

“Go ahead and offer your customers an incentive to complain! Put a guarantee on your website: if you’re not happy with our service, contact us and pay us for the value you think you received.” Ron Baker

publicpractice Edifier

You are your customer list

Ron Baker points the way to greater profits and a happier life

By Lynn Sully

Ron Baker is a passionate advocate for rethinking the traditional ways that accounting firms do business. In past issues of *Outlook*, he’s encouraged accountants to get rid of timesheets, move beyond the billable hour and embrace fixed-price agreements – all in an effort to transform the professional knowledge firm.

One of his manifestos is “You are your customer list.” *Outlook* spoke with Ron in mid-May about this innovative look at the importance of having the right customers in your firm.

Outlook: Let’s start with the title of your booklet. Why do you use the term “customer” rather than the more familiar “client”?

Baker: I believe in choosing words carefully. If you look at the etymology of the word “client,” it has certain connotations that aren’t quite appropriate to the relationships we want to create with our customers. “Client” comes from a Latin word that means a follower or a retainer, and it suggests a certain level of dependency. Think of how this word is used in other fields. Other than professional firms, it’s really only social workers who talk about their clients.

Businesses, on the other hand, have customers. And a business is about people and your relationships with them.

Outlook: But is a customer paying for the relationship?

Baker: That’s a fundamental question: What are we being paid for? What are our customers really buying? Most firms would



You can read Ron Baker’s “You are your customer list” at www.verasage.com/downloads/customerlist.pdf. Samples of Ron Baker’s fixed price agreements and change order forms are available under ‘Practitioners’ Resources’ in the Public Practice section of the CGA-BC website (www.cga-bc.org). In late May he spoke at CGA-BC’s 2012 Practitioners Symposium on trashing the timesheet and value pricing, and he participated in our panel discussion on practice management issues affecting our profession. Ron is the founder of VeraSage Institute, the leading think tank for professional knowledge firms, and is the author of numerous books. You can contact him at ron@verasage.com.

answer that they sell time. But none of us buy time. We buy solutions to problems or we buy for emotional reasons, such as peace of mind. Building on this, I believe that our customers are buying expectations. Our ability to meet and exceed those expectations is what customers are looking for, above and beyond the technical aspects of the service we offer.

Outlook: What does this mean for a professional accounting firm?

Baker: Your job is to exceed your customer’s expectations, something that is impossible to do if you don’t know what your customers expect. So for every transaction you need to ask: What do you expect from us? How do you define a successful relationship with us? Expectations aren’t static, so this is an ongoing conversation.

Expectations will centre around quality, price and service. Quality is assumed: that’s a minimum requirement if you’re going to play the game. And the market won’t let an unqualified accountant stay in business for long.

You could compete on price – but do you want to? This is difficult terrain, and there will always be someone willing to offer a lower price. Where you have an edge is in service – your customers’ experience and relationship with you, how you make them feel.

Apple, Disney and Lexus aren’t competing on price. In fact, they charge a premium. They can do so because they also offer extremely high standards of service excellence.

Outlook: So how do accountants compete on service?

Baker: Well, it starts with knowing the customer’s expectations. You can then add more value than your customers expect. Call them. Email articles relevant to their industry. Stay in touch and invest in the

relationship. Customers leave because they perceive that you're indifferent to them, that you don't care. Small actions are important.

Outlook: You say that the difference between an excellent company and a mediocre one is the feeling each has about customer complaints.

Baker: Well, complaints are important because they show us where we're weak. Most customers won't complain, they'll just walk away and not come back. So when a customer complains you have some valuable feedback.

Outlook: Are you saying we should encourage our customers to complain?

Baker: Go ahead and offer your customers an incentive to complain! Put a guarantee on your website: if you're not happy with our service, contact us and pay us for the value you think you received. If there's a problem you will hear about it. This gives you the knowledge you need to address the problem and make the customer happy. You'll likely emerge with a more loyal customer.

Outlook: Isn't a money-back guarantee risky?

Baker: Look, you already offer this. If a customer was upset with your service and told you about it, you would probably charge them less than the agreed-upon price. With the guarantee, you're just making it explicit – which gets you marketing clout and the ability to charge a premium. People will pay more for guaranteed service. Plus, if you've done a good job screening and selecting your customers, developing fixed-price agreements, and taking the time to understand their expectations, your customers may never pull the trigger on your guarantee.

Outlook: Let's talk about screening and selecting customers. Why is this important?

