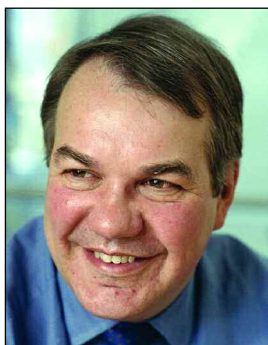


Future impacts on professional service marketing

There are several trends affecting the professions which, according to Laurie Young, will soon become more important and affect those who want to make a career by marketing professional services.



By Laurie Young

Firstly, many of the markets in which practices operate are changing and their leaders are acknowledging that fact. For instance, the managing partners of two leading law firms told me recently that their practice strategy is based on the fact that their markets are changing very fast and they need to be responsive. The accountants too have been

pounded with change. Several leading accountancy firms have had to reorganise; to separate massive advisory businesses from audit. I heard the managing partner of one leading firm say that the past decade has been the most disruptive in his entire career. It seems then that much of the industry is beginning to grapple with the rigours of market turmoil and, in many cases, maturity.

If the experience of other industries is a guide, this will stimulate long term change in suppliers which will, in turn, create different attitudes to both markets and marketing. For instance, the consumer products industry experienced market maturity in the late 1950s. There was over capacity of supply, new competition and new standards, just as in many of the professions today. Documents of the time show that survivors took strategy development in house (it had previously been with their advertising agencies) and adopted a more market focussed approach. They began to orientate business around market

perspectives and elevated the importance of branded value propositions. Now, marketing is a lead function in many long standing consumer businesses. They recruit the cream of the graduate crop into a professional apprenticeship scheme which provides some of the best marketing training in the world. Alumni of the programme progress through the firm from junior brand managers to marketing directors, and often to CEO. (And, incidentally, are often poached by the professions when they want more informed marketing input). Their role is to generate the income of the business and to lead future strategy. Marketing is where it ought to be in their business. If the professions change as their leaders anticipate, marketing will gain similar prominence and contribute to issues such as business strategy, pricing, sales approaches, client relationship management and new proposition development.

A second trend is a dramatic and relentless change in the ownership of profes-

sional firms. A surprisingly large section of the industry has now gone public. Firms as varied as Accenture, Heidrick & Struggles, Michael Page, IBM Consulting (formally PwC) and Goldman Sachs have changed from partnerships to shareholder ownership. This is a significant change which takes years to assimilate because the people, particularly partners, need time to adjust. It causes a fundamental change in business culture and approach to market because the behaviours and decision making processes of a Plc are so very different to a partnership. It will increase and affect much of the industry, including law firms if current government proposals are approved. Marketers ought to help chart the course for businesses going through this difficult transition.

Publicly held companies have to report to the financial markets and account to shareholders for their use of funds. As a result, client service staffs are required to forecast business accurately, comply with expenses policy and use the corporate marketing resource. They are not allowed to create their own programmes and recruit their own 'support' people. Marketing in these firms is very different. The management responsibility is delegated down a hierarchy from the shareholders and there is both regulation and law to guide conduct. There is usually a clear marketing structure with delegated authority to run the function within agreed budget and strategy parameters. They are able to create and execute programmes to meet firm goals. In short, they are not running after partners rushing into tactical, sometimes whimsical, activities. Professional service marketers in these firms can expect the specialisation, investment and first rate career development seen in other industries. This, in turn, is likely to improve standards of marketing in the industry as a whole, as specialisation and process allow organisations to learn.

A third relentless force is the change in buying behaviour amongst large firms. To date many professionals have had easy, even cosy, relationships with senior directors; but buying functions are now starting to apply objective criteria and force down price. They are learning how to apply buying principles to premium professional

services as they did to computer purchases a decade ago. For example, one of my clients is one of the world's five premier executive search firms, the top level head-hunters who fill seats on boards. Until recently the partners of these firms dealt with board level clients and treated HR people as a minor, largely irrelevant, function. They rarely had to take part in a 'beauty parade' and they never crossed the path of purchasing people. Now, however, most frequent buyers of

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search have undertaken a rationalisation process due to governance and cost pressures. In some cases they have reduced their world-wide search agency roster from fifty to three. The exercise has also, en route, created global frame agreements with the survivors, new price levels and totally new success criteria. In many cases, the relationship with search firms is now run by a 'VP talent management' (an HR specialist) and CEO's are happy to be internal customers of this improved process.

Similar purchasing trends are beginning to affect law and accountancy following the governance changes after the Enron debacle. Some auditors, for instance, had been checking the books of the same firms for many decades. The routine purchasing discipline of intermittent roster reviews (in their world known, and feared, as audit rotation) is now bringing a healthy breath of fresh air to such institutional complacency. Even the merchant banks are finding that acquisition hungry firms, their frequent buyers, are now staffed with internal business development teams who are challenging many of the hidden charges.

Professional service marketers need to anticipate the impact of this trend and bring new skills and processes into their firms.

