitudes." Quoting David Maister, Harvard professor, author of *The Trusted Advisor* and authority on the management of professional firms, McAlpine says, "You can't achieve a competitive differentiation through things you do 'reasonably well, most of the time.'"

"The key," says McAlpine, "is for professional service firms, through training and motivation, to find a way to achieve buy-in and consistency of delivery at the level of the individual service provider. Communication of a competitive difference is critical with professional service organizations."

Broadening marketing reach involves re-examining the business value proposition and how it is delivered. For example, Al Donald, Deloitte & Touche LLP's managing partner, brand, has seen a dramatic increase in nonaudit clients buying their services when a board requires independent support or advice. "We regard boards as a new channel because we are accessing the market in a different way," he says.

The Internet is another channel marketing opportunity. A growing number of CA firms are including a Web presence as an integral part of their brand through a combination of services and thought leadership content. Fulcrum has rebuilt its marketing strategy around a Web presence. "My firm's brand is differentiated by the firm's personality revealed on my website," says McAlpine. "This is particularly important when the client relationship starts with an Internet search."

### **Stuck in the middle without a marketing plan**

"There is no business harder to manage strategically than a medium-sized firm. Indeed, this is the case regardless of industry and geography," says Wong.

Wong sees brand share as a critical business driver and performance indicator. "We consistently find the top brands will account for up to 70% to 80% of the market and they will all make good margins. Firms with a 1% to 4% share of the market that are highly focused on a narrow segment also make good margins. The challenge seems to be the firm with a 5% to 10% share. As a rule, they are not big enough to win against the dominant players and are not specialized enough to win against the smaller, more specialized firms. This means that success depends largely upon an appropriate matching of capabilities [and their cost-to-maintain for the firm] with the needs of different customers — and that is the marketing domain."

And the facts show that Wong is on target with his assessment. The larger firms are able to leverage their advantage in revenue over more professional staff per partner. Using 2006 and 2007 data reported by several sources, our analysis illustrates the significant revenue per partner performance gap between the Big Four and the average mid-sized firm (see table to the right). More importantly, our analysis also shows that large firms are able to generate more revenue per staff member.

<b>Revenue gap</b>	<b>Revenue per partner</b>
Average revenue per partner for No. five to 30 in the top 30	\$ 915
More staff per partner in Big Four firms	794
Higher revenue per professional staff member in Big Four firms	736
Average revenue per partner Big Four firms	\$ 2,445
	<i>\$ thousand</i>

What is telling then for mid-sized firms is that only a few do just as well as a Big Four firm in revenue per professional staff member. On average, medium-sized firms have two-thirds the revenue per staff of a large firm.

In addition, we had to estimate market size in the table below, drawing on a number of different data sources. Surprisingly, we could find no authenticated data on the size of the CA professional practice market in Canada. This ought to be a serious challenge to the person in a CA firm responsible for marketing.

All this seems to indicate that smaller practices without strongly identifiable brands supporting niche specialties are destined to underperform. Similarly, medium-sized and larger firms with less cohesive brands may also find themselves on the wrong side of the performance gap.

In the Canadian top 30 CA firms	Revenue per partner	Revenue per professional staff	Combined market share
The Big Four	\$ 2,445	298	62%
Eight best of the rest in revenue per professional staff	\$ 1,041	304	8%
Nine in the middle of pack	957	199	14%
Nine with the lowest revenue per professional staff	620	134	3%
			\$ thousand

Given a continuing reduction in large clients, firms that are not keeping their brand strategies up to date with clients' most pressing needs could find themselves increasingly squeezed out of the more lucrative parts of the market. Clearly, an ongoing and professional marketing plan is a must.

### The talent marketing revolution

To add to the urgency of this revenue performance gap, it is getting harder to find staff.

Debby Stern, a partner at Soberman LLP, spends more of her time today on making sure she has the best staff available to her clients. For Soberman, one of Canada's largest midmarket advisory and service firms, branding aimed at staff is every bit as important as branding aimed at clients and potential clients. As the long-predicted war for talent becomes a reality across the economy, "we have to make sure we do our best to attract, develop and retain highly talented staff that will serve our clients well," Stern says.

As a result, Heather MacDonald-Santiago, Soberman's marketing and communications manager, has stepped up internal events that provide support and tools for staff so they can be ambassadors for the firm. This means to provide requisite brand value, the marketing plan must position the brand not just externally for clients but also internally for talent.

