Excerpts From

November 2003

Practical Accountant

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Why Clients Leave

They walk for many reasons, including some that are preventable. Here are some war stories, warning signs, and what you can do to retain clients.

by Jeff Stimpson

Poor service, change in ownership at your firm or at the client's company, perceived lack of expertise, dissatisfaction with fees: The reasons may vary, but the results are often the same. Clients walk.

Robert Fesnak, A&A partner with the Devon, Pennsylvania based firm Smart and Associates, LLP, believes most firms lose clients simply "by not servicing their needs. Accounting firms tend to view their services as only audit or tax compliance," he notes. "They don't address the real needs of their clients."

Pat O'Malley, MP at the Chicago firm of Coleman, Epstein, Berlin & Company LLP, says, "First is some capital event, such as an M&A, or new decision-making personnel, where the acquiring company's relationship exists with another accounting firm. Second is poor service. This usually manifests itself in the areas most visible to the client: poor communication or untimely service."

Fees may actually not be that important to clients, though this landmine subject does sometimes surface when clients walk. Admits Fesnak, "We've also lost clients due to fees, where the client's only criteria in selecting a firm is price. Clients leave more often due to a perception that the accounting firm doesn't have an interest in, or an understanding of, their business, rather than any other reason, including fees."

John W. Dean, of the firm of Heard, McElroy & Vestal, LLP, in Shreveport, La., thinks the circumstances of some client losses may even be an avenue of strengthening relations with a client. "Some result from circumstances outside of the client/CPA relationship, and can simply not be controlled. Sometimes a much larger out-of-town company acquires a nice audit/tax/consulting client, usually a once-in-a-lifetime event for your client, and you should enjoy the process with them rather than worrying about the loss of business."

Before he became a marketing consultant to CPAs, Robert N. Kohn, senior VP with Los Angeles-based Kohn Communications, worked in his family's lending business, and was involved in the hiring and firing of CPA firms. "There are several major reasons firms lose clients," he notes. "One of the most obvious is that a firm is simply doing a bad job: constantly making errors, or is slow or forgetful. Another reason clients leave is that their needs change, and the CPA is either unaware of or unable to meet those changing needs. Clients grow or shrink. They go public. New decision-makers are hired who have their own ideas about which CPAs to use. And, of course, a client's loyalty may be tied to a partner in a firm who decides to move."

Signs Clients Might Bolt

O'Malley thinks that the clients most prone to leaving are those that view price as the most important aspect of your service. "When price is the major decision point in a relationship, you can be certain that your client will shop that price around," he says. "Often, these clients fail to recognize the value of any additional services your firm might provide. They're also the clients you'll under-realize on, as well."

Fesnak cites a number of warning signs that a relationship with a client is hitting the rocks:

- Lack of communication, including calls, meetings, and slow pay;
- Business transactions on the part of the client where the client makes a decision, but does not involve the accounting firm or ask for advice;
- The client continually questions firm invoices and services rendered.

"If you're lucky, the client will tell you that there is a problem before it is too late," adds Kohn, "but clients often don't say anything or give any indication before leaving. And, by the time you learn of a problem, they've already been talking to your competition."

Immediate Steps

Fesnak believes clients can be most effectively retained by getting your head out of the sand. "Don't ignore the warning signs," he says. "If there appears to be a problem, there probably is a problem. Discuss the issues, whether service or fees. Just remember, there'll be situations where the firm is better off without certain clients."

Fesnak counters such primary reasons for losing clients as change of ownership "by either demonstrating industry expertise to the buyer, or having the skill sets to continue providing accounting and tax services to the buyer." He recalls a situation where a client that was a closely held company was sold to a foreign public company. Fesnak says his firm changed personnel on the engagement so as to provide the type of services required by the public company, such as international tax issues, parent-subsidiary issues, and other issues.

"We retained that client," he adds. "I think industry expertise and high-quality professionals allow accounting firms to retain more clients in situations where they may normally lose such clients."

"Talk to clients as often as possible," says O'Malley. "Constant communication is the best way to elevate your relationship. Client relationships at that level are solid and, as a result, the client will naturally receive better service."

Nor do traditional, formal methods of maintaining relationships always work in the long run, Dean warns. "An engagement letter is not an all-powerful document that can never be broken; it marks the beginning of a process that requires constant time and resources. The client relationship must be constantly nurtured," he says.

