

# Professional services marketing: An oxymoron and an irony

By LAURIE YOUNG

It is estimated that one in five workers in the developed world are employed in businesses based around specialist skills and knowledge. Although similar in principle to fmcg marketing, there are significant differences. Experienced practitioner Laurie Young describes how some of the world's most successful and enduring professional services businesses have evolved a number of common marketing approaches



**T**HE PROFESSIONAL services industry is vast and varied. One estimate puts its revenues at \$700 billion worldwide and another suggests that it employs up to one in five workers in the developed world. It encompasses a wide variety of businesses whose offer is based around specialist skills or knowledge.

They range from the marketing services industry, in all its forms, through executive search firms, recruitment agencies, education, training and coaching providers to consultancies with various specialities (some of which now form the growing services arms of publicly listed companies like IBM). Included are legal, accountancy, engineering and architectural practices. It comprises an array of medical practitioners such as private doctors, dentists, opticians, pharmacists, osteopaths and physiotherapists. There is also a variety of retail professionals such as hairdressers, veterinarians and estate agents, which range from single shops to large chains.

The one thing they have in common is that their knowledge is the barrier to entry into their business and they make vast sums from this 'asymmetry of information'.

The earnings vary enormously but can be eye watering, outperforming the takings of all but the very elite directors of publicly listed companies. The top earners include: merchant bankers (whose million-dollar bonuses can rival IPO takings or earn outs); partners in leading advisory firms

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(whose salary alone can be \$1million); individual gurus (one charges \$18,000 per day); and fashionable stylists (whose brands make them into multi-millionaires).

How do they do it and can successful techniques be codified into a replicable and solid marketing approach? The main general principles are detailed below.

## 1 'Demand-pull' is the complete opposite of 'product-push'

Most first-rate professionals say that marketing starts with the work. The two main drivers of revenue growth in this industry are the technical excellence of the work and the quality of client service. For a number of reasons clients talk about a professional service after it is finished. This creates a strong reputation (which may eventually turn into a brand) and this, in turn, draws in more work.

This 'demand-pull' is the complete opposite of 'product-push' and has two very powerful benefits. First, it keeps the cost of sales low (because the firm does not have to go out to get work) and, second, it keeps prices high (because practitioners can focus on diagnosing need, and pricing becomes a consequence, not a focus, of discussion).

This makes the difference between an elite profitable practice and a grubby 'ambulance chaser'. As a result, all successful professionals focus their attention on it. They ensure that any strategy or business initiative is aimed at enhancing the firm's reputation or preserving it. Its success is measured by its effect on repeat business and referrals.

## 2 Strategies evolve from the style and culture of the firm

The ownership of a practice determines its approach to business. A partnership, for instance, works through mutual ownership and consensus. As a result there is often surprisingly little

direct decision making. Whereas in a corporate firm individuals have clear accountability within a distinct area of responsibility, initiatives in a partnership are more often created by a wide consultation or buy-in process which creates a momentum for the idea. Providing no one strongly disagrees with the initiative, it will become, more or less, common practice within the firm.

Partnerships tend to use a situational approach to strategy development. Leaders will identify and work on immediate strategic imperatives, often as part of an annual budget round. It is less logical, less systematic and less well rounded than the procedural approach that business schools emphasise. In fact, many routine issues can languish due to lack of attention.

However, once the major strategic thrust is identified, the firm tends to tackle the most important issues as partners implement the actions agreed by consensus. Project teams might be formed to implement different aspects of the strategy, often in addition to their normal jobs, and are disbanded when either the strategic intent is achieved or other priorities identified.

Single-owner practice tends to be dominated by what is politely called extant strategy. The owner is so busy winning, delivering and running the business that direction is created in their head and rarely committed to paper. Insight, decision and action follow each other quickly. Direction can be determined only by a retrospective view of past decisions. Staff in such firms can feel that they have no strategy to follow because there are no well-crafted written documents or clear planning schedules.

Nevertheless, experience shows that firms led in this way can be very successful, achieving their strategic intent, particularly if the leader makes the direction clear to the people in the firm. It is relatively simple to use a few hours to tease out and articulate the leader's intuitive strategic intent.

