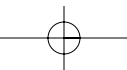
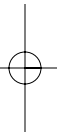
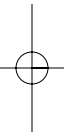


PART

SIX

# Extend Your Profits

- Day 29** Keeping Clients Sold: Service after the Sale
- Day 30** Clients Come Second: Five-Star Service
- Day 31** Invest First, Then Reap Powerful Profits



## 29

## Keeping Clients Sold: Service after the Sale

*I have invested many years in networking in the community and building relationships. If I did not pay more attention to my client service than I did to selling new clients, our reputation could be destroyed quickly.*

— Jack Amundson<sup>1</sup>

In 1998 I met with a CPA with whom I had worked at Price-WaterhouseCoopers (PW) in the 1970s. He had operated as a sole practitioner since leaving PW. I had heard that he was doing well. But that year things were not so good for him. He was perplexed as to why he had lost two of his largest clients within the last 12 months. He told me, “I saved the owner of one of the businesses over 10 times the amount he’d paid me in fees.” He’d helped the other client obtain bank financing and implement a succession plan for a business.

With his permission, I contacted the former clients and performed a lost client review with them. Those clients told me that my friend was highly qualified, but they felt he had taken their business for granted. In other words, he didn’t bother to resell his existing clients every year. Their comments were like a bolt of lightning for me. I, too, had my focus on obtaining the new client. Those clients’ comments changed my life and my approach to marketing and sales.

Why do we take clients for granted? Perhaps human nature plays a role. My wife wonders aloud sometimes how I can be so nice to strangers and so curt with her. Perhaps boredom sets in. There is excitement in chasing a new account. There is exhilaration in winning a new client. All of us need that sort of validation from time to time.

When asked, almost every CPA admits that client service is crucial. Yet most accountants focus most of their marketing efforts on attracting new

clients. Not only is this a reckless neglect of your clients, but also it is costing you tremendous profits. Your biggest incremental income will come from taking better care of your good existing clients and from selling them new services.

Not only is service crucial to keeping clients, but research confirms that it is crucial to your profits. Research by Bain Consultants reported in *The Loyalty Effect*<sup>2</sup> showed that reducing client attrition by 5 percent could increase profits by 25 to 90 percent! This leverage comes about through reduced marketing costs and increased referrals.

You may say, "My clients love me and wouldn't leave me." Or you may think, "I give my clients a Mercedes product at a Chevy price. Why would they even consider moving their accounts?"

Or perhaps you would rather not know exactly how your clients really feel about you. Just how satisfied they are with you or how loyal they are to you is a subject you'd rather not discuss.

#### **Repeat-Customer Value**

*Taco Bell has determined that a repeat customer is worth about \$11,000 in lifetime total sales. At Sewell Cadillac, that figure is \$332,000. Xerox has learned that a very satisfied customer is six times more likely to repurchase Xerox equipment than a merely satisfied customer. A recent study found that reducing customer defections by just 5% resulted in an 85% profit increase in a bank's branch system; a 50% profit increase in an insurance brokerage; and a 30% increase in an auto service chain.*

—*Achieving Breakthrough Service*<sup>3</sup>

### **The Costs of New Clients**

Stop for a minute and calculate your investment in marketing over the last year. Include both time and dollars. What percentage of your marketing was devoted to your clients? To your prospects? If you devoted less than 50 percent of your marketing to your current client base, this chapter is for you.

If you are interested in a new and better way of investing your marketing efforts, this chapter is your key to success. I want to stimulate you to market to your clients as you would to your best prospects. Think about this: Your best clients are someone else's best prospects.

A partner in an Atlanta accounting firm told me about chasing a Class A prospect for over two years. (An A prospect is one that would fit as one of

your largest and 10 best clients.) He'd spent hours schmoozing the prospect's executives and finally was about to enjoy a luncheon with the CEO and his attorney. Across the restaurant, this partner spotted *his* best client having lunch with another Atlanta CPA!

This scene is played out all too often all across the country. In trying to build their practices, accountants are communicating with prospects—including clients of other accounting firms. The end result finds many accountants swapping clients with other accountants. Swapping clients with your competitor creates a poor return on your marketing investment. There is a better way of investing your marketing time and dollars.

*We are in the midst of a revolution . . . those organizations and individuals who can create new relationships with customers will find themselves with unimagined competitive advantage. Those who don't will lose.*

—Larry Wilson, *Stop Selling, Start Partnering*<sup>4</sup>

### **The Times They Are a-Changin'**

Since 1977, radical changes in many business fields have occurred that affect us all. Computers have taken over much of the number-crunching work accountants used to perform. Today competition isn't just from other CPA firms; clients and customers are demanding more and better service from all of their business vendors.

