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What Marketing Can Do for a Firm

There is no doubt that if marketing were done perfectly, selling, in the actual sense of the word, would be unnecessary.

—Peter Drucker

Question: How does a CEO fix his company's technology problems?

Answer: He yells louder at his information technology manager.

This is an old joke with the tech folks, now gaining popularity in marketing. When new business isn't coming in like it's supposed to, the managing partner (or president or CEO) doesn't offer much insight on what to do, but turns up the volume on this one-note message: *Do some marketing!* This can be funny if you aren't (1) the target of the message and the rant that typically accompanies it, (2) desperate for revenue, and (3) frustrated because you know that, no matter how loud the yell, it won't do much to stampede new clients through the door.

Before we "do some marketing," let's explore what it can do for a professional services firm. Effective marketing at a professional services firm produces essentially four measurable outcomes:¹

¹There are other positive outcomes of marketing, such as increased financial value of the firm for a liquidity event. Depending on the situation, other outcomes may be extremely important and in the spotlight. For the purposes of this book, we'll focus specifically on the first three major outcomes of marketing noted.

1. Conversations with potential buyers.
2. Better odds of winning client engagements.
3. Higher revenue per engagement and client, and higher fees for services.
4. Increased affinity with the actual and potential workforce.

Service firm marketers sometimes bellyache that they don't get the respect they deserve from firm leaders and billable professionals. More often than you might think, it's because they don't deserve the budgets they have and don't produce the business impact that warrants esteem from company leadership. Marketers: Do a better job producing these business outcomes, and you'll find respect, admiration, and robust budgets as you merrily go along. Firm leaders (or you, if you're the leader and the marketer): Demand these outcomes. Get behind initiatives that produce these outcomes. And if you are pitched a course of action that doesn't serve these masters, it's a strong candidate for the cutting-room floor.

Firm leaders and marketers make the best marketing decisions, and implement the best marketing programs, when they keep their eyes on the first three prizes. Throughout the course of this book, we will explore in depth *how* firms employ marketing and selling to achieve these outcomes. Before we do this, it's important to explore *what* marketing can do for firms.

Generate New Conversations with Potential Buyers

Call it lead generation, call it business development, call it the first step in selling, or call it any other name; firms need to create conversations with potential clients before they can make a sale. That might sound basic—because it is. Still, the concept of creating an external conversation, one that can produce a new client and new revenue, too often doesn't find its way into the internal marketing conversations at the firm.

Why? Because for many firms, repeat business and referrals used to be sufficient by themselves to attract new clients and grow revenue. While repeat business and referrals are still *necessary* for firms and are often still the major way

service firms fill the front end of the business development pipeline, they are often no longer *sufficient* to sustain current revenue levels or grow the firm.

During the halcyon days of flowing referrals, less competition, and simpler industry dynamics, many professional services firms operated less like businesses and more like country clubs. Answering the phone was pretty much all the lead generation they did. Times certainly have changed.

To examine just how much times had changed, the Wellesley Hills Group and RainToday.com surveyed 231 buyers of professional services across a number of professional services categories. Together, these buyers represented over \$1.7 billion of services purchased in the previous year.

In this survey we asked buyers questions in two principal areas:

1. How do you identify and engage discussions with providers of professional services?
2. During your decision-making process, what factors influence your decision to engage (or not engage) a particular provider of professional services?

The results, published in *How Clients Buy: 2009 Benchmark Report on Professional Services Marketing and Selling from the Client Perspective*,² included data on the methods buyers use to find potential service providers. (See Figure 1.1.)

Based on our research, we can see that referrals are still the top methods buyers use. Regardless of changing industry dynamics, service businesses remain relationship businesses built on foundations of trust. Service buyers seek referrals from colleagues and other service providers, even when they know they can find providers themselves, because they want to know who their trusted friends and advisors trust. When buyers receive a name from someone they trust, the service provider is the beneficiary of *transferred trust* from the referrer to them.

²Mike Schultz and John Doerr, *How Clients Buy: 2009 Benchmark Report on Professional Services Marketing & Selling from the Client Perspective* (Framingham, MA: RainToday.com, 2009), Figure 3.1, 22, <http://www.raintoday.com/howclientsbuy.cfm>

