

Second Edition

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Managing the Professional Service Firm

PROFESSIONAL SERVICES MARKETING

How the Best Firms Build Premier Brands, Thriving
Lead Generation Engines, and Cultures of Business
Development Success

Mike Schultz, John E. Doerr, and Lee W. Frederiksen, PhD

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—MES

*To the memory of my dad, Joseph Doerr.
His time was too short, but it sure was full.*

—JED

*To the memory of my dad, Harry Frederiksen,
who taught me what really mattered.*

—LWF

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—Mike Schultz

Introduction

A great deal has changed in the professional services marketplace since the first edition of this book. Firms are discovering that marketing techniques that worked so dependably in the past are no longer sufficient by themselves to sustain growth into the future. And many local markets are attracting more regional, national, and even international competitors. Firms today are finding themselves competing for local clients with companies they've never heard of in distant states. And more than a few are struggling to adapt.

The Rise of Online Marketing

If one common theme underlies these changes, it is the increasing influence of the Internet on professional services marketing. The relentless rise of online services and tools in people's personal and professional lives is changing the way people both buy and market professional services. You see, the more we embrace online technologies in our private lives, the more natural they feel in our businesses. As a result, more and more people are finding, vetting, and communicating with professional services firms online. Technologies such as online search, mobile devices, and social media are creating unprecedented opportunities for reaching new audiences.

All of this change is nothing short of revolutionary, and it is turning the professional services marketplace on its head. To adjust to these new realities, firms must embrace online marketing tools—or risk becoming irrelevant.

The hub of any online marketing program is the firm's website, so it's not surprising that it has undergone some changes. To support online lead

generation, a website has to be more than an online brochure. It has to generate leads and serve up a wealth of educational content. It is a public resource as much as it is a firm promotional vehicle.

Perhaps the most potent online approach is called content marketing. It uses powerful online tools to distribute and promote valuable educational content that is published on a firm's website. But it's more than a thought leadership strategy; it is also a powerful lead generation engine that attracts a steady stream of interested, qualified individuals to your website. Chapter 16 describes content marketing in detail.

At first blush, the online marketing ecosystem looks frighteningly complex. How are firms supposed to master so many unfamiliar disciplines: social media, search engine optimization (SEO), analytics, blogging, e-mail marketing, and marketing automation, to name just a few? In fact, you don't have to take on everything at once. This book will help you sort through and prioritize the many options so that you will know where and how to start.

Traditional Marketing—Alive and Kicking

Although a marketing revolution is under way, traditional marketing isn't dead—nor is it dying. Most of the tried-and-true marketing approaches that you already know remain essential parts of the business development equation. According to our research, referrals are still the most common source of new business in the professional services arena. And we don't expect that to change anytime soon.

Of course, the best way to promote referrals is to engage current clients and prospects in person. Public speaking, networking, and personal calls generate exposure and create opportunities to make critical face-to-face contact. And as old-school tactics such as direct mail drop out of favor, some marketers will discover new life in them as competition in those media dwindles.

Sure, traditional techniques are less effective at reaching an increasingly plugged-in, device-toting audience. But the most successful firms are using a combination of online and offline techniques to build their businesses. When firms are able to master both traditional and online marketing, they significantly improve their chances of success.

The Professional Service Firm Brand

The true beneficiary of marketing is a firm's brand. In this new edition of *Professional Services Marketing*, we've updated our discussion of the professional services firm brand to take into account the latest research and the effects of online marketing on the way brands are perceived and built. Specialization, positioning, and differentiation have become even more important in today's larger, digital marketplace. You will learn how there is a new path to developing trust and building reputation. And you will discover why it is impossible to build a strong brand without addressing the challenge of visibility.

Closing the Almighty Sale

Marketing, of course, is only the beginning and middle of the story. How the story ends depends on the expertise of the sales team. We devote the last five chapters to the strategies, skills, and techniques required to turn an opportunity into a paying client. We discuss the challenges of converting professional service practitioners into rainmakers, and we lay out a proven approach, called RAIN SellingSM, that firms can put into place and begin generating immediate results.

In this second edition of *Professional Services Marketing*, we have updated the text with new data, advice, and insights. And we lay out a comprehensive program to make your firm more competitive so that you can grow and be more profitable, even in a tough market. As the business environment continues to evolve, firms like yours need the knowledge and perspective to adapt and thrive. We believe this book, more than any other, gives you that foundation.

