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Marketing Professional Services

A specific program for managers of professional services firms:

MARKETING thinking and practice has been gradually moving into service industries. Its role in service industries is still limited, however. It has achieved some utilization in banks and airlines, to a lesser degree in insurance, brokerage, and public transportation, and still less in law, accounting, management consulting, medicine, architecture, and engineering. Even marketing research firms and advertising agencies tend to under-apply marketing concepts to the marketing of their own services.

Many professional practitioners in these industries deny a role to marketing or, if they do accept it, have a very inadequate idea of its content and how it can be implemented in a firm. Marketing, far from being a minor negligible function in managing a professional services firm, is one of the most important functions for helping such firms meet the unprecedented challenges they are facing.

Forces to Cope With

Professional practitioners must now cope with three increasingly significant forces:

1. **Assaults on Professional Codes of Ethics**—The U.S. Supreme Court recently ruled that minimum fee schedules violate anti-trust laws and stated:

“. . . Federal law requiring price competition is applicable to legal services.” Justice Douglas opined that “for meaningful price competition the fees must be made known” rather than suppressed by rules against advertising.

There is talk about lifting the traditional ban against advertising.

2. **Changing Expectations of Clients**—Fewer clients today are in awe of the professional's credentials. Client executives are becoming more sophisticated in selecting, using, and, increasingly, replacing firms. They insist on “client-centered” performance in contrast to “technical-centered” service.
3. **Increased Competition**—In today's uncertain economy, it is not unusual to encounter situations in which as many as six to eight firms submit proposals for new work. Some firms are willing to “buy-in” to obtain off-season work and a few firms are known to engage in questionable solicitation practices.

Barriers to Marketing

At the same time, most professional services firms are generally ill-equipped to cope with these forces, because of three barriers to marketing:

1. **Disdain of Commercialism**—Few professionals like to think of themselves as businessmen. Many show hostility to any suggestion that they are motivated by money rather than service to their clients. Discussion of fees is usually distasteful to them.

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2. **Association Codes Ethics**—Professional associations have erected stringent rules against commercial behavior. In three professions—accounting, actuarial, and law—an absolute prohibition has existed against anything resembling selling activity. Advertising, direct solicitation, and referral commissions have been banned. Other professional firms do tend to adhere to certain “standards of good practice” which tend to limit the use of effective marketing and sales techniques.
3. **Equating Marketing with Selling**—Because of the bars or bans against **selling**, professional services firms show little interest in the subject of **marketing**, having made the error of equating **marketing** with **selling**. Marketing is a much larger idea than selling.

By remaining ignorant of the concepts and practices that make up modern marketing, these firms are without the skill to adapt smoothly to a rapidly changing environment and to grow to their potential. Their professionalism is a blind spot that keeps them from acting to achieve their goals. Their position grows more precarious as a few of their competitors begin to learn and apply modern marketing techniques. It is unfortunate not to understand marketing in a strong market when no one else does; it can be fatal in a down market when competitors do.

This article is written to explicate the role of marketing in professional services firms. As a preliminary step, we offer the following definition of professional services marketing:

Professional services marketing consists of organized activities and programs by professional services firms that are designed to retain present clients and attract new clients by sensing, serving, and satisfying their needs through delivery of appropriate services on a paid basis in a manner consistent with creditable professional goals and norms.

What Styles of Marketing are Possible for a Professional Firm?

Professional firms, like other business firms, have three major objectives: sufficient demand, sustained growth, and profitable volume. They must turn to some form of marketing to achieve these objectives. Three different styles of marketing can be distinguished: Minimal, Hard-Sell, and Professional.

Minimal Marketing

A large number of professional firms practice minimal marketing. They avoid or minimize conscious development of a marketing program. The firms feel that they will attain their objectives by rendering the best quality service to existing clients. They reason that a high quality of service will lead to satisfied clients, who will place their new business with the firm. Furthermore, satisfied clients will recommend the firm to others, thus leading to a substantial inflow of new clients.

This logic is appealing and allows the firm to feel it is adhering to the spirit of the ethical canons prohibiting direct selling activity. Unfortunately, minimal marketing is a decreasingly tenable philosophy for professional firms.

- ▶ It places too much confidence in the assumption that quality speaks for itself. In marketing circles, this is known as the “better mouse-trap fallacy.”
- ▶ It assumes that the firm will deliver distinctively better quality services than competitors. But several firms are usually pursuing the same philosophy, and thus no firm may strike the client as particularly exceptional in this respect.
- ▶ It assumes that competitors are not practicing the stronger forms of marketing. But an increasing number of firms are, and it is questionable that a firm doing minimal marketing can compete effectively.
- ▶ It is a reactive rather than a proactive approach to marketing opportunities. The firm does little to shape its future clients or services.