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## 3 Decisions about direction are based on insights into their market

There is nothing very special here to the seasoned marketer, except that there is a vulnerability that arises from the professional's greatest strength: closeness to the client. The intimate relationship that many professionals have with one client or one level of management can give them a distorted picture of trends. If they do not step back and take an objective view they can take decisions based on a mistaken picture of the market.

Of those that do take the time to analyse their market, some take an economic view. For them, supply and demand are irresistible forces that govern a firm's success. Advertising declines if industry is slow, conveyance suffers if the housing market is weak and due diligence work when M&A activity is down. Yet this is limiting.

Some of the more successful firms take a behavioural view of markets. In other words, it is the behaviour of the suppliers and their interaction with clients that create opportunities. Some

firms have been practising relationship marketing (without calling it that) for many decades. In this view a market (and, in some cases, the firm itself) is seen as, primarily, a set of personal networks within which mutually profitable business relationships occur. While economics is not irrelevant, the supplier can stimulate interactions to create demand.

Professional service firms can therefore examine their markets by profiling client relationships and methods to stimulate more work from them. This might include, for example, cross-selling other services to contacts or deliberately encouraging referrals. In fact, for business-to-business professionals, a market perspective based on a relationship or network profile could yield better strategic insights than some of the more accepted economic approaches developed by theorists.

#### **4 Professional service brands are corporate 'master' brands**

One of the major differences between product and service marketing is the way in which a brand is managed. A product company can create a brand that has its own presence in the market. The corporate entity behind the proposition can be irrelevant to buyers.

The dynamic with service brands is completely different, however, because the emotions engendered by the buying process are different.

Most services include a process through which the buyer moves. Users must surrender themselves to the service provider, and this yielding of control creates anxiety. As a result of this anxiety, service buyers reach around the proposition itself to seek emotional reassurance from the entity in charge (without being aware they are doing so). As a result, the great service brands tend to be corporate brands.

This has implications for many aspects of brand development and naming strategy. Brand management for a service company is about dealing with the corporate brand itself. It therefore

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involves a different set of stakeholders, including the firm's leadership.

Naming strategy is different because service names have to be simple functional descriptors. (Business class from Virgin or American Airlines, or audit from KPMG versus audit from Grant Thornton.)

There is also a symbiotic link between the brand of a professional service firm and the reputation of key practitioners. In a large partnership, employees work their way through their firm, conducting client projects, until they 'make partner'. For many, this is a defining moment of their career. They are included in meetings and discussions that they did not know occurred and they become part of an inner circle of colleagues. Reward is different but so too is responsibility.

In many firms, one of the main characteristics of a partner is the ability to build a book of business and to win work, so their external profile grows with experience. As a result, after years of performing at this level, they will gain an external reputation for a spe-

cialist skill. At this point, the client weighs both the firm's reputation and the specialist skill of the partner when buying. In fact, part of the strength of the company brand becomes the leading partners in its offer.

The brand of the firm and the reputation of key partners become inextricably linked. However, some become so enamoured with their own reputation that they discount the support of the brand that grew them. In fact, there have been cases of partners leaving thriving firms to set up on their own and finding, too late, that their former firm's brand was a major part of their fee value.

Employees of the firm, whether partners or staff, need to be the first focus of the brand manager. When creating the brand position and brand values, designers should derive their work from attitudes of employees in addition to clients' perceptions. They start with a hard-headed audit of what is experienced by clients and make that the foundation of the strategy.

Because of the very personal nature of the firm's relationships, the professional services industry is generally very poor at investing in brand strategies. Ironically, even the experts in this area, the advertising agencies, are frequently poor at managing their own brands. Most professional service brands, like Bain, KPMG, McKinsey, and so on have evolved from years of quality work reinforced by repeat purchase. The brand has emerged naturally from reputation. In some cases, as in 'the magic circle' law firms or the 'big four' accountancy firms, there is opportunity to create distinction and differentiation through focused brand work. In the industry as a whole, there is huge opportunity from a more managed approach in this area.

