

Marketplace Masters:

*How Professional Service Firms Compete
to Win*



Eleven Competencies for Professional Service Firm Marketplace Mastery

1. Market Research
2. Forecasting & Trends Analysis
3. Competitive Intelligence
4. Differentiation
5. Data Mining
6. Aligning Marketing Strategies with Culture
7. Account Planning & Relationship Management
8. Measurement & ROI
9. Research & Development
10. Technology & New Services
11. Rewarding Innovation

As a method for firms to become more sensitive to clients' desires and unmet needs, market research is used infrequently.

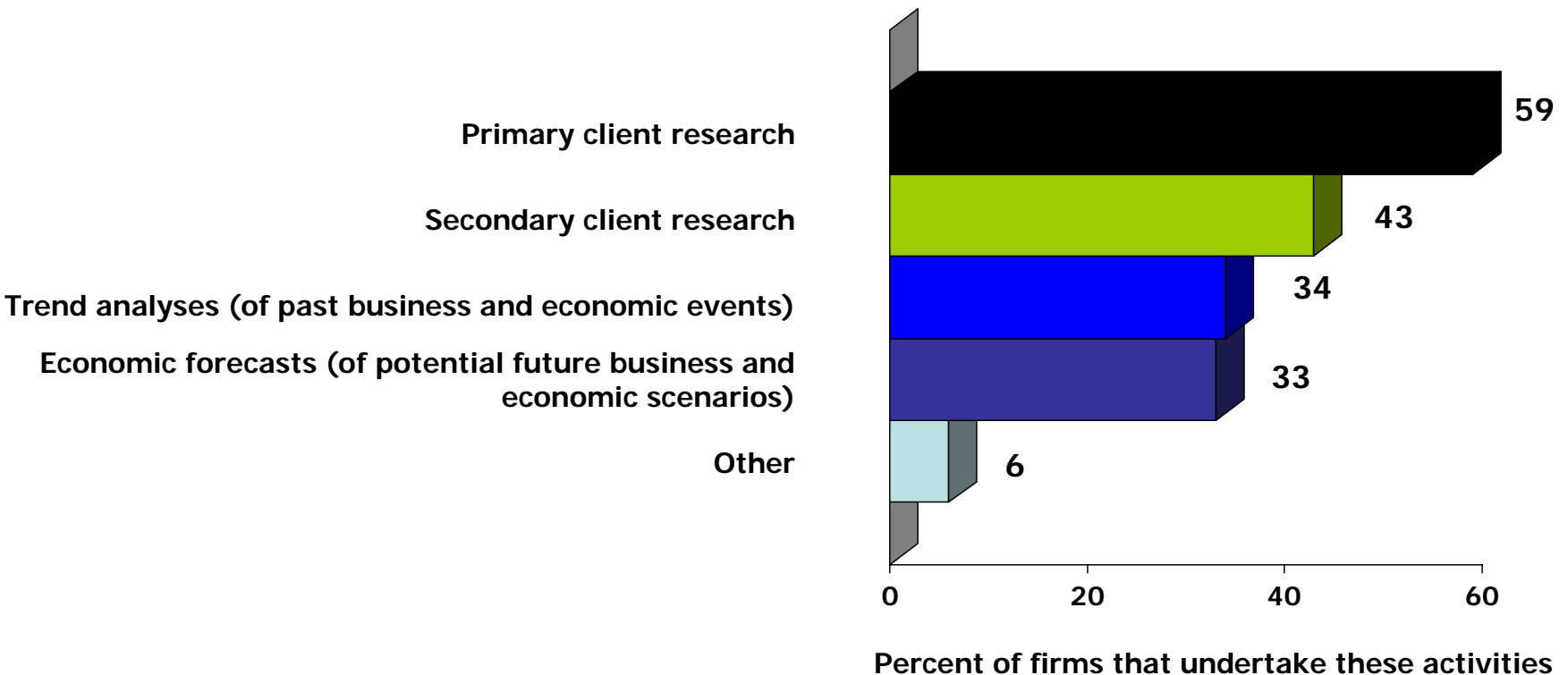


Figure 1.1 Professional Service Firms' Use of Market Research

Firms that have a market research budget say they are *more effective* in getting closer to their clients.

Firms that DO have a market research budget are:

Nearly two to five times more likely to report they are effective in:

- delivering services . . .
- managing a change in their professionals' behavior . . .
- using innovation . . .
- employing competitive practices

. . . as a method to get closer to their clients.

