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SMP feature

The

POWER of Marketing

Selling your firm effectively can be the key to survival for Hong Kong's small and medium sized practitioners

By Ryan Swift

The world of Hong Kong's small and medium-sized practices is not easy. With more than 1,000 registered firms competing fiercely for business, many SMPs are often forced into destructive competition over core accounting services and in this way, experts say SMPs are their own worst enemy. At the heart of the challenge is the very basics of marketing

— and the lack of its application. To many observers of the Hong Kong SMP market, the true value of an accountancy practice has not been expressed clearly enough. And that's where good marketing comes into play.

The commodity trap

The biggest weakness faced by many SMPs in Hong Kong is that they fail to distinguish themselves from their competitors, leaders in the profession and marketing experts say. "If the

decision to choose a supplier of anything is based on price or mere convenience, then you are selling a commodity,” says Charles Brian-Boys, who teaches brand marketing at the Hong Kong University of Science and Technology and heads the re-branding project of the Institute as managing partner of brand consultants Eight Partnership.

Indeed, a recent survey conducted by the Institute shows that many SMPs are very reliant on core accounting services and hence run the danger of turning themselves into commodities. Currently, 57 percent of the firms’ income comes from audit and assurance services and many still look to auditing as the main driver for growth, with 62 percent ranking it as the most important growth area. By contrast, only 36 percent of SMPs rank business consulting and 28 percent consider corporate finance advisory services as top five revenue generators.

And yet, price pressure is the strongest in core services such as audit and tends to hit smaller firms harder,

says Albert Au, senior partner with BDO McCabe Lo & Co. and SMP committee chairman at the Institute. “Many of the traditional service lines are perceived to be commodities and clients do not see the value paid for. As a result, pricing is fierce and often, those services are not profitable,” says Au. He also points out that the prevalence of simple accounting software – often available over the Internet – can undercut practices that depend on revenue from accounting and book keeping services.

Finding your niche

An effective marketing plan can help a budding SMP stand out from the crowd by highlighting how it is different. Brian-Boys advises that any firm must figure out its “value proposition” – or how its service or product is unique. A company needs to examine the market and see what’s missing or how they can provide a better service or price.

Consider the story of Alex Hilman, founding partner of Hilman & Co.

and a member of the International Federation of Accountants’ SMP Committee. He started his firm in Israel in 1978 – a time when there were few international tax experts in his country – and went on to become a recognised specialist in the field.

“I got my name in the media by writing articles for professional and business publications, giving seminars and even appearing on radio,” Hilman told *A Plus* on the sidelines of an IFAC regional SMP forum in Hong Kong. “You have to find your own way in, and you can’t think in the conventional way.”

He also got involved with government projects. “At the time, the government was a good place for a niche player to develop, so I worked for one ministry in an advisory position, which later yielded several projects,” Hilman recalls.

For many small and medium sized practitioners in Hong Kong, the idea of trying to diversify away from the traditional auditing business may seem imprudent. But Harold Monk,

SMP Committee Work Plan 2006

The Institute’s SMP Committee has planned a range of initiatives this year to help SMPs. First among them is adopting practice management tools, such as practice management automation and succession planning.

In addition, the committee is monitoring the new practice review programme and will recommend adjustments where necessary.

The committee will introduce more networking events intended to bring together Hong Kong firms and their counterparts in the Pearl River Delta.

Next, the committee is exploring ways in which intermediary organisations such as the Institute and its counterparts in the mainland can cooperate.

One new project under discussion is developing a “starter’s kit” for new practitioners, along with a mechanism for advising firms on marketing themselves and improving services.

Another initiative is introducing a technical advisory service to provide comments and suggestions on the latest anti-money laundering updates,



>> SMP Committee Chairman Albert Au

new Financial Action Task Force requirements and legislative changes on the opportunities available now that CPAs are eligible to act as trustees in bankruptcy cases.

