



Jeremy Kitchin Accountancy Practice M&A

SERVING THE PROFESSION SINCE 1973

Practice Development through Marketing

Marketing Strategy – Part of Your Business Plan

Before you can produce an effective business plan for your practice you must devise a marketing strategy. The expenditure incurred by, and the income generated from, the implementation of this strategy is vital to the performance of the business as a whole. At regular intervals these projected increases in costs incurred and fees generated should be compared with 'actuals' to gauge the effectiveness of your marketing.

Expanding by Either Merger or Acquisition

This is undoubtedly one of the most cost effective ways of growing your practice. With GRF multiples at a low level and payment often made over a number of years, it is quite normal to get a payback period of under 2.5 years. You will normally only have to find an 'up front' payment plus your working capital, additional tranches can usually be paid out of the new practices own cash flow. In the case of an acquisition or merger, you know precisely by how much your practice is going to expand and the timing of that expansion and this knowledge enables you to plan the right staff structure at the outset. In the case of a merger, especially if economies of scale have been achieved by the integration of the two practices under one roof, the resulting larger practice may well have spare principal-time which can be utilised in implementing the marketing strategy.

Merging Firms or Fees

If two practices merge, or one is bought by another, there will be a merger of their historic sales performances and the projections for the new firm will contain a strong element based on figures generated in the past. However, there should also be additional fee income resulting from the additional services which the new larger practice with its increased resources can provide to the combined clients and also from the implementation of a marketing strategy.

Reduced Bank Borrowings can be Wrong

In a merger or acquisition, there is a strong temptation to be prudent and 'skimp' on borrowings. As staff are the major overhead, you may be tempted to keep your payroll cost smaller than it should be. If you make this mistake, the only way you can make up the necessary chargeable hours is by working them yourself. Having fallen into this trap, you will not only have no time to carry out the regular market development necessary to ensure the continued growth of your practice, but your practice management will suffer, debtor days and work in progress will rise and your level of stress will increase with a proportional reduction in quality of life. As a guide, if yours is an established practice, try to keep your gross payroll costs between 30-33 1/3% of gross fees, but definitely no higher than 40%.

APMA Main Street Farnsfield Newark Nottinghamshire NG22 8EA
Tel: +44 (0)1623 883300 email: lucinda@apma.co.uk www.apma.co.uk

2 Extra Income from your Clients

Other than by merger or acquisition, the single biggest potential source of new fee income is your existing clients. Don't forget, your clients have contacts who may be persuaded to become your clients. A significant emphasis should be placed on additional services available from you to help them run their businesses. Be prepared to invest your time in showing clients how your other services can benefit them. Some suggestions on ways to earn extra fees follow:

Referrals. Telephone each existing client, on a six month cycle, to ask for referrals to his business acquaintances (potential new clients); incentives such as discount on fees, theatre tickets, etc could be offered to him for any introduction resulting in new business. The opportunity should be taken to sell additional services.

Seminars. Run in-house seminars of, say, two hours duration, for clients and their business friends on a current and relevant subject, at least once every six months. You could include a short presentation by a guest speaker e.g. Bank Manager, Insurance Broker, Solicitor, Computer Distributor etc, always on a quid pro quo basis. Use this opportunity, during which you may be talking to a small group of about six clients, to sell added value services. This is an ideal platform to educate clients in the preparation and use of periodic management accounts. When you have time, Why not prepare a management accounts package for a hypothetical business, give each

attendee a copy and, using a projector, go through it with the 'class'.

Payroll Services. If you have receptionists or secretaries with time on their hands, give them suitable training and set them up with a PC and some off-the-shelf payroll software and let them run off client's payrolls in between answering the phone.

Management Accounts. Using a spreadsheet, set up a simple financial model and input the data from client's statutory accounts etc. Run the results off, preferably in full colour, using an off-the-shelf software package, in a format visually suitable for pinning on the wall in the office or the boardroom. Clients do not generally absorb figures easily, but pie charts, bar charts etc., are impressive and readily understood. Send the report to the client "with our compliments" and tell him you will happily provide him with current figures on a monthly basis for a 'small charge'. From there it is a fairly small step to being asked to produce monthly or quarterly management accounts.

Traditional and Value-Added services

Below is a general list of potential client services:

Accounts Preparation, Acquisitions/Mergers, Audit, Bookkeeping, Business Start Up, Business Plans, Capital Gains – Limited Companies/Personal, Company Formation, Company Registrations, Company Secretarial Service, Computer Systems and Consultancy, Corporate Tax, Corporate Finance, Customs Duty, Data Processing Services, Debt Counselling, Disposals, Divorce/Matrimonial Tax Advice, EC Grants and Finance, Estate Planning, Executorship and Trusteeship, Feasibility Studies, Financial Planning and Advice, Foreign Companies, Foreign Nationals in UK, Foreign Subsidies in UK, Forensic Accounting, Fund Raising, Government Grants and Finance, Insolvency, Bankruptcy/Corporate Recovery/Liquidations, Investigations, Investments, Legal Advice, Expert Witness, Loan Finance and Leasing Advice, Management Accounting Consultancy, Management Advice to Business, Management Buyouts, National Insurance Advice, Overseas Countries, Partnership/Sole Trader Accounts, PAYE Advice, Payroll Service, Pensions and Insurance Advice, Personal Tax, Property, Share Valuations, Takeovers, UK Grants and Finance, UK National Overseas, VAT, Venture Capital.

