Holding Your Own
Top tips to improve client retention

By Andrew Jenner, FCA and Phil Shohett, FCA

In the current economic climate, many accountancy practices are finding that client loyalty - which was once pretty much a given thanks to good relationships built up over a long period of time - are increasingly challenged. Even your firm's best clients may move their business to new advisers having reassessed their needs and also what they are prepared to pay. So what firms should firms do to maximise their client retention? Andres Jenner and Phil Shohett have some practical suggestions.

No practice is immune from the need to change as a result of:

- Clients who demand more and better value in a market place that is increasingly crowded and competitive. Those firms which make client satisfaction their top priority will be the ones that successfully compete in thistougher business environment.
- Technology which enables (and drives clients to demand) firms to re-engineer their ways of working so they are able to meet client needs in the most efficient and cost effective manner thereby helping firms to become more competitive and pull away from their rivals.
- Regulation which is changing the face of many aspects of practice.

To this cocktail of drivers of change has now been added the worst economic climate of recent times and Managing Partners must be on their mettle as never before. The question they face is how to weather this storm and emerge stronger and more competitive.

Partners often know where it would be possible to make a difference if appropriate action were taken to face up to difficult issues, make strategic decisions based upon accurate analysis and successfully implement those decisions. The problem is having the persistence and resolve to make and implement difficult decisions. At this juncture, however, there is no choice but to face up to the issues.

If a firm feels that it is at a crossroads (as many do at the moment) and partners are not sure how best to go forward, then they should start with the basics by taking a long and hard look at their changing market place and current and prospective clients. The simple questions are often the hardest to answer:

- What do our clients value?
- What do our clients think about us?
- Do our clients know what we do?
- Are we currently providing our clients with the value for money services they are increasingly demanding?
- What services will our clients require from us in the future?

Only when partners listen seriously to their clients to find out what they think of the firm, the way it looks after them and the services and service delivery they require, will they begin to understand their market and what they need to do to if they are to competitively position their practice against their competitors.

This background information is vital when adapting to changing market conditions. It can be obtained in a number of different ways.

- Talking to clients even on an informal or social level is always worthwhile because it demonstrates that the firm is interested and cares. Perhaps more importantly, every conversation is an opportunity to learn about a client's needs and how they can best be serviced.
- Some firms carry out client / referrer 'perception surveys', often using an external and objective resource to really get under the skin of what clients and those who refer work think about the firm, its people, and to identify the services they will require in the future and how and where they will require those services to be delivered. The

findings of these surveys often provide a wake-up call for the firm, showing partners that they need to take action in certain areas to prevent problems, serious or otherwise, from developing.

Where many firms fall down is in taking action to address the challenges flagged by these conversations and surveys. For example, the feedback may reveal that clients are using more than one firm for compliance and special work because they see a clear distinction between the kinds of work they give to each firm. The reasons why clientes do this usually include:

- A perception that specialist expertise or knowledge is not available within the firm.
- A perception that greater resources are available elsewhere .
- The client's bank or institutional adviser believes that the reputation of a Big Name is needed for reassurance, irrespective of the size or experience of the firm.

Despite such attitudes, many clients will stress that a firm's reputation (or lack of) is not a problem for them. However, it becomes a potential issue when third parties are involved and therefore it impacts on how partners should market and present their practice in the future.

Client survey feedback may also highlight that a lack of resources is holding back the firm's progress. Whilst many firms have expertise across a number of work types and sectors, there are likely to be critical gaps that will need to be plugged if the firm is to provide clients with the full range of services they require. Of even greater concern should be a client-perceived lack of depth of expertise within a firm. External client surveys often highlight this as a problem with clients saying things such as:

- If (partner X) is not there then it is not worth speaking to anyone else.
- The firm lacks the resources to compete with larger firms
- The issue is the quality of the other people as apart from (partner X] they are not up to scratch and fail to live up to expectations.

Why are client expectations so important? Because only the client can determine whether they receive value for money or not, and the value they receive is determined by the expectation they had before work started.

Client expectations may be high or low but if the firm or a partner underperforms then the value is below their expectation; a missed deadline or promise of delivery is a simple case in point. The outcome is that the client questions whether the price (fee) is too high and how it might compare with another practice.

To help maximise client retention it isi mportant that each partneraims to exceed client expectations. Clients who believe they are getting a good deal are more likely to remain loyal and to recommend your firm. It is difficult to measure how effectively expectations are being met unless feedback is sought from time to time and proper targets are in place to measure each service line for, *inter alia*, timely planning and budgeting of work, concentration on turnaround time of the job, and communication to the client of progress and completion.

Pareto analysis of the firm’s client base will reveal that 20% of clients produce 80% or thereabouts of fee income. These clients are generally regarded as the A List, producing good fees and fee growth, and being a key referral source. Other clients also fall into this category, including those who provide good referrals and are well organised and reliable with their information and responsiveness. Both of these groups should be looked at in the post year end meeting agenda and their expectations from the firm in the coming year should be considered. The discussion could cover all or some of the following however challenging they may seem:

- What work you will and will not do for this client.
- What they the client will and will not do or provide.
- Clarify with the client whether there are areas and people with whom the client does not wish you to get involved.
- Identify the specific working arrangements to be followed (timetabling etc).
- Agree a means and frequency of communication; for example a monthly or quarterly meeting to discuss the client’s affairs, but as part of the agreed fee not as an extra unless there is a specific project for which there will be separate terms of business.

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- Decide who should receive each report and how frequently, in what form the report will be delivered, and how it will be used.
- Agree the milestones and progress review that will be used.
- Decide how success in delivery of services will be measured both during and at the end of the process.

Remember, client relationships are based on trust and trust is a two way process.

Partners often suspect - or know - that certain clients and work is unprofitable. It is important to look seriously at these areas and consider how best to address the challenges they present. Useful questions to ask yourself include:

- Can we measure and identify unprofitable work and clients?
- Why do we continue to do this unprofitable work and or act for this unprofitable client?
- How can we turn unprofitable work or clients into a profitable ones (or should we get rid of the client)?
- Should we invest in new and potentially profitable services which our clients say they need? Do we have the skills to develop and manage such work?
- What should the partners be doing better / differently / more of / less of in order to meet the needs of our clients?

Conclusion

Good client care maximinses retention and is essential for long term practice growth in profit and fees. The recession has altered market attitudes and partners, whilst tightening their belts, must concentrate on the means of delivering better profits for their efforts. As firms attempt to grow to meet these challenges, they should bear in mind that their competitors will be doing the same thing and some will be able to do so at an even faster rate. Simply taking the step of finding out what clients, both current and prospective, think about the firm, and identifying what is needed, and committing to taking action on those issues should minimise the risk of loss of existing clients and eliminate ineffective and costly new client development. Ultimately, this approach to client retention and development will help the firm to prosper in uncertain times.

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