Tax revenues and A&A at the largest accounting firms have been relatively flat for a number of years. To grow their revenues, most firms have aggressively pursued consulting services. Couple these factors with potential major tax simplification and we are in an industry that finds itself in what Georgetown professor and author Peter Vaill calls "permanent white water"—an ongoing state of change that is fast-moving and dangerous.

In *Stop Selling, Start Partnering*, Larry Wilson writes, "We're in the middle of massive turbulence. If you look for precedents, there aren't many. The future can no longer be predicted by remembering the comfortable signposts of the past." For accountants who have relied on audit and tax work, the future is more uncertain than ever before.

As an accountant, your future and your growth potential rest in that deep vein of gold that you call your client. Deepening your relationship with your clients and learning to serve them in a more effective manner is the key for your future success. You may need to shed your worn-out concept of objectivity and independence in order to succeed. You may need to "bear hug"

your clients. In the future, you must first build your clients' businesses in order to build your practice.

### **Invest in Relationships**

Abram Serotta, managing partner of Serotta, Maddox & Evans in Augusta, Georgia, developed a client investment system. He allocates a certain number of hours to each professional and for each client for time spent and not charged. He says, "Our clients are the lifeblood of our business. We don't want them worrying that we are charging them for everything we do. So we tell our professionals to make client investments—"Tell the client she is not being charged for your time, that we are investing in the relationship."

According to studies by Arthur Andersen and Deloitte & Touche, it costs six times as much to find a new customer as it does to retain an existing one.

Many accountants will invest many hours and dollars chasing a prospective client and yet will invest no unbilled time in their Class A accounts. Even though reselling next year's engagement requires much less time and worry than chasing a new account, and subjects you to no rejection, most of us don't bother because we take our existing clients for granted.

When I give a training program on client marketing, I ask the accountants to evaluate various instances of great and poor service they have received. When asked why they changed service providers, over 70 percent of them say that they changed because of the way some individual treated them. A few leave because of price, and perhaps a few more leave because of the technical quality of the service they received.

The reasons are the same from industry to industry and from profession to profession. People leave because of the personal treatment they receive—or don't receive. Whenever people engage you and your firm, they hire you for two things, not just one. Technical competence and good feelings are both required for an excellent client-accountant relationship to exist.

In a 1994 national study on why clients choose auditors and why they switch, Professors Lon Adams and Brian Davis of Weber State University found that personal relationships led all other factors in the decision process. Three of the top reasons clients switched related to poor service: not proactive in delivering services, not responsive to understanding of client's business, and lack of communication.

Mark Kaland, whom we met in Day 16, stresses that outstanding client service is the primary focus of the entire Clifton Gunderson firm. He says, "Some partners aren't comfortable going out on new prospect calls. They do a great job of serving existing clients. Their goals might be to keep a client

**Relationships Build Loyalty**

Decision makers were asked: Would you consider buying from anyone else?

Bought because of:	Would consider another vendor:
Features	94% Certainly
Benefits	91% Probably
Helpful salesperson	99% Absolutely not!

— *10 Secrets of Marketing Success*<sup>5</sup>

for life. They get to know those clients really well. Even the traditional bean counter can learn to build strong client relationships. I think this is the total secret to having great growth in a practice office.”

It is clear from the results of numerous client satisfaction surveys performed for accountants that clients are highly satisfied with technical issues. But satisfaction with technical issues is only one of the things that clients want from their CPAs. Clients want to receive positive feelings. Technical competence earns you satisfaction and a modest fee. Positive emotions will earn you loyalty and a premium fee.

Jim Belew, whom we met in Day 3 says, “We invest heavily in visiting with our clients and creating a dialogue. I personally visit 20 to 30 of our firm’s clients each year. Clients with whom I don’t personally work are the ones I visit. I’ll ask our marketing director or another partner to visit my clients. I want to make sure we are listening to and serving our clients’ changing needs.”

Bill Jenkins, whom we met in Day 7, periodically goes on a listening tour of his clients. He says, “I encourage each of our partners to craft a few open-ended questions that will prompt our clients to talk. Then we must be quiet and listen to their concerns, their needs, their fears, their wants, their loves, their hates, and their unique natures. This is how we serve our clients the best.”

Ask yourself: “From whom do I buy a product or service who I do not like?” If you are like most people, you only buy from those people you like, unless you absolutely must do otherwise. I drive past several printers to buy from my printer because I like him.

**Return on Relationships**

Lou Mills, whom we met in Day 9 says, “Retention of clients is a major part of our sales process. If you have an unhappy client, they are going to tell 15

or 20 people that they are unhappy. Seattle is a small town even though you may think it's big. If you falter, a lot of people are going to know about it. I take those professionals who are both technically and client service oriented. I say, okay, they are helping us sell, hopefully selling other services to those clients besides just our tax and audit services. I think they can learn to sell our value-added services, for example. I think that's an easy sell because you are not developing a new relationship there. You are dealing with an existing relationship. We hire individuals who have interpersonal skills to develop those relationships further."