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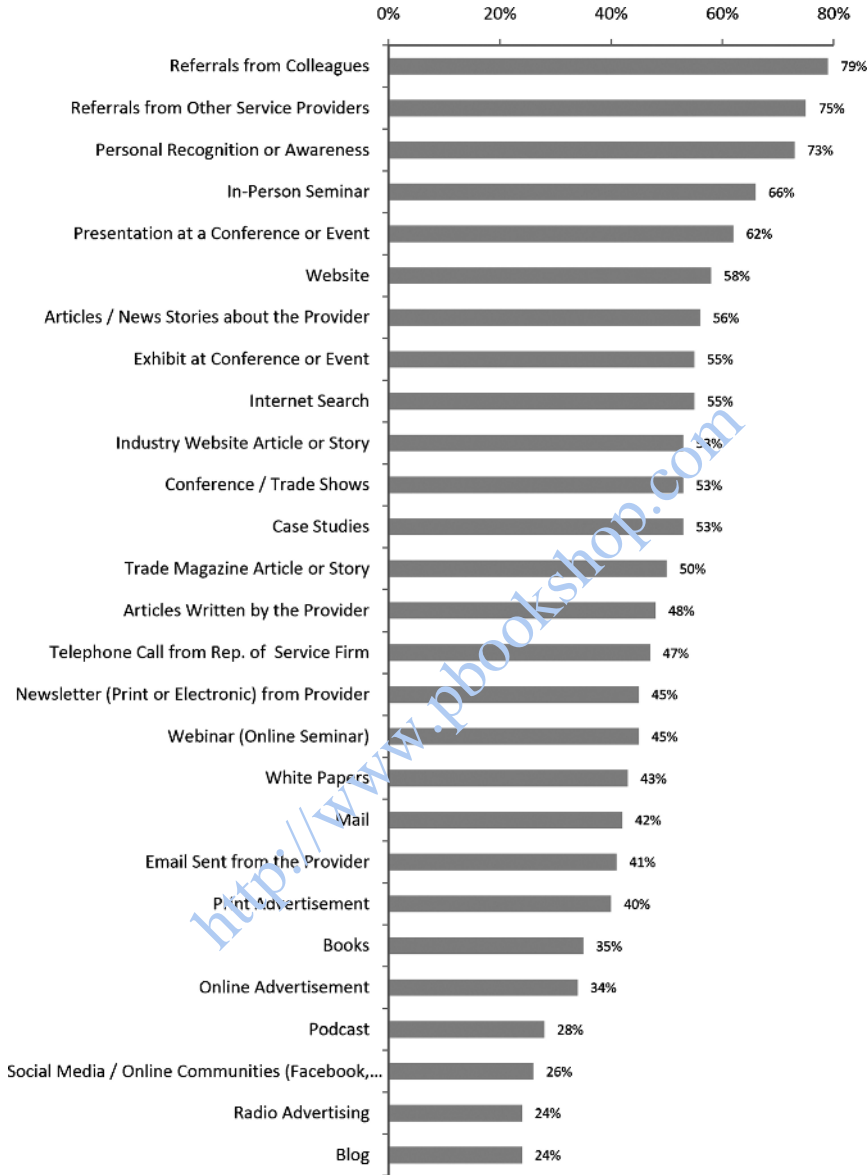


Figure 1.1 Methods Buyers Are Very/Somewhat Likely to Use to Initially Identify and Learn More about Professional Service Providers

For example, let's say Jim is the president of a midsize manufacturing company and he's talking to Mary, his chief operating officer (COO).

Jim: Mary, we've got to get a handle on why we're losing market share to other domestic providers.

Mary: When I was at ManuCorp, Jim, we ran into the same problem. We used Steve Smith and his team at Arch Consulting, and it turned out we were losing share based on three factors, two of which we never even considered. Once we knew what we were dealing with and implemented the turnaround plans we conceived with Steve and his team, we shot back up to number one in 18 months. I can give him a call and see if he can come in to talk to us about it.

Assuming Jim trusts Mary, Steve Smith and Arch Consulting now have a significant advantage in winning an analysis and strategy engagement because of the trust that Mary has *transferred* to Jim through the referral. Transferred trust is the power of the referral and why it's so much easier and quicker for service providers to win business from referrals than with any other method.

Ranking third in our findings—the only other method besides referrals that scored greater than 70 percent—was “personal recognition or awareness” of the provider. This has numerous implications for how firms can use marketing to generate new conversations. In the world of marketing, we have a word for recognition and awareness: *brand*. As a concept, brand is often misunderstood, misapplied, and argued about in professional services firms. That brand is a major factor in your ability to grow a firm is indisputable. (*How to establish a brand [as well as how one should think about brand at a professional services firm]* is the subject of Chapters 8 through 14.)

As we mentioned earlier, referrals and brand are not enough to satisfy most firms' growth desires. The next most popular methods buyers use to find service providers are conference and seminar presentations. This is true for a number of reasons (we cover this in some detail in Chapter 16); but for now, suffice it to say that public speaking can be a very powerful component of generating conversations in the marketplace.