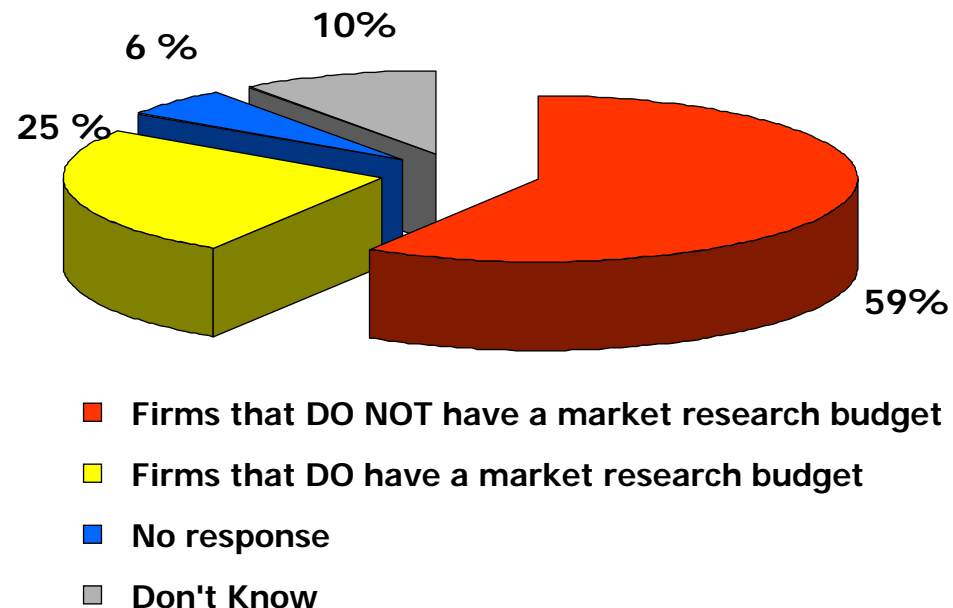
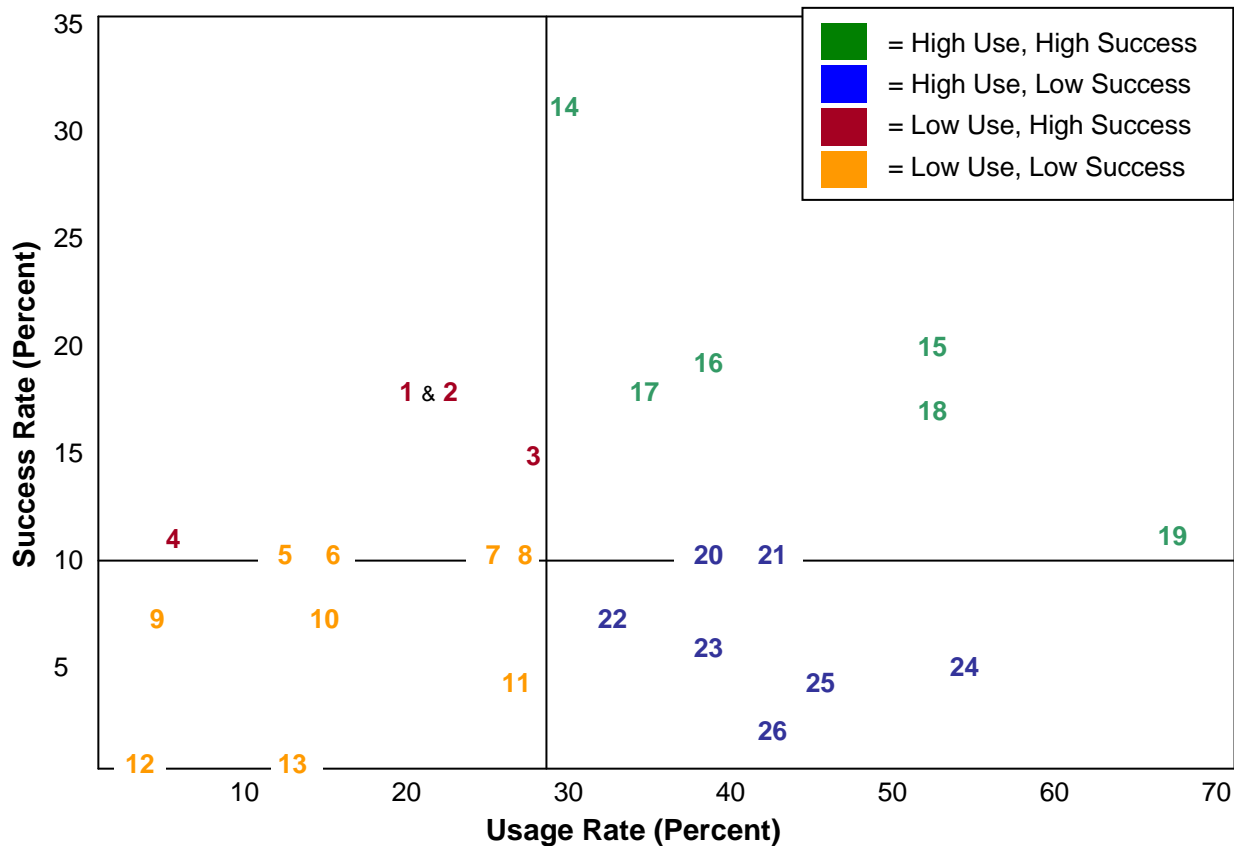