Another developing trend is the adaptation of the professions to modern consumers; the retailing of professional services. British consumers have a very low opinion and, often, a very poor experience of a number of professional services. Law firms are, for example, consistently criticised by *Which?* magazine and the Law Society for their poor speed, price and bedside manner.

There is enormous opportunity in the retail of professional services throughout Europe. They tend to provide low margin, high volume services which are supplemented by relevant product sales. They are characterised by the 'footfall per square metre' of the retail industry (ie. the number of clients coming through the 'store'). Marketing for these firms is about the position of shops and effective merchandising as much as the client service and reputation management typical of the rest of the professional services industry. Marketers who work for them must, therefore, take into account: consumer trends, store location, design, increase in footfall, sales promotion and product merchandising; in addition to the normal dynamics of a professional service firm. Either professional service marketers will learn them or the industry will suck in retail marketers.

There are two particularly successful marketing strategies for retail practices. They can take a 'premium' approach, earning high margins by creating a branded, celebrity boutique. Hairdressers, such as Nicky Clarke or John Frieda, and some architects, like Lord Rogers, have been spectacularly successful at this. The alternative is a least-cost approach, creating a chain of stores which employs young professionals, to keep costs down. The Lloyd brothers, for example, built and sold a multi million pound chain (Lloyd's chemists) out of the inefficiencies of retail pharmacy and Doug & Mary Perkins created the 600 store Specsavers by bringing a technology revolution into the, then, single practice optician market. There

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is still opportunity for clear sighted business leaders to create chains in areas like dentistry, consumer law, health and other inefficient consumer service markets.

A further trend which will affect the marketing community is the rise in awareness of international cultures as the 'globalisation' fad fades from management circles. The original debate about globalisation began in America ten years or so ago. It was very attractive to large multinational corporations because it argued that human beings have the same aspirations and that costs can be saved by approaching them in the same way across the world. This slightly naive theory underestimated the power and importance of cultural differences. It may be that international companies can standardise back office or manufacturing processes but they cannot succeed by making their international marketing the same. Nevertheless, a number of large professional service firms lost substantial sums by trying to build unified 'global' management teams and to harmonise service offers.

Culture is the heritage of a lifetime of influences affecting the tastes, values, preferences, prejudices and education of us all. It is so subtle that we often do not appreciate our own cultural construct but it is very powerful. International cultures are very different and must be approached differently. Admittedly, people do buy some 'global' brands but, when they do this, they are often compromising their values to get some greater benefit. For example, when Coca-Cola first became a successful international brand, in the 1950s, people bought it because they wanted to be associated with, what was then considered to be, American economic success and modernity. Large groups of people would not do that now.

In various parts of the world, companies are exploring the effect of cultural variations on their business. The most sophisticated are creating international programmes to match local taste. This trend will continue because there is such vast opportunity in international markets. (China, for example is estimated to have one lawyer per 13,000 people compared to one per 300 in the USA). It is also likely

to be seen by consultants and academics as a rich area of investigation because there is currently very little published work on the subject. (Gert Hofstede is one of the few credible sources.) At the moment far too many professional service propositions are western offers. If this trend continues, we should see Chinese management consultancy or Malay accountancy products or Indian merchant banking. Professional service marketers will therefore need to become more aware of inter-

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Which leads me to one firm prediction: there will be further management fads. During the last century the professional service industry created numerous management concepts including: TQM, process re-engineering, shareholder value, globalisation and CRM, amongst many others. Most large practices have a team dedicated to the production of 'thought leadership' as a source of new service development and revenue. In essence, they make up ideas, some of which are neither thought nor leadership. *The Economist* once mocked it as 'thought fellowship' because it makes such a dubious long term contribution to business in general. One estimate suggests that over 10,000 'white papers' are produced each month for management to digest.

Like manufactured products, the most famous fads have a life cycle which many professions exploit. It starts with a book or conference speech which resonates with a senior audience. This is seen by product

managers in conference companies who, if the fad continues, soon dedicate whole conferences to it. The major consultancies then establish practices in the field and speak as though they have been advising on it for years. For a while, many firms buy into the subject and it is a perceived wisdom which cannot be challenged. Then academics get finance to research the subject and cynical articles appear ("Has process re-engineering damaged corporate America?"; "Does TQM pay back?"; "Why CRM systems don't work"). As a result the enthusiasm fades and it becomes part of general management teaching or declines altogether.

So how should professional service marketers react to new fads or fashionable concepts when they come? How will they assess the intellectual integrity of thought leadership projects? Will they go with the next popular fad and set up the usual round of seminars or 'me too' briefings as the wave rolls in? Or will you take a stand for enduring marketing principles, holding out for investment in more substantial strategic initiatives? And, if they do, will their firm allow them a voice on such issues?

The answer to these questions is as much organisational as it is personal. If leaders of the marketing function in practices, and individuals within it, reach beyond the tactical they will reap the benefit of these trends. They will have a developing and rewarding career; but, as importantly, will contribute effectively to both professional practices and their clients.

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