When it comes to speaking engagements, perhaps the greatest challenges are getting them and getting good ones. Who does get them? People with a

reputation (aka brand) for being great speakers, who are thought leaders in particular areas, or who are known to be an attendance draw (again, they have a brand). How can one develop said brand aside from leaving it to luck and hope? The best way is smart, focused marketing over an extended period of time.

Even as we move down the list of methods buyers use to identify potential service providers, the methods are still used quite frequently by buyers. Five or six out of every 10 buyers are using providers' web sites and Internet searches, reading news stories both online or in print, visiting conference exhibits, meeting people at conferences, and reading case studies.

Even those methods seemingly lost in the middle or relegated to the bottom of the list, such as "telephone call from rep of service firm" (47 percent very or somewhat likely to use), "mail" (42 percent), and "e-mail sent from provider" (41 percent), can be extremely useful for generating conversations if employed correctly.

"You can't long for the good old days."

—Mike Sheehan, CEO, Hill Holliday

MARKETING'S FOUR MEASURABLE OUTCOMES

Marketing can deliver:

1. New conversations with potential buyers.
2. Better odds of winning client engagements.
3. Higher revenue per engagement and per client, and higher fees for your services.
4. Increased affinity with the actual and potential workforce.

If marketing is not delivering some subset of these outcomes, it's not good marketing.

At first, because so many methods come before those toward the bottom of the list, you might be tempted to dismiss the latter as not worth notice. As a part of the *How Clients Buy* research, we also asked buyers who were likely to attend conference presentations and seminars (two of the top tactics after referral and brand) how they found out about these events. Mail, e-mail, and telephone were among the top ways, with mail still far outpacing the other tactics. In other words, the best ways to get people to your speeches are those tactics that appear at first blush to be less effective, tactics that many professional services industry watchers have for years panned as not worthwhile.

The methods buyers use to find you shown in Figure 1.1 only scratch the surface of how you can use marketing tactics to connect with potential new buyers. Throughout the book, we explore in detail how all firms can and must move beyond referrals, employing specific marketing tactics to reach the many untapped opportunities for creating new conversations.

Improve the Odds of Winning New Client Engagements

Jim is a senior vice president for a supply chain consulting firm. He has 20 years of experience in the industry and is widely regarded by those who know him as a top expert and practitioner in his field. On Monday, his assistant told him that his business development team had set up two prospect meetings (new conversations) for him for the week, one on Tuesday and one on Wednesday.

Jim's meeting on Tuesday was with Joyce, the vice president of operations at a large commercial shipping company, and was set up by Audrey, one of his company's top business developers. Here's how the meeting went:

Jim: Nice to meet you, Joyce. I'm glad to be here.

Joyce: Nice to have you here. Over the past several months it's been great getting to know about you and your firm. I've read your white paper on emerging supply chain management technologies as well as listened to you deliver a webinar on strategies for global sourcing in my industry.

Jim: That's great to hear. I hope you enjoyed the presentation. Might I ask how you heard about the webinar?

Joyce: Well, I have been meaning to come to one of your events for a long time, ever since Audrey called me back 11 months ago to introduce you all. She mentioned that she'd put me on your company communication list.

For one reason or another either the events weren't the right timing or they didn't fit my schedule. But I've been getting the event invitations and brochures in the mail along with the research briefings you send out with them. Oh, and your newsletters. So I've followed along.

Now that dealing with supply chain technology is square on the middle of my plate, when Audrey sent me the e-mail to view your on-demand presentation on your capabilities in the area, I put it on my to-do list to call her. Of course, she called me first, so I was more than happy to set up this conversation. I'm ready to dive in with you to see how you might help. . . .

Compare this beginning to Jim's next meeting, on Wednesday with Eric, the vice president of operations at a large steel company set up by Sarah, another business developer at his firm. The meeting kicked off a bit differently:

Jim: Nice to meet you, Eric. I'm glad to be here.

Eric: Good to have you here as well. Now, Sarah's done a good job over the past few years of trying to get in touch with me, so I figured I'd let her persistence pay off and we could, at her request, get together to meet. Supply chain technology is, after all, on my plate these days.

Jim: Great. I'm glad Sarah's done such a good job keeping you up-to-date. I'm assuming you know about our firm and what we do since Sarah must have sent you our newsletter and event invitations. Have you ever attended one of our webinars or seminars?

Eric: Actually, Jim, I don't know anything about you or your firm. You have newsletters and webinars? I'll be sure to check them out in the future. Meanwhile, can you tell me a bit about you, your firm, and your areas of focus?