Mike Schultz

John E. Doerr

Lee W. Frederiksen, PhD

PART

I

Strategy and Planning

1

What Marketing Can Do for a Firm

The sole purpose of marketing is to sell more to more people, more often, and at higher prices. There is no other reason to do it.

—Sergio Zyman

Marketing is the single most important function within a modern professional services firm.

This might strike some as overly bold given the widespread lack of respect that marketing receives within many firms. More than a few of today's principals believe marketing is only loosely connected to the success of their firms.

To be fair, the way marketing is done in many firms is of limited value. But it doesn't have to be that way. To understand why, we need only to look at today's most successful firms.

Inside the High-Growth Professional Services Firm

About five years ago, we began a series of studies that looked at high-growth professional services firms.¹ To qualify for the study, these firms had to have a minimum compound annual organic growth rate of 20 percent or more. And these firms were exceptional on many fronts.

Compared with their peers, these firms showed:

- Growth rates that were 5 to 10 times greater
- Profitability that was 2 to 5 times greater
- Valuations that were 2 to 10 times higher
- Marketing costs that were slightly *less* than average

How did these firms do it? What did they do differently?

As it turned out, there was not a single industry, strategy, or size that defined this group. These firms existed to varying degrees in all professional services industries. They included firms of all sizes and categories, served target clients of every ilk, and pursued a wide variety of different strategies.

So what characteristics did they share in common? For one thing, they tended to have a clear target client group that they understood very well. Their services were tailored to solve their clients' important problems. And they usually had clear, easy-to-understand differentiators that were believable and relevant to their target clients.

The marketing strategies they used gave them easier access to their target audience, both online and in the traditional offline world. And although their business strategies were diverse, they were easily understood and communicated.

As you step back and reflect on some of these characteristics, it becomes clear that all of them are related to the discipline of marketing. Understanding and selecting the right markets and target clients, offering the right services, and building a firm's visibility and reputation in the marketplace are what marketing does (or should do) in a professional services firm. When combined with a capable sales operation, marketing should produce a steady stream of well-qualified prospects and new clients. We know of no other

¹ Lee W. Frederiksen and Aaron E. Taylor, *Spiraling Up: How to Create a High Growth, High Value Professional Services Firm* (Reston, VA: Hinge Research Institute, 2010).

functional area that can have such a profound and far-reaching impact on a firm's success.

But that's not the end of the story. You see, the modern professional services marketplace is anything but stable.

The Revolution in the Professional Services Marketplace

Once upon a time, professional services marketing was a small player in a comfortable and familiar marketplace, driven almost exclusively by personal relationships.

Slowly at first, but with increasing speed, that marketplace has changed. And with that change, marketing has become more essential for a firm's success and even its survival.

What are those changes? We have identified five major interrelated trends that are reshaping the professional services marketplace.

1. **There is a new generation of buyers and influencers.** Anyone who has worked for 20 years or less has not known a workplace without computers. Increasingly, these digital natives are becoming decision makers or influencing the selection of professional service providers. For this rising category of leaders, using online resources to learn about and evaluate providers is second nature.
2. **Technology offers new options.** You see it everywhere. Technology has reshaped so many industries, from entertainment to medicine. And it is reshaping the professional services, too. From low-cost communications technologies to the automation of "professional" tasks, the professional world is changing—fast. Need to incorporate your company? Do it yourself online. Need to understand a new piece of technology? Google it. Want to meet a potential vendor across the country (or even the world)? Use Skype.
3. **Geography is collapsing.** Today's low-cost communications technologies are shrinking the business world. It is becoming as easy and natural to work remotely with a professional service provider as with a colleague who works from home. Of course, some activities require on-site work. But that list is shrinking day by day.
4. **Transparency is expected.** We are becoming used to a culture that expects, and even demands, transparency. We want to know the "user ratings" of our plumber or home remodeler. Why not our accountant or

structural engineer? If a firm isn't forthcoming about its expertise and thought process, will people think it has something to hide?

5. **Excellence is expected.** The Internet has made it easy to find the best of practically anything. We are no longer restricted by the limitations of our local communities. Our favorite wines, those hard-to-find books, the clothes we love from that tiny specialty retailer—if we want these things, they are but a few clicks away. So why should it be any different for buying professional services? Businesses today don't have to settle for the best local option. They can get online and find the best option . . . period. This gives a tremendous advantage to the specialist.

So how does your firm navigate this shifting landscape? The answer is through the competent application of modern professional services marketing. But what are the specific ways it can help your firm succeed?