It is noteworthy that many CA firms have established positions designated as marketing in their organizations. The largest CA and law firms have been engaging professional marketers to fill the marketing slots, rather than professional accountants or lawyers, to bring an unbiased and professional marketing strategy perspective. Such a firm often finds it easier to bring together a somewhat fragmented partnership structure into a cohesive and supportive service organization by having marketing professional support. This can help a firm foster competitive strength through innovation, grow in a more sustained fashion and earn a higher return on each client.

### What professional marketers in legal firms do

There are parallels with how large law firms approach their marketing strategy. Admittedly, a law firm has a different business context but there are distinct professional services similarities. For example, like CA

firms, the brand promise has to be based on the idea that what is right for the client trumps what is right for the firm.

Law firm Torys LLP is a case in point. “We have built our marketing plans around three pieces,” says Stuart Wood, Torys’ director of marketing and business development. “The first is a strategy for business development and knowing who to call. Next is the firm’s strategy for markets, practice areas, strategic partnerships and priorities on client relationships. The third is thought leadership positioning, which includes holding events, since that is how we communicate the brand.” Business development is still integral to the plan, as that is what generates the payback for marketing investment.

Osler Hoskin & Harcourt LLP is another good example of a law firm that has invested in marketing, building a differentiation strategy that is consistent with its brand positioning.

Osler is the eighth largest law firm in Canada and the third largest in Toronto (by number of lawyers) according to Lexpert.ca. The firm has built a strong reputation in the market having gained a leading position among law firms in Canada over many decades of practise. However, the clarity of the firm’s brand lost some focus over time; Osler partners might consistently and clearly know their firm’s value proposition, but their clients did not always share the same clear sense.

The first big step in brand building at Osler was to uncover a clear message of what and who the firm is in the market. Nanette Matys, Osler’s director of client development, describes the process as follows: “At Osler, the firm’s values and promise to its clients are embedded in the culture. So the problem was not to invent but rather to tease out what the firm stood for.”

The results were articulated in a way that Osler partners and staff could communicate to clients and to lawyers who were considering joining the firm.

It is the brand persona that makes a firm different. The Osler persona is based on a set of functional characteristics built around a culture of collegiality and a sense of being approachable that is meant to give the firm a human face. This includes an ability to execute consistently firmwide. Osler wants to be perceived as a place where astute, smart, knowledgeable lawyers practice “at the top of their game.” The whole is wrapped up in a set of corporate values based on integrity, trust, respect, innovation and teamwork.

## ANATOMY OF A MARKETING PLAN FOR THE NEW MARKETING ENVIRONMENT

How should a CA firm's marketing plan be constructed?

Selling a firm's services means knowing why the services are different from everyone else's offerings. To do otherwise is a risky proposition in today's market. A "me too" brand position will not generate superior revenue per professional staff member in a competitive market.

A strategic marketing plan helps a firm shift its thinking from the traditional emphasis on business development to a model based on strategic positioning and brand building. Every CA firm will have an approach that reflects its individual differentiation strategy, but the basic steps in a strategic marketing plan are illustrated in the diagram to the right, Anatomy of a marketing plan.

Most firms have some form of vision, mission and targets, and they keep watch on market conditions.

In addition, a growing number of firms seek additional knowledge about client needs and their own and competitors' positions in satisfying them and turn what they learn into strategic marketing plans.

Good marketing plans start with assessing customer/clients' needs at a level that goes well beyond the functional services and benefits that a firm provides.

Good marketing plans should also be formulated in the context of the firm's value proposition, market share and brand positioning.

We believe the principles that apply to other businesses also apply to CA firms. Moreover, Ken Wong, associate professor at Queen's School of Business, is correct: market share does matter — and market strength can generate superior returns either in the market as a whole or in a market niche.

Achieving niche dominance requires clear branding and positioning, for example, on certain services, certain customer groups (e.g., industry



specialization) or on a tightly defined geography. It is the need to specialize, by matching segmented customer needs to a CA firm's capabilities, that is in the marketing domain and requires a well-thought-out marketing plan.

In the end, the purpose of a well-thought-out marketing plan is to create sustainable competitive points of difference and to provide a platform to execute on building the brand. Well-executed marketing plans are clearly one of the critical ways the best-performing firms set themselves apart from the rest of the pack.

None of these functional characteristics on their own, however, can create a sustainable point of difference. Many firms share similar traits. It is how these act in combination that creates a brand persona for the firm.