Jim: Ah, sure. Let's start there, then.

Improve the Odds of Winning New Client Engagements

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Of course, we'd all rather have the conversations that go like the one with Joyce than the one with Eric. The difference? Company marketing reached Joyce but didn't reach Eric.

“We help our lawyers identify market opportunities, then help them craft and deliver messages that lead them to be recognized as thought leaders, market leaders. In our marketing department, everything we do is designed to create opportunities for meaningful face time between our lawyers and clients or prospects. Legal services buyers make their decisions based on a combination of experience and trust. Face time helps our lawyers pass that chemistry test of trust most clients impose before they hire. We want our prospects to leave those meetings thinking, ‘I like these people. I trust these people. I think these lawyers know what they’re talking about. If their references turn out to be genuine and honest, let’s hire them.’ Helping lawyers to prepare for quality face time that leads to relationships and work—that’s essential for professional services marketing, in my opinion.”

—Kevin McMurdo, Chief Marketing Officer, Perkins Coie

Because Joyce received the company's marketing, she:

- Knew about the company.
- Could articulate how the company helped people like her solve problems like hers.
- Remembered the company during her time of need and planned to call in.
- Felt affinity and preference for the company before ever interacting with an individual from the company personally due to the education she received from company marketing efforts.

To that last point, it's likely that even though Joyce didn't have any history working with the company, she built up a level of affinity for it and

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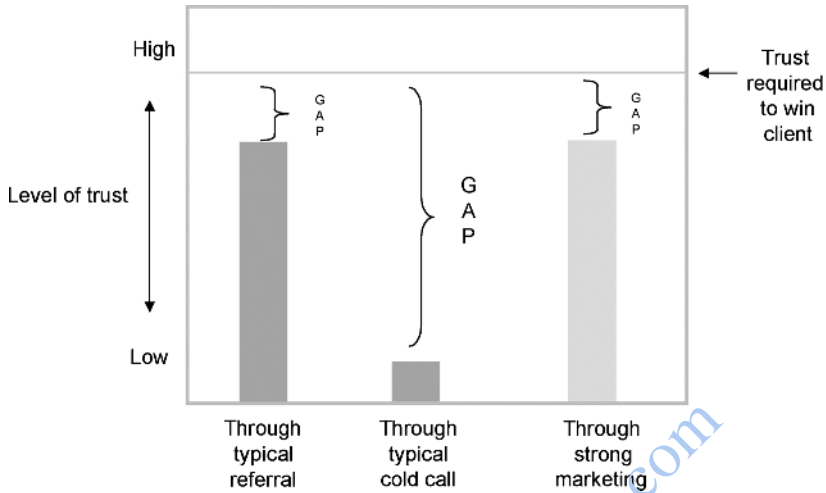


Figure 1.2 Trust to Win

initial trust in it. This is similar to what happens with a referral: trust transferred from the referral giver to the service provider.

Marketing, when done right, can create a similar trust effect. (See Figure 1.2.) Instead of receiving the transferred trust that comes from the referral source, the company builds up the trust itself over time through its marketing activities. Is it the same kind of trust that comes after having worked with a company and having gone through thick and thin for several years? Of course not, but it's enough trust and affinity to make the sales process kick off that much more strongly, go that much more smoothly, and have that much more chance of success.

In our consulting work at Wellesley Hills Group, we consistently hear stories that support this argument. Time and time again, clients report that a white paper download, a newsletter, and a speech they made at a conference have all contributed to their ability to connect more quickly or more deeply with their prospective new clients.

Research supports the argument as well. According to the 2003 CIMS Business Influencer Study, there are 49.7 million technology influencers in the United States alone. Some 3.3 million reside in the management

information systems/information technology (MIS/IT) department (7 percent), 11 million are senior management (23 percent), and 34.5 million are departmental heads (70 percent). Of these IT decision makers, 43.8 percent will strongly consider purchasing from a company with high brand recognition. Only 18.6 percent would consider buying from a brand they never heard of.

Higher Revenue and Higher Fees

It can be just as difficult to sell a \$5,000 engagement as it is to sell a \$50,000 engagement as it is to sell a \$500,000 engagement. While the nitty-gritty of that leap might be just a bit off, the essence of the statement is true.

You can grow your firm by adding new clients, or you can increase the size of your deals. What is the average revenue you generate with your clients? Say it is \$50,000 per year in revenue to the firm. What can you do to increase that by 20 percent, 80 percent, or even 100 percent?

Marketing plays a role in increasing this average in a number of ways.

Packaging the Services

Marketing your services as a package can increase differentiation, perception of the value of the service, and a client's trust that the service firm will deliver on the promise of the service. Indeed, service packaging can make a significant impact on the average size of client engagements.