Calculate the impact on your business if you lose one of your largest 10 clients. Multiply the loss over a 10-year life expectancy. Factor into your equation the referrals you lose from this client. Then add the impact of your lost clients telling your potential clients why they chose another firm.

How much time and effort would you invest into marketing if you knew you could obtain a new client who would generate \$10,000, \$25,000, or \$50,000—whatever would qualify to be one of your top-10 largest—a year in fees? How much would keeping this client for 10 years mean to you? How much marketing effort would you be willing to invest to keep a client of this size?

### **Increase Contact with Your Best Customers**

*Maintaining relationships with your best customers builds loyalty to protect against competition. For example, in financial institutions, about 20% of customers generate most of the profit. Keep in contact by card, note, letter, special promotion, invitation, or event. About 68% of the attrition in financial institutions is a result of ignoring customers; only 14% leave because of a bad experience.*

—Thomas J. Winninger, *Price Wars*<sup>6</sup>

## **Action Programs**

Assuming you are now reasonably aroused to start or improve your client-marketing program, where do you start? Normally, the best place to begin is listening to your clients—really listening.

To listen, you must place yourself in proximity to your clients. In a recent study conducted by the marketing research company Huthwaite, Neil Rackham described a comparison between CPAs and product sellers. Customers of product sellers said 52 percent have a caring attitude whereas only 35 percent



of CPA clients rated the CPAs as caring. Yet businesspeople consistently report that CPAs are their most trusted business advisors. How can this seeming contradiction be explained? Rackham replies, “Because accountants are highly rated in candor and competence, clients will judge accountants to be their most trusted business advisors. That does not necessarily mean that clients will increase or keep their business with you.” There is a difference between client satisfaction and client loyalty.

Spend time with your best clients, listen to them, and keep them informed—these are the most important marketing activities you can perform. There are hundreds of ways to do this, but a few high-touch, high-impact methods include writing a client newsletter, performing a client survey, scheduling specific nonchargeable visits with your best clients to build loyalty, and holding a client reception,

### **A Client Newsletter with Impact**

Client newsletters are great marketing tools for CPAs. They were covered in detail in the Day 18 chapter. Newsletters are one of the most efficient ways to communicate with a large client base. However, for your largest and best clients, you should carefully highlight, personalize, and elaborate items in your newsletter that you think would be relevant to them. For significant issues, call them and say, “Sara, this issue is covered in depth in our newsletter this month but I wanted to make sure you had all the information on this you needed.”

A client of CPA Jennifer Bowers of BKD, LLP, in Houston, Texas, told me, “Jennifer took the time to highlight areas of the newsletter she thought I would be interested in. This kind of personal service is why I am a loyal WPM client.”

### **Client Surveys Are Crucial**

The best way to learn what clients want is to ask them. The best way to ask them is in person, one on one. Take every opportunity to ask clients two key questions: “How am I doing?” and “How can I do better?” An accountant said to me, “I don’t want to ask the question because perhaps the client hadn’t considered the complaint till I mentioned it.” My response was “Would you rather ask the question and hear the answer or risk your competitor asking the question?” Good sellers probe for problems, then close around the solutions.

Client surveys can be performed through the mail, via phone, as well as in person. If you haven’t performed one, do one now.

There is a major difference between client satisfaction and client loyalty. CPAs are fooled when clients rate you with a 4 or a 5 (out of a possible 5) on their satisfaction and a 3 or no answer on loyalty. Clients can be very satisfied and still change firms. Satisfaction means you're doing okay. Loyalty means your clients really like you and the relationship. When performing a client survey, do not shy away from asking questions about loyalty. Questions like "Would you refer me to someone else?" or "Will you return next year?" are critical. You are at as much risk of losing satisfied clients whose loyalty is questionable as you are of losing clients who are highly dissatisfied.

### **The Emotional Link**

*University of Texas marketing professor Robert Peterson had studied customer satisfaction for years, but he couldn't find significant correlations between customer satisfaction and repeat business.*

*Peterson was puzzled by this lack of relationship. Eventually he found that in order for a customer's experience to lead to repeat business, there had to be an emotional link between the customer and the product or service provider.*

## **Nonchargeable Client Business Reviews**

For your large business clients, a formal business review is one of the most powerful marketing tools you can use. The client business review (CBR) is designed to build client loyalty.

### **How CBRs Work**

Every year, select one of your A clients for review. These should generally be your firm's largest accounts. Each CBR involves about 14 hours of partner and manager time and about 6 hours of staff time. With an average billing rate of \$120, a CBR represents an investment of about \$2,400 of time at regular rates. But since most CBRs are performed in May through December, when you have some nonbillable time on your hands, your true cost is much lower.