Figure 1.2 ROI on Professional Service Firm Market Research

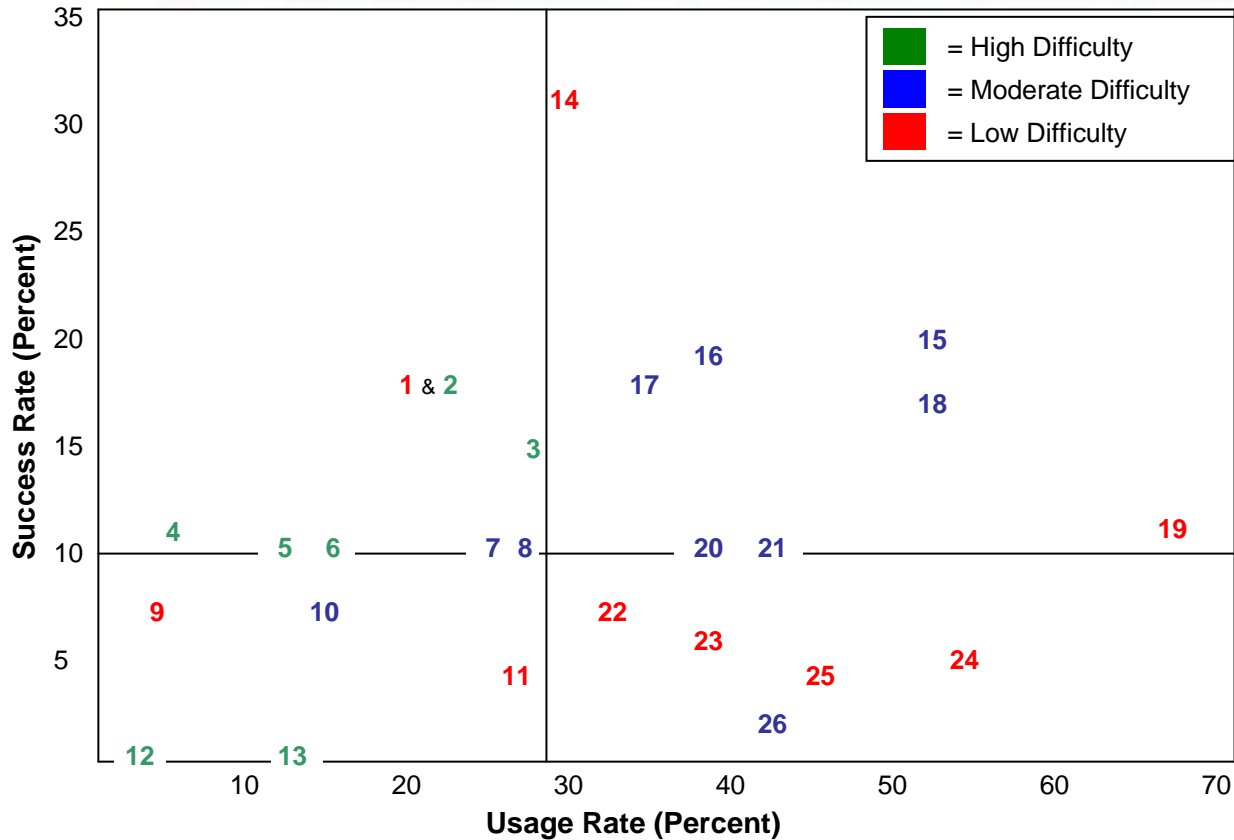
The most-used differentiation approaches are not necessarily the most successful.