At Wellesley Hills Group we have offered marketing planning, marketing message development and implementation, and telephone business development for years. Yet, when we packaged and marketed these services together as Services in DemandSM, the marketplace took that much more notice of the value and distinction of our approach to lead generation, and our own practice picked up substantially. The outcomes for our own firm were higher average client engagement revenue *and* higher client satisfaction (which went hand in hand).

Communicating a Strong Value Proposition

It is marketing's role to highlight the value of a firm or a particular service. Consider a service like "profitability analysis and consulting." You could position its value by stating, for example, "We can analyze the profitability of your divisions by product and service lines and geographic divisions, and give you a report detailing where you can improve your revenue and profit," a reasonably attractive approach.

Or you could position the same service by saying, "We help our clients in manufacturing save hundreds of thousands of dollars. We have accomplished these results for dozens of companies such as Companies A, B, and C through our profitability consulting work," a much stronger and compelling value for potential clients.

Cross-Selling the Entire Firm

Cross-selling is usually a vastly untapped area of opportunity for firms. In our research for Wellesley Hills Group clients, we've asked clients of our clients, "If ABC Consulting (our client) were to offer this service, do you think you might find that valuable?" Time and time again we hear that not only would they find it valuable, but they have already engaged similar services with another firm. In fact, in many cases our client would have been the preferable choice. In just as many cases, our client *already offers the service* but failed to communicate in its marketing efforts to its own clients and to prospects alike that the service already existed.

Establishing and Strengthening Brand

The saying used to be that nobody ever got fired for buying IBM, the point being that the stronger the brand, the less fear, uncertainty, and doubt (FUD) come along with it. The more FUD a buyer has in a company, the less willing it is to take large risks and to spend large dollar amounts on that

company. Marketing has the ability to communicate with buyers that its firm (1) exists and (2) can be trusted enough as a service provider that the risk is like buying from IBM.

Marketing can also affect the strength of the fees you can get for your services revenue. In 2008 the Wellesley Hills Group and RainToday.com published a series of *Fees and Pricing Benchmark Reports*³ for the following industries:

- Consulting
- Marketing, advertising, and public relations (PR)
- Architecture, engineering, and construction
- Law
- Accounting and financial services

Among the findings were nuggets about brand leader firms and the fees they command in, for example, the consulting industry. Brand leaders:

- Priced their services at a higher level than their competitors in the market (42 percent of brand leaders were considered premium-priced versus 28 percent of lesser-known firms).
- Realized higher *actual* hourly rates compared to the lesser-known firms in all categories of professionals. (See Figures 1.3 and 1.4.)

While brand leaders and their “best-kept secret” firm brethren both reported that, on average, their standard or published fees for top-level professionals were \$300 per hour (Figure 1.3), the brand leaders reported *realizing* \$300 in actual fees at this level (Figure 1.4). In contrast, lesser-known firms reported realizing \$250, or 20 percent less than the leading firms. Data across the other professional services industries were largely similar to the consulting industry data.

³Mike Schultz and John Doerr, *Fees and Pricing Benchmark Report: Consulting Industry 2008* (Framingham, MA: RainToday.com, 2008), <http://www.raintoday.com/feesandpricingreport.cfm>

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Figure 1.3 Median Hourly Billable Rates for Consulting Industry—Standard/Published, by Brand Reputation

When we ask leaders of strategy consulting firms what companies they consider to be their competition, we hear comments like, “We compete with firms like McKinsey, Bain, Boston Consulting Group, and other major firms, and we charge fees similar to theirs.” Of course, the firms mentioned are extremely well-known and respected.



Figure 1.4 Median Hourly Billable Rates for Consulting Industry—Actual/Realized, by Brand Reputation

Upon further investigation, we discover that while this is sometimes true, more often than not the lesser-known firm in reality charges less in fees per hour than the better-known firm and is willing to discount engagements more often than brand leaders to win deals. If given the choice, would they *want* to discount or charge lower fees? No. But they do, largely because if they proposed similar fees, many clients would opt to give the business to the better-known firm—the power of FUD in evidence once again.

We are not so sure we would completely agree with Peter Drucker that marketing can make selling entirely unnecessary. But it surely can make selling easier and the outcomes more successful.

As you continue reading, remember that marketing can deliver four core measurable outcomes:

1. New conversations with potential buyers.
2. Better odds of winning client engagements.
3. Higher revenue per client and per engagement, and higher fees for your services.
4. Increased affinity with the actual and potential workforce.

If marketing is not delivering some subset of these outcomes, it's not good marketing.

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