

The results for the third Succession Advisory Survey are in!

The question was:

What percentage of your clients are brand loyal versus individual partner loyal?

The results follow:

	Response Percent
None	10.0%
Less than half	53.3%
More than half	33.3%
All	3.3%

According to our experts, Joel Sinkin and Terrence Putney, CPA from Accounting Transition Advisors, these results are consistent with their experience. As firm size decreases, there is a tendency for clients to be more partner loyal than brand loyal. This is not something that needs to be corrected necessarily as it is a natural by-product of how clients are served based on the size of the firm. But a firm with partner loyal clients should implement certain tactics to minimize the resulting succession risk..

Terry Putney says that for those firms that have predominantly partner loyal clients, it is advisable to designate another key team member, either senior staff or partner level, who is involved with these clients on a periodic basis. You want to avoid a temporary or permanent loss of a partner turning into a client retention issue. Clients that know there is a back up at the firm to work with will have no fear of disruption in service following the loss of a partner. This anxiety can sometimes manifest itself even during a vacation, let alone a death or disability.

Joel Sinkin says that another critical area is in transition plans associated with internal or external succession. Clients that are brand loyal tend to transition easier and faster when a partner retires. When a client is partner loyal, transition carries a lot more risk for client attrition unless the transition is given enough time.

Sinkin added: “remember most clients these days mail in work, deal more with staff than partners on a day-to-day basis, and use electronic communication channels. The majority of clients sit across from their partners face to face often no more than once a year. So when

someone is three years from slowing down, necessitating a transition of the relationship, it sounds like an eternity but it is only 3 visits. The more partner loyal a partner's client base is, the more in advance he or she should commence the transition process as it relates to partner succession. The transition will be a lot more successful if the partner in charge of the relationship is personally involved in the transition."

Sinkin and Putney continued by suggesting that your partnership agreement should require at least a two year notice prior to retiring in order to have enough time to transition relationships prior to retirement. Sinkin said, "We advise our clients to include in their partnership agreements a penalty for failure to provide two years notice." Putney added, "most often the penalty we suggest is subjecting the retirement payments to adjustment for loss of clients during the two years following a retirement without adequate notice."

Our new membership option, The Succession Advisory Section, provides assistance to members by providing a free market valuation of your firm, market updates, and many other critical services to help our members navigate through these type of issues.