1. Embarked on an advertising campaign.
2. Added new-to-our-firm services that blend into the services of another industry.
3. Implemented a formal relationship management program to strengthen our bonds with current clients.
4. Merged with another firm.
5. Acquired another firm.
6. Developed new risk sharing arrangement with clients.
7. Created new divisions or subsidiary companies.
8. Increased the speed of our service delivery.
9. Decreased our prices.
10. Eliminated services.
11. Increased our prices.
12. Sold parts of the firm.
13. Developed new-to-the-world services.
14. Embarked on a public relations campaign.
15. Entered into joint ventures, alliances or referral networks with firms that extend our services.
16. Added new-to-our-firm services that are within our industry.
17. Created a new visual identity.
18. Hired specialized individuals.
19. Improved or evolved our current services.
20. Developed a new positioning.
21. Repackaged current services.
22. Communicated our firm's positioning through a new motto or tag line.
23. Trained professionals to follow our proprietary methodologies.
24. Reorganized practices or lines of business.
25. Added new variables to our prices.
26. Used new techniques and tools to "deliver" our services.

Figure 4.2 Use and Success of 26 Differentiation Approaches

The difficulty of various differentiation approaches appears to affect their use and success.



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Figure 4.2 Use, Success, and Relative Difficulty of Differentiation Approaches

* We assigned level of difficulty scores according to the risk, complexity, time involved and level of investment of resources required for each differentiation approach.

More than 70% who use a contacts database do so to automate traditional marketing tasks. Only 30% tap their database's strategic potential for mining and using valuable data.

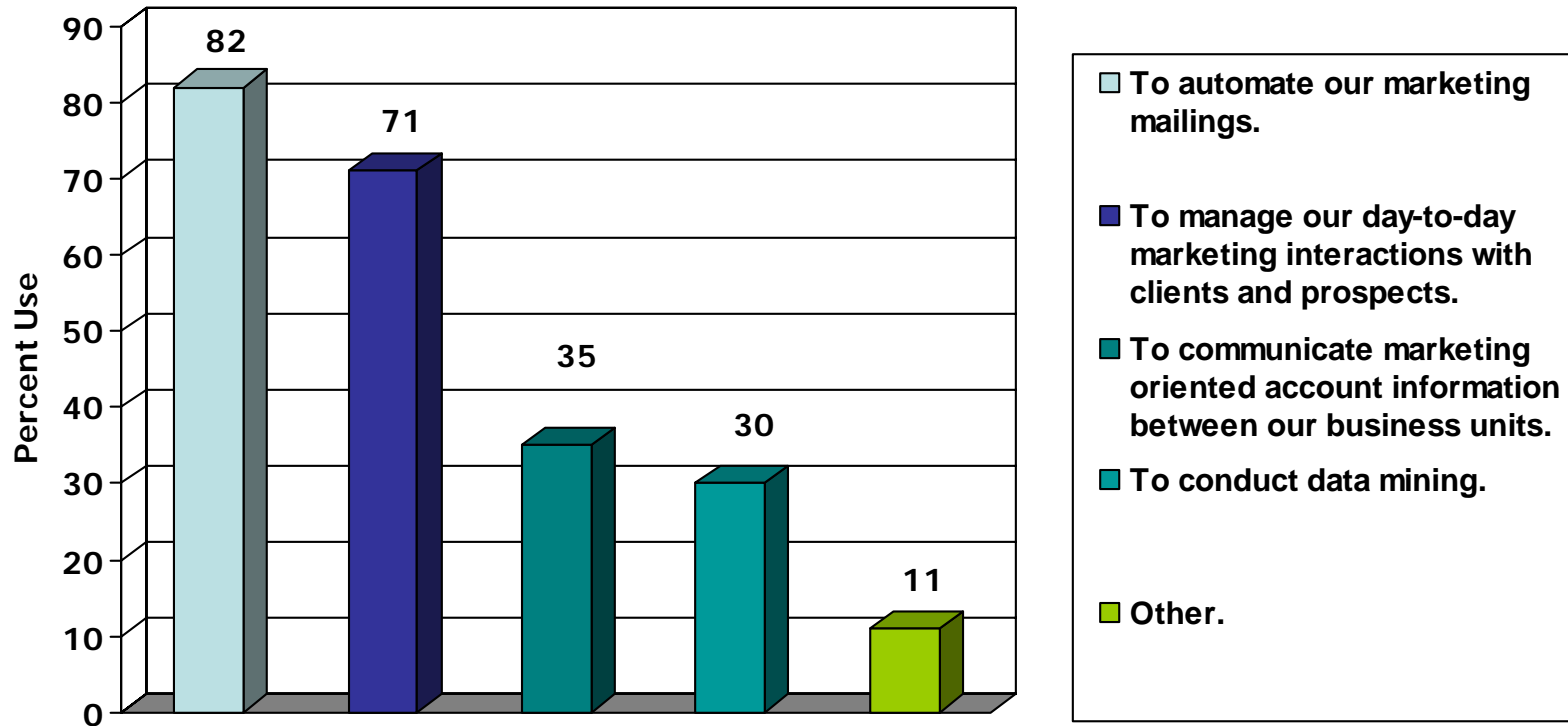


Figure 5.1 Professional Service Firms' Use of Their Contact Database

Firms that *do not* practice data mining* say they are *less effective* in getting closer to their clients.