#### **5 They use distinctive and relevant marketing communication techniques**

Individual professionals must put great emphasis on communicating

with their clients if they are to succeed. They must listen, diagnose, propose answers, advise and listen again. However, once the professional service becomes a business of any size, its leaders must consider how it communicates with markets.

There are three levels of marketing in a professional service firm.

1. Contact marketing: activities at the client interface such as proposals, events, account management, business development and so on.
2. Credibility marketing includes industry skills, technical skills (professionals often take their skills for granted and fail to tell the market about them) and thought leadership.
3. Corporate-level marketing encompasses: brand, go-to-market strategy and specific reputation initiatives like CSR.

Although the industry wastes huge sums on questionable marketing habits like client hospitality, it uses all forms of marketing communications (even if it believes that it does not). For instance, professionals tend to be sceptical of both direct marketing and advertising. Yet merchant bankers use electronic newsletters to CEOs very successfully and ads from accountancy firms frequently occur in worthy magazines alongside partners' articles.

## 6 Effective communication tools for services

### *Viral marketing*

The industry has used viral marketing (long before it was called that) as a marketing tool to increase word of mouth. A new idea will emerge from a business thinker or a consultancy in the form of a 'white paper' or magazine article. It will then be presented at a few leading conferences. (It is most powerful if it gets a hearing at a CEO-level conference such as the World Economic Forum held each year at Davos.)

The aim is to get clients talking and thinking about the new concept.

Product managers in conference companies then spot the idea, allowing time on agendas for it to be presented. Soon whole conferences are dedicated to it, articles published and books authored. Leading consultancies then dedicate partners and staff to practise in the area. They adjust case studies from past projects and present briefs to their clients. At this stage, academics get funding for reputable research into the idea and add to its visibility. The new idea is viral, carried and reinforced by debate in the business community.

### *Thought leadership*

Thought leadership, another of the industry's big guns, is often used to reinforce the momentum of a potential business idea. The term is used to describe the publication and dissemination of ideas for commercial advantage and is often the source of NPD for the industry. In practice, it can range from an article in a magazine to a major sponsored programme or a complete book. Leading firms have teams of highly qualified people dedicated to it, backed by elaborate knowledge management systems to farm ideas.

### *A star performer*

Another communication strategy is to create a star in a discipline the firm wants to emphasise. The reputation of individual partners is deliberately grown to attract interest and business. Often there is a highly targeted PR plan requiring the partner concerned to speak at conferences, write books, publish articles and speak to the press in order to gain attention for that field of expertise.

### *Making it happen*

The leading firms link these communication activities in a management structure with common budgets. This is often a virtual team with common leadership or, more rarely, in a unitary organisation under a CMO. Properly integrated, this function will enable the firm to generate income more cost-effectively, because the activities will be mutually supportive.

For example, a well-constructed corporate marketing programme will explain the brand to the market, while effective capability marketing will promote industry expertise to the target client group. Both of these will save costs when the firm's professionals are proposing work to clients, because they will have no need to explain these two issues. A telecoms partner from McKinsey, or a strategy consultant from Bain, or an outsourcing leader from Accenture, will therefore have a huge advantage over competing firms who have not got their marketing act together.

## 7 Professional service marketing – an oxymoron and an irony

On the one hand, many professionals did not regard these revenue-generating activities as marketing; on the other, they viewed their marketing function as a minor support unit. As a result the majority of people who carry a marketing title in professional service firms are not career marketers. From the administrator who arranges client events to the extrovert partner doing their development stint in marketing management, there is a good number of people trying to interpret marketing jargon and practice for the benefit of their firm without the depth of knowledge and experience found in other businesses.

It seems, then, that much of the industry is beginning to grapple with the rigours of market turmoil. That, in turn, is challenging assumptions built on years of easy growth or near-monopoly domination of certain niches. If the experience of other industries is a guide, this will stimulate different attitudes to both markets and marketing. It will cause the leaders of successful survivors to focus on more systematic marketing. Some of which will mean making explicit and emphasising these specific professional services marketing strategies. ☺

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