Effective marketing at a professional services firm produces four measurable outcomes:

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 services
4. Increased affinity with the actual and potential workforce

Let's explore each of these outcomes.

Generate New Conversations with Potential Buyers

Call it lead generation, call it business development, or call it prospecting. Whatever term is used, firms need to create *conversations* with potential clients before they can make a sale. That might sound basic. That's because it is.

But more often than not, the concept of creating an external conversation, one that can produce a new client and new revenue, never finds its way into firms' marketing plans. Why? Because for many firms, repeat business and referrals have always been sufficient to attract new clients and grow revenue.

Although repeat business and referrals still provide an important—and often the *most* important—source of new leads at many firms, they are no longer sufficient by themselves to sustain growth. 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 how buyers go about finding new service providers, our study sampled 822 professional purchasers.² The results are shown in Figure 1.1.

By far the most common response—more than 70 percent—was to ask a friend or colleague for a recommendation. Naturally, when people ask the question, you want your firm to be on the list of those recommended.

The research indicates that it is important to have a good reputation and high marketplace visibility. This is the essence of a strong professional services brand. Marketing can help you strengthen your brand by building your reputation and increasing your visibility.

The next most frequent response (24 percent) was that the buyers believed they already knew all of the firms that they needed to know. Is your

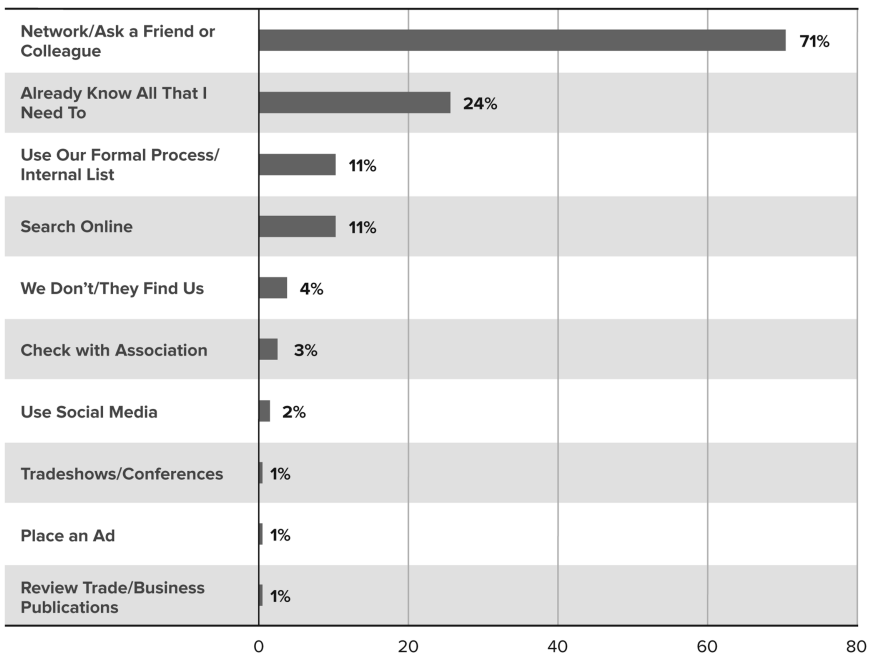


Figure 1.1 Top 10 Ways Buyers Search for a New Professional Services Firm

²*How Buyers Buy* (Reston, VA: Hinge Research Institute, 2009).

firm on that list of alternatives? Marketing can answer that question. If the answer is no, you will need to find a way to break through this resistance to new alternatives.

Some buyers are constrained by a formal procurement process. Governments and some large institutional purchasers are good examples. Here, marketing can help you understand the process and develop a favorable impression in advance of a solicitation.

A similar number of respondents preferred to search online for options. Firms that harness the power of search engine optimization (SEO) and social media have the advantage with these buyers.

Of course, if you are everywhere the buyer looks, your firm will have maximum advantage.

Further down the list are some of the more traditional approaches, such as trade associations, tradeshow/conferences, and trade and business publications. Although it may be tempting to dismiss marketing methods that don't make the top 10 list, that could be a dangerous mistake. Remember, the dominant response will be to inquire among friends or colleagues or to go with an already familiar firm. How do you make sure the right people know your firm and have a positive impression of it? That is marketing's job.

Of course, there are other ways to encourage conversations about your firm. Thought leadership and content marketing can create an itch that prospects can't help but scratch. But we'll cover those topics in detail in Chapters 14 and 15.

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.