Firms that do practice data mining are:

Nearly two to nearly three times more likely to report they are effective in:

- delivering services . . .
- using innovation . . .
- using client relationship management strategies and tactics . . .
- employing competitive practices . . .
- employing market research . . .

. . . as a method to get closer to their clients.

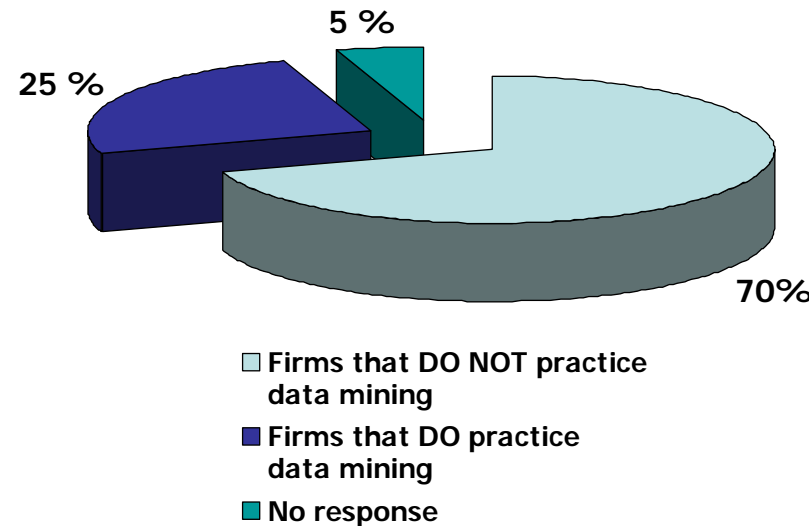


Figure 5.2 The Use and Effectiveness of Data Mining

* Data mining is defined as the practice of analyzing raw data in a database to describe past trends and obtain future perspectives on strategic marketing issues such as market share, client purchasing patterns and the like.

Clusters of methods that each group used to become more sensitive to the marketplace.

<p>The "Prepared" Firm</p>	<ul style="list-style-type: none"> • Implement internal training programs • Implement internal communication programs • Push responsibility for strategic planning into deeper and broader sectors of our firm • Employ career management or leadership development coaching • Implement specific client retention activities • Utilize primary client research
<p>The "Flexible" Firm</p>	<ul style="list-style-type: none"> • Utilize flexible methodologies and customized techniques to deliver services • Co-locate project work and teams (e.g., deliberately changing venues to foster new perspectives between our firm and our clients) • Require or encourage all personnel to "switch roles" occasionally, so as to interact with clients differently • Co-develop or pilot new services with clients • Engage in "co-opetition" (i.e., collaborating with competitors to win assignments) • Use trend analysis (of past business and economic events) • Sell smaller or more bite-sized engagements
<p>The "Rule-bender" Firm</p>	<ul style="list-style-type: none"> • Use warnings/disincentives • Improve service development pipeline, e.g. an internal incubator or R&D department • Provide free solutions in order to win the job • Use at-risk/revenue arrangements to sell services

Clusters of methods that each group used to become more sensitive to the marketplace.

continued

<p>The "Techno-Hunter" Firm</p>	<ul style="list-style-type: none"> • Use software applications, e.g. CRM • Work to build our "share of customer" e.g., cross-selling services to a client • Using new technologies to get closer to clients, e.g. extranets, opt-in e-mail, pagers for our staff, etc. • Increase efforts and expenditures to win in final interviews • Increase intelligence-gathering about competitor activities • Utilize secondary client research • Review economic forecasts of potential future business and economic scenarios • Use non-billable salespeople
<p>The "Accountability" Firm</p>	<ul style="list-style-type: none"> • Use formal project checkpoints as a means to effectively deliver services • Use incentives to manage a change in professionals' behavior • Adapt our performance measures to evaluate our professionals' sensitivity to clients' needs • Use strategic account management plans • Sell bigger or more multi-faceted engagements

Figure 6.1 Clusters of Methods that Each Group Used to Become More Sensitive to the Marketplace, *continued*

The five “cultural” groups are predictors of firms’ success at getting closer to clients.

