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EXCLUSIVE SURVEY RESULTS

What Clients Really Think About Fees— and Why They May Not Be Too High After All

The economic pressures from the recession have a number of CPA firms nervous about fees. Are fees too high? Should you reduce them? What would be the impact on work, client relationships, and most of all, your firm's bottom line?

While there is evidence that fees are and will continue to be a practice management issue (see the results of the AICPA survey on the top firm issues in the related story on this page), you should know that cutting fees is not necessarily the answer to your firm's challenges.

In fact, research by IOMA, AOMAR's publisher, finds that most clients are just fine with your fees as they are. What matters more: how your firm is helping clients, what value you are bringing to them, whether they can trust you to help get them through this difficult time.

Fees are just about right. Of respondents to the *CPA Firm Client Satisfaction Survey*, which surveyed clients about their CPA firms, a little over half (54.7 percent) said they believe that CPA firm fees are "just about right for what we receive."

Another 28.0 percent said that their CPA firm's fees are "on the high side, but it is worth paying more for the value we receive."

These responses indicate that clients recognize value when they see it—and they are willing to pay the price. Only 14.7 percent of the respondents believe that the fees they pay are on the high side and count them as a factor in encouraging them to shop around for another CPA firm. A mere 2.7 percent think fees are on the high side and said this is the reason why they definitely plan to look for another firm.

Clients in various businesses do have varied views of fees, and the economy is impacting these clients' perceptions differently.

The most content clients when it comes to fees, according to the survey findings, were in education and in utilities/communication/transportation. All respondents in these groups reported that the fees they pay are just about right for what they receive.

The other business categories were more divided in their responses (see table). For instance, half of the respondents in the manufacturing/mining sector feel their CPA firm's fees are just about right for what they receive. Thirty percent said fees are on the high side, but feel it is worth paying more for the value they are getting; another 15 percent

believe fees are on the high side and count this as a reason they are considering changing firms. Just 5 percent stated that fees are on the high side and they are definitely planning to switch firms for that reason.

Among wholesale/retail/distribution companies, half of the respondents feel the fees are just about right for what they receive. Exactly one third (33.3 percent) said fees are on the high side, but that they are worth the expense. Only 8.3 percent of these companies feel fees are high and that this is a reason to consider changing firms; another 8.3 percent see fees as high, and, indeed, this is why they plan to switch firms.

Health care organizations are an especially content client group: Three quarters of the respondents feel fees are just about right, and the remaining 25 percent indicated that while fees are on the high side, they are worth it for the value received.

A third of professional services firms (law, design, etc.) feel the fees they pay their CPAs are just about right for what they receive. Half of the respondents in this client group said fees are on the high side, but that it is worth paying more for the value they are getting. Among these respondents, 16.7 percent said that fees are on the high side, and this is a reason that

they are considering changing firms. None are planning a definite switch in CPA firms based upon high fees.

Nearly all government/nonprofit clients said they are content with their fees: An impressive 88.9 percent of the respondents said that fees are just about right for what they receive. Only 11.1 percent said that fees are on the high side and that because of this, they are considering changing to another CPA firm.

Even in the industries that have been hardest hit by the recession, there is a lot of fee satisfaction. Among real estate/construction organizations, exactly one third of the respondents indicated that the fees are just about right, that the fees are on the high side but worth it for the value received, or that fees are on the high side and this is a reason they are considering moving to a new CPA firm.

Of the finance/banking/insurance companies that responded to the survey, more than half are satisfied with the fees: 57.1 percent believe the fees are just about right for what they receive. Another 14.3 percent said fees are on the high side, but it is worth paying more for the value they are getting. A little more than a quarter (28.6 percent) consider fees to be on the high side and said this is a reason to contemplate a

Assessment of the Fees That Companies Are Paying for CPA Firm Services, by Business Type

	Manufac./ Mining	Whsl./ Retail/ Dist.	Fin./ Banking/ Ins.	Prof. Services	Education	Util./ Com./ Trans.	Health Care	Real Estate/ Cons.	Govt./ Non-profit	Other	Overall
Fees are just about right for what we receive	50.0%	50.0%	57.1%	33.3%	100.0%	100.0%	75.0%	33.3%	88.9%	12.5%	54.7%
Fees are on the high side, but it is worth paying more for the value we are getting	30.0	33.3	14.3	50.0	0.0	0.0	25.0	33.3	0.0	62.5	28.0
Fees are on the high side, and this is a reason that we are considering changing firms	15.0	8.3	28.6	16.7	0.0	0.0	0.0	33.3	11.1	25.0	14.7
Fees are on the high side, and we are definitely planning to switch firms because of this	5.0	8.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2.7

(Source: CPA Firm Client Satisfaction Survey)

change in firms. None reported high fees as a reason to change firms.

Revenue variations among clients do have an apparent effect upon fee satisfaction, the survey found, though no clear patterns emerged. The happiest clients when it comes to fees are those with annual revenues in the \$5 million to \$10 million range. All the respondents in this group said that their fees are just about right for the accounting services they receive.

The next most satisfied category was those companies earning \$10 million to \$25 million in revenues: 80 percent of them feel fees they are charged are just about right for the services they receive. Ten percent said although their fees are on the high side, it is worth paying more for the value they are receiving. And another 10 percent indicated that fees are on the high side, and they are definitely planning to switch firms because of it.

More than half (58.3 percent) of respondents with \$25 million to \$50 million in revenue said that their fees are just about right for what they receive; another 25 percent said that although their fees are on the high side, it is worth paying more for the value they are receiving. Similarly,

55.6 percent of responding companies earning \$50 million to \$100 million agree that their CPA fees are just about right for the services they receive; 33.3 percent of them feel that although their fees are on the high side, it is worth paying more.

While the smallest and largest organizations by revenue are by no means unhappy, their data indicated a little less enthusiasm for the current fees being paid. Among those with under \$5 million in revenue, 37.5 percent said the fees are just about right. Another 62.5 percent indicated that although their fees are on the high side, it is worth paying more for the value they are receiving.

At the largest companies—\$100 million to \$999 million—just 33.3 percent of clients feel fees charged are just about right for the services they receive. Another 33.3 percent said that although their fees are on the high side, they feel it is worth paying more for the value they are receiving.

For more information. More information about the survey is in the May issue of AOMAR (page 6). Complete results of the *CPA Firm Client Satisfaction Survey* are in the just-published report, *CPA Firm Client Satisfaction Report*. It is available for purchase by going to www.ioma.com/cpa or by calling 973-718-4700. □

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