Once your key account has been identified, call your client CEO and say something like this:

*We would like to offer you a review of your business. The meeting would be about three hours long, and we can hold it at your office, ours, or at a*

*neutral location to limit distractions. Please bring your CFO and if possible, your heads of sales, operations, human resources, information management, and administration.*

*We will include all of our personnel who work on your account. We will not charge you for this event. For us, it's an investment in our relationship. We want to learn about your goals, problems, and plans. We believe the more we know, the better we can serve you.*

Here's a sample agenda for the first two hours of the CBR:

- The CEO reviews the current state of the business and the industry.
- The CEO reviews past three years' performance, the company's objectives, and whether those objectives were met. What were the causes for success or failure?
- The CEO reviews business goals for the next three years. The CEO's key officers are asked about their key goals and how they plan to achieve those goals. What obstacles lie in the way? These could be competition, markets, new products lines, or other organizational or governmental issues.
- How can our CPA firm better help the company in achieving its objectives?
- What aspects of the CPA's services could be improved?

Once these items have been discussed, tell clients that your intention is to provide the best possible value at the most efficient pricing. If you have suggestions on how the company can save some dollars, tell them.

Then ask, "Do you feel you are receiving your money's worth for our services?" Spend the last 30 minutes of the meeting reviewing the ways you can help your clients achieve their objectives. They will not expect you to solve all their problems. But the extent to which you are aware of their problems and your attempt to help will seal the clients' loyalty to you.

*A consultant's problem-solving approach to selling requires helping customers improve their profits, not persuading them to purchase products and services . . . The ideal positioning for a consultative seller is customer profit improver.*

—Mack Hanan, *Consultative Selling*<sup>7</sup>

Ending the CBR with a convivial luncheon will enable you to get to know your client's people on a more personal basis.

The primary benefit of CBRs is that they foster client loyalty. In fact, CPAs who use these reviews rarely lose a client who has undergone a CBR. Frequently a CBR will uncover the need for additional services, which translates into new billings. Most of all, the CBR is a way to market to existing clients as if they were your best prospects. Wouldn't you spend 20 hours schmoozing a Class A prospect? Then why not do it for your client every two to five years? CBRs can also be an enjoyable change of pace for your staff and can help train them in general consulting.

Net fees collected from clients who have undergone a CBR increase at a faster rate than fees from other clients. CBRs are also a great way to train staff to market to clients. These staff members can perform CBRs on your firm's second tier of clients, with less partner time involved. And finally, a CBR will elevate a client from "satisfied" to "delighted." Delighted clients are the ones who provide the best referrals and are the most loyal.

### **Client Receptions**

Get your clients together as often as you can. An annual reception, seminar, open house, or party are all good excuses. Positive group dynamics occur when clients are together with you and your staff. You need not invite every single client to every event.

Concentrating on the best clients will create the impact you need. Let clients know you care. Firms that offer annual client seminars, whether there is a major tax change or not, are the ones that engender strong client loyalty.

The independence and objectivity training that is so good for our profession is often carried too far. Sometimes clients perceive our independence as aloofness and lack of concern. Sometimes they perceive our objectivity as hostility. Client receptions, seminars, and get-togethers are great ways to show that we accountants are human beings and a chance to give our clients more than technical competence and candor.

Please don't misread or misunderstand me. A CPA's independence, integrity, and objectivity are great assets when used properly. But when used as an excuse for aloofness and indifference, independence and objectivity will repel clients.

### **Client Visits Seal Relationships**

To really learn about and understand your clients, you must visit them in their environments. In their book *Successful Large Account Management*, Robert Miller and Stephen Heiman<sup>8</sup> describe the various levels of client relationships. Delivering commodities that meet specifications is at the lowest level of a customer relationship. Many accounting and tax services have

become commodities. I saw a headline last year that read, “Big Companies Buy Audits by the Pound.”

When you follow a regular client visitation program, you will make yourself more valuable to your clients’ organizations. You will better integrate your services with your clients’ needs and build the important human bonds necessary for strong relationships.

*You never persuade clients of anything. Clients persuade themselves. Your function is to understand the issues that matter to your clients. You have to feel their problems just the way they feel them. You have to sit on their side of the table and look at the issues from their point of view.*

—An executive cited in *The SPIN Selling Field Book*<sup>9</sup>

## Summary

The message of this chapter is simple. It’s much more costly to obtain a new client than it is to keep an old one. But merely doing a good job is not enough to retain clients. You have to strengthen the relationships. Clients want the work done *plus* they want to receive good feelings and know you care about them. Implementing programs like client business reviews, personal contacts, and client receptions will show you care, build the relationships, and get you more business.