3. Marketing Strategy –Timing

Your strategy should be divided into short, medium and long term development programmes.

Short Term. Develop the best source of new business – your clients. Place continuous lineage advertisements in a local newspaper giving a telephone number and the name of a person to ask for. Subscribe to one of the new breed of telemarketing, business development companies which will approach by phone, on your firm's behalf, potential new clients which fall within your parameters i.e. location, t/o, industry sector (see later the section on Telemarketing – The Professional Way). Set up a database and on a monthly basis send personalised mail shots to carefully targeted niche markets, e.g. medical GP's, solicitors, architects, dentists, vets etc. The object is to develop a highly systematic and effective direct mailing function utilising your resources more efficiently and building a strong reputation in key, clearly defined markets. But, before sending your letter, have it checked by a client/friend from the same niche market profession/discipline. NB do not send expensive glossy brochures as in general, new clients are not impressed by publicity literature which skirts around the central issues.

Medium Term. Put point-of-sale material, leaflets etc in Business Link offices etc. Ask clients to effect introduction to their business friends/contacts, possibly offering them a reward such as a finders fee or a discount on your professional fees. Interview clients re added value services, periodic accounts, review of insurances, pensions, payroll bureau, VAT returns, Yellow Pages ads etc.

Long Term. Luncheons with Bank Managers, Solicitors and other professional/business intermediaries. Consider committee membership of your Chamber of Commerce and other business organisations. Budget briefing reports, client newsletters etc local radio phone-ins, sponsorship such as flowers on a main roundabout, trophy for the best accounting paper at the local college. A level results at school, etc. Business survey reports and articles in local press and business journals. Become a member of the Parent Teacher Association, school governors, Round Table, etc.

Partners' / Directors' Marketing Time

Built into the budget should be an agreed non-recoverable amount of time per day/week/month during which the partner(s)/director(s) will carry out agreed marketing tasks. Some of that partner downtime can be found and your cash flow improved, by putting as many clients as possible on monthly standing order, preferably in advance.

Telemarketing – the Professional Way

Public practice has become more and more competitive and maybe now is the time to stop waiting around for your new business to come to you and go out there and get it! Generally, firms have relied on referrals, advertising in directories or mail shots to bring in new business. But a few firms are achieving substantial growth from telemarketing. This is sometimes done by a partner, or by recruiting someone from outside the practice to work in-house, full time. Although reasonably successful it is often found to be expensive, labour intensive, and frankly, boring for one person who has to spend all day on the phone offering exactly the same service, day in day out. Therefore the 'life-span' of in-house telemarketing is often short lived. Recently, many practices have been turning to Telemarketing companies which use specially trained telemarketers who understand the needs of Accountancy Practices and also have an all-round knowledge of business-to-business marketing. They guarantee to arrange a minimum number of qualified appointments for you each month within agreed parameters i.e. postcode area, industry sector, turnover range, etc. and they normally understand, and work within, the relevant Institute's guidelines and preferred working practises.

4. Computer Technology – the Internet Revolution

The tools for running and marketing modern businesses are much more sophisticated these days.

They include:

The Internet. The Internet is the communication medium of today. No practising accountant can ignore it. Even if you manage to resist embracing the technology, your clients will not. The medium **MUST** be part of the communication and research resource of all serious business managers. The case for going on-line is overwhelming. Having decided to enter the world of email you need to decide whether to start using pay-as-you-go, subscribe to an 'unlimited usage' with one of the many on-line Internet Service Providers (ISP's) such as BT, Freeserve, Tiscali, AOL, etc., or preferably invest straight away in Broadband, which gives a connection speed ten times that of normal monthly or pay-as-you-go connections. Bluetooth, the shortwave radio communication medium, will link numerous electronic devices, including mobile phones, computers, printers, etc. This enables the businessman to use his laptop in so-called 'Wi-fi hotspots' which can be found in cafes, hotels and on trains, etc. There are now also Dongles which give the roving practitioner access to the Internet, via his laptop, from most locations – including abroad.

Electronic Mail. Those who have e-mail wonder how they ever managed without it; it is the driving force of the Internet. For the few accountants still trapped in the world of faxes, couriers and the postal service, you doubtless wonder what all the fuss is about. E-mail is very much like the fax machine of 20 years ago; a personal and business communications tool which has made the transition from luxury to necessity. E-mails can give almost instant access to documents sent from the other side of the world, and in their own right are usually admissible in court.

Video Conferencing Facilities. Combined with your PC, and using Internet Broadband, video conferencing is now the most cost effective way of interactively communicating with a client.

Skype is a well-known Broadband telephony system which does not necessarily require a computer and enables both local and international calls to be made for a fraction of the equivalent mainstream cost. Web-cams (web cameras) enable parties to 'see' each other on their monitors while holding discussions.

Website Marketing

A web site is now well accepted as a powerful business tool, providing access to new customers and new markets. But simply having a web presence is not enough. It requires time, skill and knowledge which could be obtained by using the services of a good local Web developer or support organisation but in many cases the Web marketing activities will have to be undertaken by the practice itself. Marketing and promotion of your web site is crucial. Make sure your website is optimised to ensure it appears high on the search engines' lists.