Newsletter basics

Keep in mind four basic concepts when writing and designing a company newsletter, according to Publications Management, a custom publishing magazine.

1. **Readability.** A newsletter's content is often packed too tightly on a page. Aim for more open space and succinct writing. Breaking up the page with snappy headlines helps readers find the information they are looking for more quickly and gives them an incentive to follow-up later.
2. **Vary the size.** Larger-than-normal-sized newsletters provide more space for different elements and maintain readability. On the other hand, a smaller physical size and an extra page or two may encourage readers to keep the newsletter on hand as easy reference.
3. **Colour.** Use of colour can be a great way to highlight important news, new services, new hires and relevant trends. While four-tone colour productions may be too expensive, a similar effect can be achieved with much cheaper two-tone productions.
4. **Graphics.** Break up a long section of text with charts, pictures and graphs – anything to keep readers' attention. Instead of explaining the effects of a new tax in words, try a chart. For pictures of staff, aim for candid shots of staff in the office, rather than ID card style photos.

E-newsletters are a popular choice. Publications Management advises letting readers decide how much time they spend on an e-newsletter. Use short headlines for readers who only have a moment. Have article summaries for those who want to spend just a minute or so. And include links to relevant website pages for those who want to get more in-depth information.



managing partner of Davis, Monk & Co., a mid-sized U.S. accountancy firm, offers interesting insight on the subject. Monk, an IFAC SMP committee member attending the forum, points out that auditing is not a core business for American CPA firms because the U.S. government doesn't require statutory audits. "Over half of U.S. CPA firms don't do audit work. Accountancy firms have had to find other areas to grow into," which resulted in a more diversified SMP market, he says.

Au, the SMP committee chairman, says small firms in Hong Kong can

consider developing services including offering financial advice, insolvency, business consulting, internal control systems review, efficiency studies, business valuation and other corporate finance services.

Small firms can find out what clients need beyond the basic services simply by talking to them. "Accountants need to open a wider dialogue, not just on accounting specifics, but on the business as a whole. This may lead to a discussion that allows you to make recommendations, suggestions and expose your knowledge of business in general," says Joe Leung, who teaches consultative selling at the Institute's continuing professional development course.

"The most important thing is to identify the needs of your client," he advises. "Try explaining or offering your views on a certain subject or issue that is pertinent to your client – that may help open the dialogue."

Simon Cheung, who started marketing his firm C.K. Cheung Co. about 10 years ago, says such an approach can often benefit both the SMP and the client, who tends to underestimate what an accountant can offer. "I try to emphasise that the accountant should be part of an overall business strategy," he says.

Getting your message out

After you've identified what's unique about your firm, you need to deliver that message to the market effectively. SMPs should carefully consider the channels that can best reach their target audience, Cheung says.

"In the beginning, we advertised heavily, but found that it wasn't very efficient. It's too short term and hard sell," he says. Cheung now places ads

“The most important thing is to identify the needs of your client.”

in publications that target finance professionals and foreigners in Hong Kong – often changing the magazine or journal if the response doesn't seem adequate.

Two other inexpensive and popular marketing options for SMPs are websites and newsletters. Cheung says that a well-designed website can be a powerful tool for opening business in overseas markets, as potential clients can find out about the particular services your firm provides with just a simple Internet search.

Cheung's firm also sends electronic or printed newsletters to existing and potential clients twice a year. “Foreigners are usually interested in doing business in China, while Chinese people might be interested about business in Europe,” he says. The newsletters include updates on new legislations, hot trends and analysis, and personnel changes at the firm. They are available in English and Chinese, and are sometimes translated into Japanese or Spanish for overseas clients.

For most SMPs, however, the primary source of new business is still referrals. Successful practitioners recommend networking by joining as many trade organisations, social groups and volunteer societies as possible to generate business.

