

ACCOUNTING OFFICE MANAGEMENT & ADMINISTRATION REPORT



ISSUE 08-02

WWW.IOMA.COM/CPA

FEBRUARY 2008

MARKETING UPDATE

Top Trends in CPA Firm Niches & More

Marketing continues to be a major practice management initiative among firms of all sizes, according to the latest findings from AOMAR's 2008 CPA Firm Practice Management Survey.

Marketing budgets and plans. The average marketing budget as a percentage of net fees is down slightly among survey respondents: 2.2%, compared to the 2.4% that our survey respondents said they budgeted for last year (Table 1). An interesting fact that we note among this year's less than \$1 million group and the group of firms with one to five people: These firms are devoting a larger percentage of their net fees to marketing. The less than \$1 million group spent an average of 2.9%, up from the prior year's 2.0%. Those with one to five people report average budgets of 2.7% of net fees, although this is down

from the previous year's 3.7% in that data set. (See Table 2.)

Firms are working on their marketing plans: 21.4% said they have a formal, written marketing plan, and more than half of these (53.3%) have updated it within the last year.

And 35% of this year's respondents say that their firms now have a formal practice group.

Marketing methods. The approaches that are most popular among this year's respondents include establishing or maintaining a Web site (cited by 74.5% of responding firms), cross marketing to existing clients (68.4%), and networking with other professional firms (61.2%, see Table 3). It is interesting to note the areas that firms are not

Table 1. Marketing Budgets & Plans, Overall & by Gross Fees

	Overall	Less than \$1M	\$1M to \$1.99M	\$2M to \$2.99M	\$3M to \$3.99M	\$4M to \$9.99M	\$10M to \$19.99M	\$20M or more
Average marketing budget as a % of net fees	2.2%	2.9%	0.7%	2.1%	2.1%	2.5%	2.6%	1.5%
Prior year average marketing budgeting as a % of net fees	2.4	2.0	0.7	2.1	2.2	2.7	2.5	1.6
% of firms with a formal written marketing plan	21.4	4.2	8.3	NR	25.0	11.8	44.4	63.6
How recently was it updated:								
Within the last 12 months	53.3	25.0	25.0	NR	33.3	50.0	100.0	85.7
Within the last 2 years	16.7	NR	NR	NR	66.7	NR	NR	14.3
Never	30.0	75.0	75.0	100.0	NR	50.0	NR	NR

(Source: AOMAR's 2008 CPA Firm Practice Management Survey)

making much use of, such as client satisfaction surveys: Only 17.3% are using them, although they are a method that gets a lot of discussion among marketing gurus. And less than a quarter (22.4%) use electronic newsletters or updates as a marketing method.

Leading niches. CPA firms continue to forge individual paths in determining what niches are hot or potentially so for their own practices, an approach that is proving far better than trying to follow the crowd to the flavor-of-the-month niche. Nevertheless, it is always interesting to note which services and specialties have become most widespread; the top areas are listed in Table 4. Leaders are small business (offered by 69.8% of our respondents), construction (55.2%, probably a reflection of the previous five to seven years' real estate and building boom), and nonprofits (52.1%).

Write-in niches were varied and show the richness of possibilities that exist for CPA firms now. Notable write-ins included distributorships, profit-sharing plans, refuse and waste management, charitable gaming, oil and gas, 401(k) qualified plans, and agribusiness.

Secrets to marketing success. We asked survey respondents to tell us about what is working best in marketing—and why. Many of the responses cited

referrals, word of mouth, and just asking clients for work as the best methods.

"Our most successful marketing strategy has always been client referrals," wrote a leader from a firm with 51 to 100 people in the \$10 million to \$19.99 million gross fees respondent group. "We aim to offer superior client service and we secure most of our new business from our current clients' referrals." Another respondent, whose firm also has 51 to 100 people and is in the \$4 million to \$9.99 million gross fees group said, "The majority of our new clients come from referrals from existing satisfied clients. It is the best and least expensive marketing plan going."

Relationships plus referrals are what work for this 21-to-35-person firm with \$3 million to \$3.99 million in gross fees: "Developing trusted advisor relationships with existing clients. Developing and maintaining referral sources in outside professionals (i.e., attorneys, bonding agents, bankers)."

Getting your clients to do the "heavy lifting" is definitely paying off for quite a few firms. "Cross marketing to existing clients works best," wrote the leader at a firm with under \$1 million in gross fees and six to 10 people. "A happy client does all the work for us."

"Client testimonials—it's a unique marketing approach that uses personal client experiences to

Table 2. Marketing Budgets & Plans, by Number of Personnel

	1 to 5	6 to 10	11 to 15	16 to 20	21 to 35	36 to 50	51 to 100	More than 100
Average marketing budget as a % of net fees	2.7%	1.6%	1.8%	1.9%	2.2%	2.2%	2.0%	2.3%
Prior year average marketing budgeting as a % of net fees	3.7	1.6	1.7	1.9	2.0	2.8	2.0	2.3
% of firms with a formal written marketing plan	7.7	6.3	NR	12.5	11.1	14.3	25.0	85.7
How recently was it updated:								
Within the last 12 months	NR	NR	NR	NR	NR	NR	NR	75.0
Within the last 2 years	NR	NR	NR	NR	66.7	NR	NR	25.0
Never	NR	NR	NR	NR	33.3	NR	NR	NR

(Source: AOMAR's 2008 CPA Firm Practice Management Survey)

help sell our services," adds a leader from a firm with more than 100 people.

Of course, advertising doesn't hurt, and for some firms, it is a definite asset. "We advertise in both phone books. Most accountants advertise in Red Book only. Qwest gets us lots of leads," noted the leader at a firm with less than \$1 million in fees and six to 10 people. "Cable advertising reached a large number of population in our local area," adds the leader of a 16-to-20-person firm with fees of \$2 million to \$2.99 million.

A more formal approach can also be helpful. "Seminars for other professional groups showing them what a knowledgeable CPA can do for them, e.g., real estate agents, mortgage lenders, payroll companies, business attorneys, employment attorneys, and divorce attorneys" works well for one firm with one to five people and under \$1 million in fees. A similar view: "Formal prospecting reports and meetings have worked well because they force a systemic effort toward practice development and accountability of all team members," reports a leader from a firm with more than 100 people and \$20 million or more in fees. □

Table 3. Most Popular Marketing Methods

Established or maintained Web site	74.5%
Cross marketing to existing clients	68.4
Networking with other professional firms	61.2
Owner membership in niche/trade association	56.1
Externally purchased newsletters	49.0
Soliciting client referrals	49.0
Speeches & publications by owners	46.9
Seminars	41.8
In-house newsletters	28.6
Electronic newsletters/updates	22.4
Client satisfaction surveys	17.3
Mass media advertising	16.3
Other	11.2
PR agency	6.1
Industry or trade advertising	NR

(Source: AOMAR's 2008 CPA Firm Practice Management Survey)

Table 4. Leading Niches & Specialities

Small business	69.8%
Construction	55.2
Nonprofit	52.1
Business valuation	44.8
Estate planning	42.7
Health care	34.4
Litigation support	32.3
Personal financial planning	29.2
Government	22.9
Technology consulting	22.9

(Source: AOMAR's 2008 CPA Firm Practice Management Survey)

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