Baker: As individuals, we're defined by the company we keep. It's no different for a firm. You are defined by your customers. And frankly, not all customers are a good fit. This creates problems because you will find yourself over-servicing the bad fits to the detriment of your most valuable "A-list" customers.

When you're thinking of taking on a new customer, do your homework. A colleague of mine has potential customers fill out an extensive questionnaire to see if they are a good fit. Negotiate a fixed-price agreement to get to know the customer. It's a relationship: make sure you want to be with this

person over the long term.

Listen to your gut and remember that life is too short to work with toxic people. Baker's Law sums it up: Bad customers drive out good customers. Too many low-value customers suck up your time and are emotionally draining.

Outlook: So how do you get rid of existing "bad" customers?

Baker: Sell or refer them to another firm. Or do a forced churn: for every new "A" customer you bring in, get rid of two from the bottom of your list. Having lots of customers gives you a false sense of security. Really, they just add unneeded complexity to your business and make it more likely that you'll underserve your best and most profitable customers.

Outlook: But isn't it good to have lots of customers?

Baker: Think of the airlines: like accounting firms, they're operating with fixed capacity. Airlines maximize profits by dividing their planes into various customer groups from First Class to coach. If there are still seats left in First Class, they don't start giving those seats to someone only willing to pay a coach fare. The goal is not to serve more coach-paying customers, but to create an optimal balance that ensures capacity for high-paying First Class customers.

It should be the same for an accounting firm. You don't want to operate at maximum capacity, taking on any customer that shows up at the door. You want to operate at *optimal* capacity, finding the right mix of customers that works for you and increasing the number of First Class customers who appreciate your service and are willing to pay for the value you provide.

If you've done a good job figuring out your optimal capacity, you may have fewer customers than before but you will be more profitable. You'll also have happier customers, because we provide better service for those we like. A final benefit: your team will be happier too. No one likes to work for rude or toxic individuals that take up far more energy and time than they're worth.

Outlook: So in the end it comes back to the idea that you are your customer list.

Baker: Yes. You can't be all things to all people. Strategy is about saying no, and you need to say no to some customers. Ultimately, it's about enjoying the people you work with and having a better quality of life. □

resources, courses and tools of the trade practiceUpdate

2012 Annual Public Practice Meeting

The Annual Public Practice Meeting will be held on September 20 during the 2012 CGA-BC Conference in Kelowna. This year's theme of "Building a Successful Practice" will include roundtable discussions about client communication, developing professional relationships, implementing efficient and effective systems and procedures, and how to evaluate your success. Join us for an interactive morning that will provide information about public practice issues and offer a great opportunity to network and re-connect with colleagues. Conference registrations will only be accepted online this year. Register for this event at www.cga-bc.org.

Deadline for the 2013 Public Practice Advisory Group Nominations is October 12

Members in Public Practice who wish to volunteer for the 2013 Public Practice Advisory Group (PPAG) are invited to submit their names for consideration. The PPAG advises the Director of Public Practice on matters relating to the practice of public accounting and the policies about registering and operating public accounting practices. In addition, this group recommends policies to ensure that the public interest is adequately protected. You are eligible to volunteer for the PPAG if you are a CGA-BC member engaged or employed in the practice of public accounting. Criteria for selection are partially based on regional representation, as follows: three candidates from the Lower Mainland, one from Southern Vancouver Island and two to represent the balance of the province. Please submit your Advisory Group Application by October 12 to Brigitte Ilk, CGA, Manager, Public Practice Research and Development, at billk@cga-bc.org.

Tax and Financial Strategies Course Begins January 15, 2013

The next session of the Tax and Financial Strategies Program (T&FS) will begin on January 15, 2013. This real-life case study approach to tax and financial planning for owner-managed businesses addresses the life cycle of a business from incorporation through to business succession and includes dealing with a CRA audit and the death of a shareholder. Participants address topics that include income tax, HST and GST, the accounting treatment of advanced tax issues and correspondence with lawyers. This 10-month program consists of semi-monthly teleconference discussions and five case study assignments. Participants will obtain up to 40 verifiable CPD hours. T&FS will be of interest to both new and established practitioners seeking to upgrade their skills and improve their practices in the area of taxation by providing value-added services while minimizing the risk of professional liability. The course takes an extended break during tax season to accommodate workloads at that time of year. Visit the public practice area of our website and view the Public Practice PD area to obtain course details.