Minimal marketing means that the clients choose the firm, rather than the firm choosing its clients.

Hard-Sell Marketing

A few professional services firms practice hard-sell marketing. They engage in glad-handing, wining-and-dining, sharp pricing and discounting, slick brochures, partner bonuses for new clients, some discreet badmouthing of competitors, and even some direct solicitation and possible referral commissions. Some of the hustling for business that takes place borders on, or actually violates, the profession's code of ethics. Even if it does not, the majority of practitioners consider it distasteful and predatory in nature.

Hard-sell marketing really reflects a **sales orientation** rather than a **marketing orientation**. It may do more damage than good for the firm and the profession. It has two major faults:

1. It does not use a disciplined approach to identify and cultivate the market. It confuses sales (which is an outside job) with marketing (which is an inside job). It neglects the basic marketing process which is to choose targets, develop services, formulate plans, set up information systems, and establish controls.
2. Firms using this approach often get carried away with the problem of attracting new clients and are drawn into using more extreme techniques which begin to violate the ethical code and may result in acquiring marginal clients.

Professional Marketing

We define professional marketing as an approach to the service/market opportunities of the firm that is consonant with the profession's canons of ethics. Its major attributes are:

- ▶ Stating long-range marketing objectives and strategies.
- ▶ Developing annual volume, growth and profit objectives, and detailed plans and budgets broken down into individual responsibilities.
- ▶ Organizing regular training seminars to improve the professional person's effectiveness at marketing and personal selling.
- ▶ Assigning formal responsibility to one or a few people to organize, manage, and motivate the marketing activity.
- ▶ Allocating time and budget to support the marketing activity.
- ▶ Setting up a system of controls and rewards tied to individual and group performance in attaining marketing goals.
- ▶ Ensuring that the quality of professional work does not suffer as marketing activity is increased.
- ▶ Using only those marketing tools and procedures that are consonant with the industry's code of professional ethics.

What are the Most Effective Marketing Strategies for a Professional Firm?

We have suggested that professional marketing is the answer to the professional firm's desire for sus-

tained demand, growth, and profitability. Now it is important to spell out professional marketing in its strategic, planning, and control aspects. Six strategies are available to the professional firm that is seeking disciplined growth:

1. Expanding Service to Existing Clients

Many professional firms see the key to growth to lie in expanding their services to existing clients. A lawyer who is preparing a client's taxes may uncover some poor asset management and propose some estate planning. A public accountant may note some areas of deficient performance and suggest that the client utilize the firm's management services division. Cross-selling of services is a major source of growth for the professional firm.

2. Identifying and Cultivating High Potential Prospective Clients

This strategy calls for identifying eligible and attractive potential clients and laying plans for their cultivation. Each professional firm can identify specific prospective clients that it would like to serve. The criteria for good prospects include: high growth and profit potential, actual or potential dissatisfaction with their current firm, a base for attracting further clients in that industry, and the availability of a good contact or referral source.

One firm divides the new client development process into six stages:

1. Generating and evaluating leads.
2. Developing a plan for each good lead.
3. Making contact with the prospect.
4. Preparing and presenting the proposal.
5. Closing the sale.
6. Follow-up work.

Each stage is further modeled with specific procedures. For example, leads are evaluated with the formula shown in Exhibit 1. The partners allocate their times to the prospects ranking highest according to this formula. Periodically they report on the progress they are making with each prospect.

Exhibit 1

<i>Expected value of a prospect</i>	=	<i>Probability of attracting prospect with \$C of effort</i>	×	<i>Value of the prospect (if he becomes a client)</i>	-	<i>Cost of trying to attract prospect</i>
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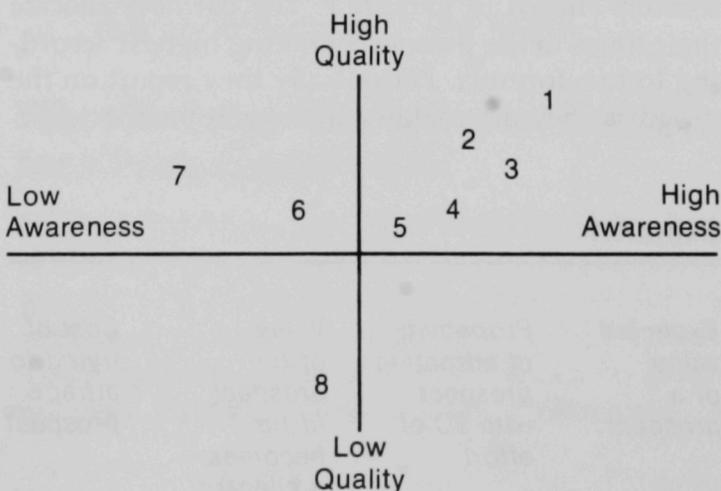
3. Widening and Deepening Personal Referral Sources