“These events provide opportunities

Website design

Julian Harley, who runs his own website design company, Webhead.hk, offers a few pointers for people commissioning websites:

1. Be clear about what you need, as opposed to what you'd like. It may seem that a flashy design is the way to look professional, but people are turned on or turned off in seconds. Long loading times, irrelevant graphics and unneeded flash can lead people to look elsewhere.
2. There's no need to get everything right all at once. Start with something simple and add to it every month, rather than be a perfectionist with the initial launch of the site. Set achievable goals for the initial site; defer advanced features to phase two.

A website is never finished and should never go out of date, so spend time keeping it fresh.

3. Navigation must be super-easy. Don't be afraid to copy the navigation structure of websites that are easy to use. Being able to quickly find relevant information is vital. If possible, show the initial design to a few people and see if they can find what they want simply and quickly.

4. When selecting a designer, don't be impressed just by a dazzling portfolio – try to assess whether the designer can make websites that suit the purpose.
5. Get the content right. The website will require lots of original text to be written and photos will need to be located, and perhaps obtained. It's much better to have these assembled early.
6. A website owner should also own the source files (the computer programming language) that were developed for the creation of the site. The source files should be delivered on a CD after the site's completion. The contract should reflect this.
7. Make sure that relevant contact information such as telephone numbers and addresses are easy to find.
8. Include the website address or link in name cards, emails, brochures, newsletters or any other advertisement in order to drive traffic to the site. Budget some money for online advertising with Google or Yahoo to get instant visibility.
9. The end of the project is not setting up the site, but follow-up details like the schedule updates, site maintenance and online advertising. Make sure that the site is easily located through search engines.



Small things matter

Small firms should make sure that the little things are taken care of, says Stuart Hartley, who drafted the Institute's practice review and conducted seminars to help Hong Kong SMPs implement the guidelines. He refers to the "broken windows syndrome," in which buildings with a few broken windows tend to attract more vandalism and disrepair, and eventually lose their value. In other words, it's the little things that can lead to a declining practice.

Hartley, a Canadian chartered accountant and president of FocusROI, which offers consulting, risk management and internal auditing services, lists the following questions for accountants to see if there are any broken windows within their practices. These items can be fixed easily, but neglecting them may cost you your clients. On the other hand, getting these things right all the time will lead to more referrals.

- Does the receptionist smile at clients and make them feel important?
- Is the office clean, well laid out and properly organised?
- Do clients always get immediate attention when they need it?
- Are phones always answered quickly?
- Are clients always informed about new standards or regulatory changes that affect them?
- Are promises made to clients, such as delivery dates, always kept?
- Are staff assigned to a client briefed about the client and its business before staff start work?
- Are staff asking clients for information that has already been provided?
- Is your firm surprising clients with unexpected fees or fee increases?

for SMPs, but accountants should bear in mind that, once you join, time and patience are very important. It may take a few years before people get to know you," says Thomas Wong of CWCC, a six-partner accountancy and advisory firm.

Alternatively, Alex Hilman at Hilman & Co. identifies the Institute as a good place to start. "It helps build networks because of all the committees and volunteer work involved. A few years of active involvement can be rewarding in both senses – building your business and helping the profession," he says.

Effective networking at social events requires a delicate touch. Cecilia Yeung, country manager for a career advisory firm, advises her clients

to attend public speaking courses to develop conversation skills. Yeung says when attending events such as seminars and conferences, novice networkers should listen to the people they meet and build rapport with them (see *A Plus*, October 2005).

Gone are the days when marketing is of secondary importance to Hong Kong SMPs. Simon Cheung says small firms need to brush up their marketing skills in order to stay competitive and create a more diverse market for accountancy services. "We have to build marketing skills and position ourselves for five to 10 years from now to deal with the coming market," he says.

For Joe Leung, the importance of good marketing for SMPs is even more immediate: "At one time, customers may have come to you through the door, but now you have to be proactive about marketing to these people." **A+**