Some of the five “cultural” groups *have succeeded* at using certain methods, while others in a different group *have failed* at the same methods.

Methods where our firm is “most effective” at becoming more market-driven	The “Prepared” Firm	The “Flexible” Firm	The “Rule-bender” Firm	The “Techno-Hunter” Firm	The “Accountability” Firm
Delivering services		✓			✓
Managing a change in our professionals’ behavior			✓		
Innovation		✓			
Client relationship management strategies or tactics			✓		✓
Using new approaches to compete against our rivals				✓	

Figure 6.2 The Five “Cultural” Groups are Predictors of Firms’ Success at Getting Closer to Clients

Client relationship management is one of the most popular methods respondents use to become more market driven.

Software applications (e.g., customer relationship management or contact management)

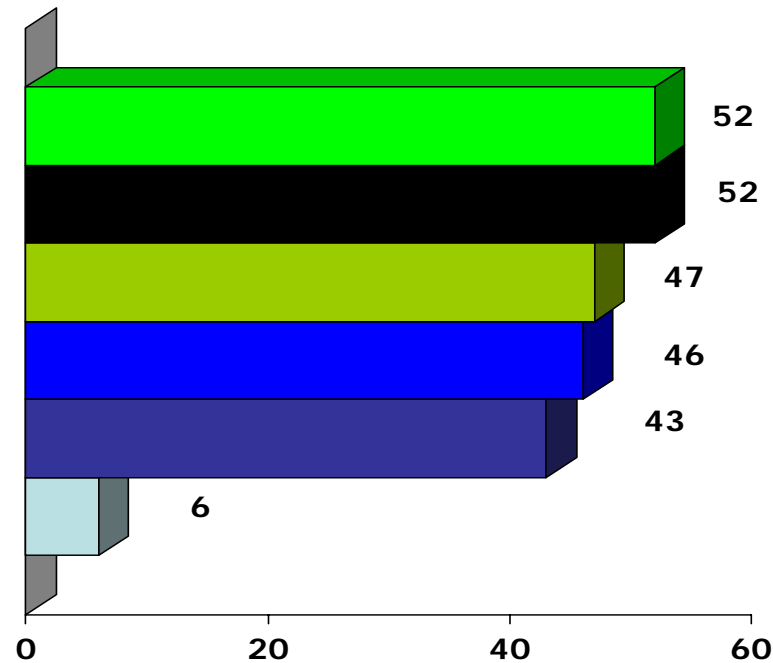
Implementing client retention activities

Tracking and proactively working to build "share of customer"

Using new technologies to get closer to clients (e.g., extranets, opt-in e-mail, pagers for our staff, etc.)

Creating strategic account management plans and/or assigning account managers

Other



Percent of firms that undertake these activities

Figure 7.1 Client Relationship and Account Management Methods

Professional service firms assess effectiveness based on thin evidence.

- When asked how they know their top ranked promotional vehicle was successful, only one-third of all respondents could say they actually gained new clients or brought in revenue
 - All other measures of success (totaling more than 66%) were far less linked to the bottom line (show choices on chart)