Kohn, the immediate past chair of the California State Bar Law-Practice Management Section, notes differences in how different types of professional-services firms lose and retain, and even look at, clients. "As a rule, CPAs are less conscious of the client service issue than lawyers, because once a client and all their records are with a CPA, it becomes difficult to change. Change requires that the CPA do something unusually bad," he says. "But CPAs get lulled into a false sense of security by the nature of the relationship."

One of the biggest challenges of a practice is to figure out how to make borderline clients less skittish," says O'Malley. "I come back to communication. If you develop a relationship with a client and they are still skittish, you probably have another warning sign," he says.

Gauging Satisfaction

Kohn says firms must be "eternally vigilant" to retain clients. "We recommend firms regularly ask their clients if they're satisfied, and to what degree. This can be done informally as you

Special Effort for Your “A” Clients

- John W. Dean of Heard, McElroy & Vestal in Shreveport, Louisiana, believes that preventing massive client losses is easy. “Sort your top 25 clients according to fees,” he advises, “and you will probably find 75 to 85 percent of your total revenues are generated from these engagements.”
- “Make sure you never let a calendar month pass without having some type of personal contact with these clients. It doesn't have to be a carefully orchestrated lunch designed to accomplish an identified objective. Just call and ask them how they’re doing, or drop by occasionally to buy lunch, or send a copy of an article with a handwritten note indicating an interest in their business.”

Short and Sweet

Surveys can be a good tool for retaining clients. But CPA firms need to recognize a few important points about surveys, according to consultant Robert Kohn.

He points out that there are three kinds of surveys: in person, written, and telephonic. The last is the most effective, he says, especially if conducted by a disinterested third party, and if the ebb and flow of the conversation can draw details of even minor client dissatisfaction.

Since most firms offer written surveys, however, he gives these tips.

- Keep it short. “Clients are more likely to fill out something right away if it’s short and easy to answer,” says Kohn, who recommends that surveys offer a series of questions for clients to rate services on a scale of 1 to 10, followed by a little area for comments.
- Enclose a stamped, self-addressed envelope for replies.
- Call ahead. “Have someone call clients in advance to say you’ll be sending a survey,” says Kohn, “so it’s not seen even initially as a piece of junk mail when it arrives. Then it’s a good idea to have someone call again and see if the client received it.”

The biggest problem with surveys, he says, is that most CPA firms don’t do them.

meet with each client, or formally with a Client Satisfaction Survey."

The latter, he adds, can be more accurate and more likely to be implemented. "You may not have an opportunity to ask clients how happy they are. And even if you have the opportunity, CPAs are often uncomfortable asking their clients this question. A survey is less confrontational: Clients often feel more at ease talking with a third party or filling out a form." He also maintains that a satisfaction survey can help catch and fix problems before it's too late, and help set straight "unrealistic" client expectations.

"Often a problem you detect with one client is indicative of a more widespread problem with other clients," Kohn says, adding that one firm found that each client surveyed, while generally satisfied, reported the same concern, "that the CPA didn't appear knowledgeable in their industries," Kohn reports. "This was a particularly surprising realization, since the firm prided itself in being knowledgeable in clients' industries." Having clients articulate why they're satisfied is also important, as it strengthens their bond with your firm and increases the likelihood of their referring you to other clients, according to Kohn.

Finally, surveys help firms define quality standards, Kohn says. "When asked about quality standards, every CPA says they say they offer good service. But few have defined "good service." "The process of designing your survey questions forces you to think about what good service means. Are you punctual? Do you keep your commitments? Are you good at explaining complex issues? Do you help anticipate problems? Clarity about how you offer good service not only helps you keep clients, but it helps you market to new clients by giving you the words to use in describing the value of your service," Kohn says.

CPAs might think that asking clients if they're satisfied is a sign of weakness. "Asking is actually a sign of confidence, and expresses a sincere interest in assuring clients that you want to do the best possible job for them," Kohn asserts, adding that even the busiest clients appreciate giving feedback.

The Ones That Got Away

Examine your client base and check to see how, and which, clients grew with you over the years. An AICPA survey that showed that the typical client stayed with a firm for seven years. Chances are good that, in the case of some clients, the revenue generated for your firm also grew significantly in that time.

Therefore, you should be making certain you don't lose clients who showed you warning signs, especially those whose loss you could have prevented. PA

For further information about client relations and client satisfaction surveys, contact Kohn Communications:

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