The professional firm also takes steps to cultivate key referral sources. Each professional firm has its own idea of the most helpful referral sources. A lawyer in a medium-size law firm ranked his referral sources as follows: His best source for new business was bankers since bankers are often asked by their clients to recommend lawyers. His second best source was insurance agents; they recommended clients needing estate work and revised wills. The third best source was other lawyers who had a high regard for this law firm's work in certain areas. Certified public accountants stood as a weak fourth in referral value to this law firm. The lawyer spends a lot of time with these referral sources, especially in social settings. He practices reciprocity by recommending his clients to these firms when they need a bank, an insurance agent, a specialist lawyer, or an accountant. He carefully chose his referral sources because he recognized that his growth depended on their growth.

4. Favorable Awareness Programs

The professional firm also has to undertake steps to increase its overall market visibility and reputation. The first step is to assess its public image. Most professional firms have a distorted view of their image and are surprised to discover how they are actually perceived and talked about by competitors, referral sources, and clients. Exhibit 2 shows the results of an image study of eight management consulting firms offering their services in France. The management consulting firms in the upper right quadrant are in the best position. On the other hand, a firm such as 7 at the far left is seen as having fair quality but low awareness. Its task is to

Exhibit 2
Images of Eight Management Consulting Firms in France



maintain quality and expand its public relations program to achieve higher visibility among French executives. Firm 8 on the other hand, is seen as having low quality and medium awareness. Its task is not to increase the market's awareness but rather to first upgrade its quality and then proceed to increase its visibility. Furthermore, image measurement is not confined to these two scales. The professional firm may also want to measure its image of integrity, innovativeness, size, experience, and friendliness.

Several methods are available to the professional firm seeking to increase its visibility and favorable image.

- ▶ Association memberships within the firm. Favored associations are business and trade groups, political parties, and charitable, religious, civic, and educational institutions.
- ▶ Public speaking and writing. Those partners who are effective at public speaking should seek out opportunities to speak to target industry groups, particularly those containing a high number of decision-makers. Partners should be encouraged to write good articles for journals that will reach a high number of potential clients.
- ▶ The development of seminars. The professional accounting firm may build a seminar around a "hot" accounting topic such as "Accounting for Inflation," or a seminar directed at a target industry such as "New Directions in Bank Accounting," or an annual seminar to summarize new developments such as "What's New in Auditing Practices." Invitations are sent out to current clients, important referral sources, existing contacts, and attractive prospects.
- ▶ Sponsoring scholarships, awards, professional chairs, and professional training programs. These goodwill gestures make a useful civic contribution and at the same time draw favorable attention to the firm.

A final way of achieving visibility is through taking a controversial stand on some public or professional issue. This brings immediate media attention and free publicity to the firm. At the same time, this can be risky; the professional firm has to be on sure ground before staking out a role as iconoclast.

5. Service and Market Specialization

One of the major marketing errors of professional firms is to strike out in all directions for possible new clients. The partners join all kinds of associa-

tions, speak everywhere and anywhere, and accept all clients. This "total service" philosophy is counter-productive. It is an inferior strategy to that of service and market specialization.

Specialization offers two distinct advantages to the professional firm.

1. Specialization gives the firm a preferred position placing it automatically in contention for potential clients seeking that kind of expertise.
2. Specialization permits a greater profit on volume because the firm develops "cutting-edge" expertise and low cost procedures for handling recurrent situations.

These benefits came to a medium-size Chicago law firm that decided to specialize in the incorporation of group medical practices. Now it is a leading firm in this area. The same firm, however, decided to avoid bankruptcy law. It recognized that: (1) bankruptcies do not build long-term clients and (2) bankruptcies would diminish as the economy turned around.

The management consulting department of a Big Eight accounting firm recently rated possible target industries on the basis of their growth potential, profit potential, specialized knowledge needs, degree of competition, and current available referral sources. They selected five industries for special attention: insurance, savings and loans, health care, banking, and real estate. A committee of partners was then assigned to each industry to select the best target companies, to broaden exposure and contracts.

6. Replacing Clients

Replacing clients hardly sounds like a growth strategy but under certain circumstances it is. Some of the clients of a professional firm are small, have little potential, require more during the "busy season," and may produce less than a normal rate of return. The firm needs an objective system to identify candidates for pruning. They need to know how to discontinue relationships with poor clients and discourage similar potential clients without hurting the reputation of the firm.

What Procedures are Required for Installing Effective Marketing?