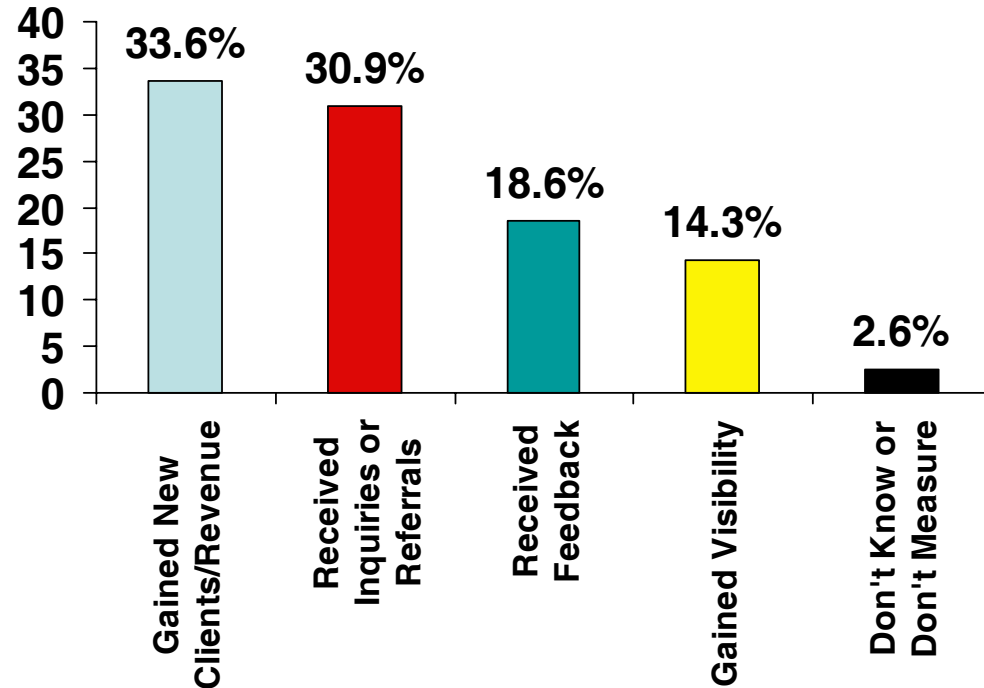
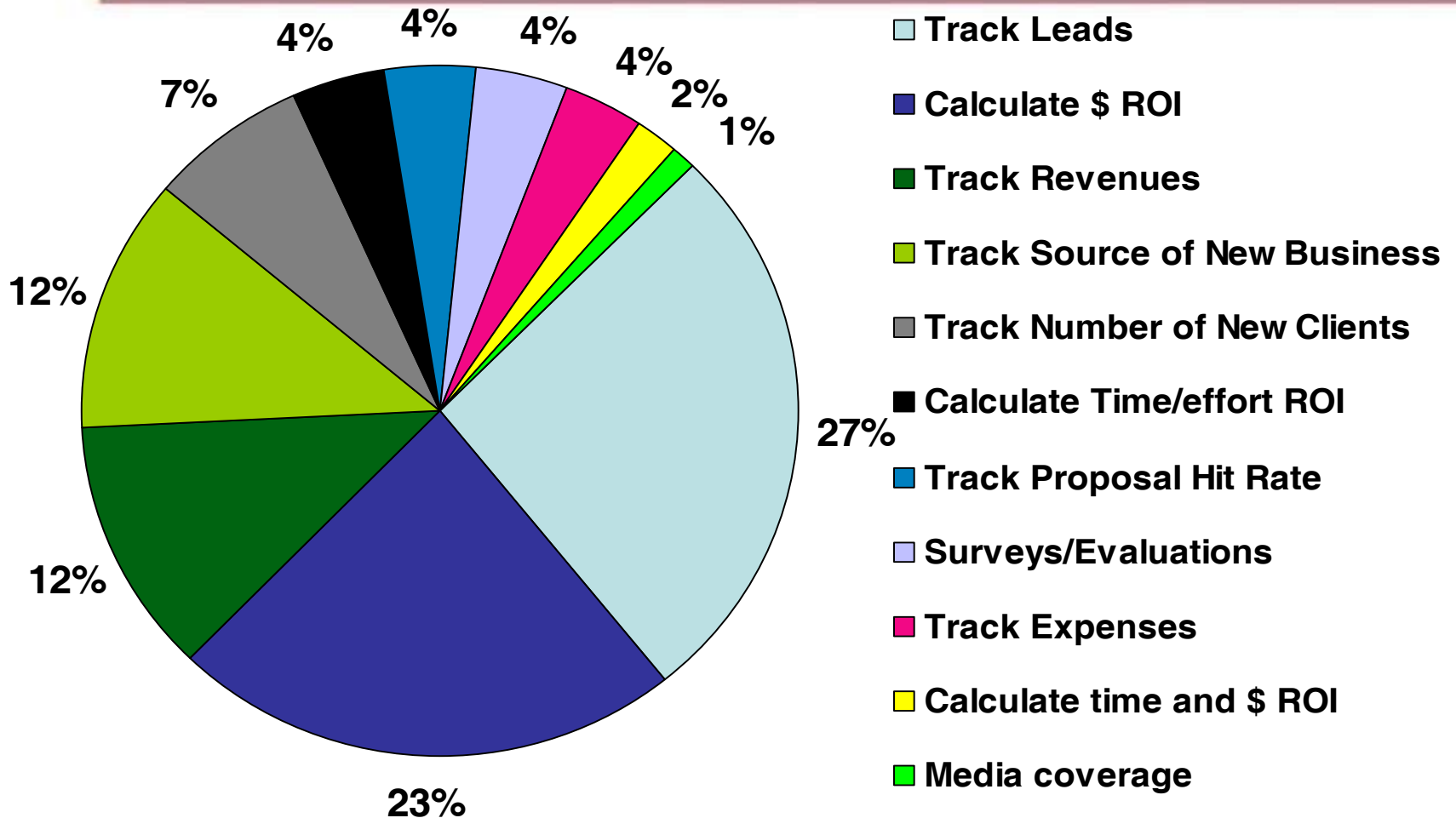