On the emotional dimension, the strongest point of difference for many professional firms is their clients' emotional connection with the firm and their confidence in the firm to deliver. This connection is not something the firm's partners invented while doing their strategic and marketing plans. Rather it has been proven by research.

Inherent in the Osler brand strategy is the knowledge that an Osler client might farm out lower-valued work to other law firms in order to maximize efficiency and minimize costs. But when it comes to business critical issues it is vital that clients can turn to Osler based on their sense of confidence in the firm.

The Osler brand persona has helped the firm attract the talent needed to deliver on its brand promise. "Having the most challenging work has been a strong drawing card in attracting some of the best lawyers in the country," Matys says.

The second big step in brand building is to make sure the firm is executing its promise to clients and communicating its brand consistently in the market. For example, Osler did research on how the firm's image was perceived in the market, in order to identify key performance gaps. An integrated marketing and communication plan was developed that set out how the most important gaps would be closed and how the firm's position would be communicated in the market.

Testing of how well the firm is doing on closing the gaps and on the effectiveness of its communication needs to be completed in follow-up research.

The brand building processes undertaken at firms such as Osler reminds us very much of the best practice brand building approaches we have seen in leading consumer branded companies in Canada. The result: Osler is being consistently ranked among the top firms in the country in many key practice areas by Chambers and Partners, a global research company.

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## Letter to the Editor, CAmagazine

### KEEP THEM HAPPY (January-February 2009)

“Positioned to win” (October 2008, by Robert Angel and Hugh Johnston) was very informative. Having worked in a midsized firm, I can relate to the marketing and positioning struggles of such firms as they swim upstream. However, the new-style marketing lacks one key basic — good customer service. Everyone focuses on bringing in business and no one focuses on servicing clients. As a result, firms bleed clients because they cannot service the ones they have.

The new style might work if you are going after the GMs of the world, but for owner-managed businesses and smaller markets, old-style marketing still works. It is the personality, integrity and reputation of the firm/partner that attract clients more so than fancy marketing campaigns. It is simple — give good service and word of mouth and referrals will bring in clients and, more importantly, retain clients. After all, it is easier to keep a client happy than find a new one.

*Peter Sheedy, CA  
Guelph, Ont.*

**Erratum:** In “Positioned to win,” we published a list titled “Top 10 CA firms in 2007 by revenue.” In fact, that list also included associations and networks of firms.

Here is the list of the 10 largest firms in the country by revenue. CAmagazine apologizes for any confusion that might have resulted.

1. Deloitte & Touche
2. KPMG
3. PricewaterhouseCoopers
4. Ernst & Young
5. Grant Thornton
6. BDO Dunwoody
7. Meyers Norris Penny
8. Collins Barrow
9. RSM Richter
10. HLB/ Schwartz Levitsky Feldman

<http://www.camagazine.com/4/6/6/0/7/index1.shtml>

### Response (April 2009)

Peter Sheedy’s letter (“Keep them happy,” January/February) makes a valid point that the personality, integrity and reputation of the firm/partner are essential to sustaining a CA practice. In “Positioned to win” (October 2008), we did not overlook this. We wrote, “The emphasis needs to be on providing ongoing value to individual clients,” but it has to be done “without losing sight of the firm’s overall strategic picture.”

This means sustaining annuity business and meeting professional standards are not enough in today’s increasingly competitive professional practice market. It might be argued this applies to medium and large firms more than small ones, which may well be the case. However, it is our contention that all CA firms, even small ones, must pay attention

to their brand, differentiation and positioning plans to sustain their client base in these turbulent times. In fact, they owe it to their clients to do this to make sure they remain relevant to their clients' businesses.

*Robert Angel, CA, and Hugh Johnston, CA (coauthors of "Positioned to win")  
Toronto*

I agree with Sheedy's letter. I believe clients often choose small and medium-sized CA firms because they believe they will get better quality, hands-on service. They expect the partner to know their business intimately and to provide not just one engagement but consulting, tax planning and business advice services throughout the year.

Small and midsized firms are shooting themselves in the foot if they think they can please such owner-manager clients and stop thinking about them once the financial statement is issued or the tax return is done. Despite the warm relationships they may have with their clients, CA firms must realize there are many other midsized firms that might be chosen by their clients next year if they offer a more personalized relationship.

*Mary Green, CA student  
Montreal*

<http://www.camagazine.com/archives/print-edition/2009/april/columns/camagazine11065.aspx>