We have argued in favor of professional marketing and have described six strategies that the firm can use to pursue growth and more profitable volume. But these strategies are ineffective unless the firm undertakes specific steps to train and motivate some or all of its practitioners to devote some time to business development.

Where should the primary responsibility for business development be located in the professional firm? There are three alternatives:

1. Leave business development to those in the firm who are most interested in it and effective at it.

Every firm has certain partners, managers, and staff who have a flair for spotting market opportunities and converting them into realized business. The natural marketers should meet from time to time as a marketing committee to exchange information and develop plans. If the firm, however, is lacking in "natural marketers," it should make a point of looking for this trait when it hires new staff. This alternative, however, really doesn't improve the business growth rate that currently exists. While it has the merit of not foisting a role on the staff that is unnatural or uninteresting to them, it has the fault of leaving business growth to spontaneous rather than organized forces in the firm.

2. Develop a special office for business development headed by a partner or specialist in marketing. This "director of business planning" would have the following responsibilities:

- ▶ Guide the development of a long range and an annual plan for business development.
- ▶ Search in a systematic way for new business opportunities.
- ▶ Motivate through incentives, assist, and train members of the firm to perform better in business development activities.

We regard the creation of this center of responsibility for business development a necessary step in the evolution of more effective business development procedures. At the same time, it is not a complete solution.

3. Develop a firm-wide program for marketing training, incentive development, planning, and control. The firm's leadership decides that every professional in the firm—with the possible exception of junior practitioners and specialists—should receive training and incentives in business development.

A large public accounting firm made the decision recently that practitioners should spend approximately one-fourth of their time in practice development. Management, however, realized that this would be a pious utterance unless backed by incentive and budget. Practitioners could not be expected to work a longer day. Nor could they be expected to cut down their current "billable" time. The only solution was to create a budget account for business development which could support the

practitioners' club memberships, luncheons, and charges to billable time.

Furthermore, the desired behavior still wouldn't come about unless practitioners found that their effectiveness at business development was included as a factor in determining their annual bonuses. In addition, the firm created a new position that, among other things, organized seminars to help practitioners improve their planning and sales skills. The office designed planning forms that are filled out by the practitioners each year describing their intentions in the areas of cross-selling, prospecting, referral source work, favorable awareness activities, etc. These plans are reviewed quarterly for accomplishment and for redesign where necessary.

A firm with many branch offices must introduce further mechanisms to build up business development effectiveness. Consider the following marketing planning model used by a public accounting firm:

Example: Planning Model

The planning process starts with the home office gathering information on the economy, market, and other factors that will influence its objectives for the year. It also carries on informal discussions with the business development coordinator in each branch office about possible growth goals. Based on its information, the home office adopts a five-year growth objective and specific growth and profit objectives for the coming year. These objectives are communicated to the branch offices.

Each branch office has a **business development committee**, which looks at the firm-wide growth objectives and develops specific objectives for the branch office based on both the overall goals and local economic conditions. **The business development coordinator** in each office (who is a member of the business development committee) announces the branch's objectives to each department and practitioner.

Each practitioner prepares an **individual business development plan** in which he states his expected contribution in terms of fee objectives, expanding service to existing clients, potential new clients, planned work with referral sources, favorable awareness programs, plus speaking, writing, and seminar work. The individual plans are reviewed by the business development committee,

with suggested revisions gained through individual discussions. They are summarized for the branch office to ensure that the time devoted to various marketing strategies is appropriate.

Branch office business development plans are then forwarded to the home office for review and approval. During the year, the home office receives branch office results and determines where consultation is desirable. The home office evaluates performance against objectives, using such measures as profitability, market share, the ratio of reported business development time to total hours, the hit ratio (ratio of successful proposals to total proposals), the percentage of lost clients, and percentage of new clients.

Summary and Conclusion

Professional practitioners like to think of themselves as removed from business development responsibility in the practice of their professions. They would like to believe clients will come to them without organized effort on their part, simply as a result of achieving a good reputation. They would like to believe they do not have competitors, or that other firms are not aggressively cultivating the same pool of clients.

Professional firms that want to grow and prosper will have to shed this attitude and confront the marketing issues and challenges. The professional firm cannot base its future on minimal or casual marketing nor, on the other hand, is it free to adopt a hard-sell effort that violates the profession's ethical norms. Between these extremes, a firm can practice a professional type of marketing appropriate to its needs. Often this calls for establishing a center of responsibility for business development within the firm. It calls for training members of the firm in marketing planning and sales-building. It calls for establishing a special budget and bonus system to support individual practitioners in their business development activity.

The question facing professional firms is not whether to do marketing. They are doing marketing. The question is how to do it effectively. As the firm's competitors resort increasingly to installing organized programs for business development, the professional firm can no longer remain indifferent to the discipline of marketing.

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