Figure 8.1 Thin Evidence of Promotional Effectiveness

Quantitative Measurements of Promotion Effectiveness



Qualitative Measurements of Promotion Effectiveness

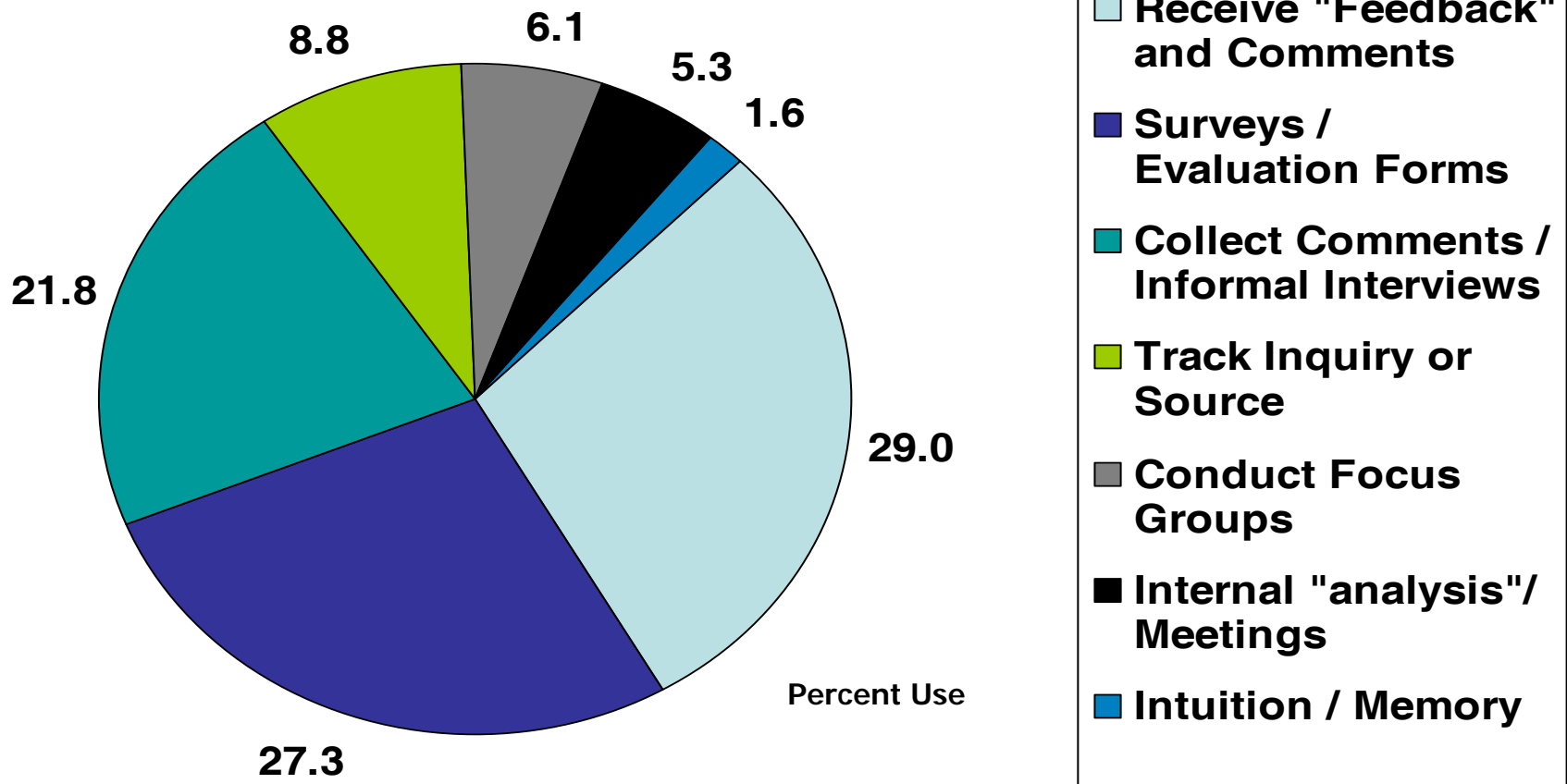
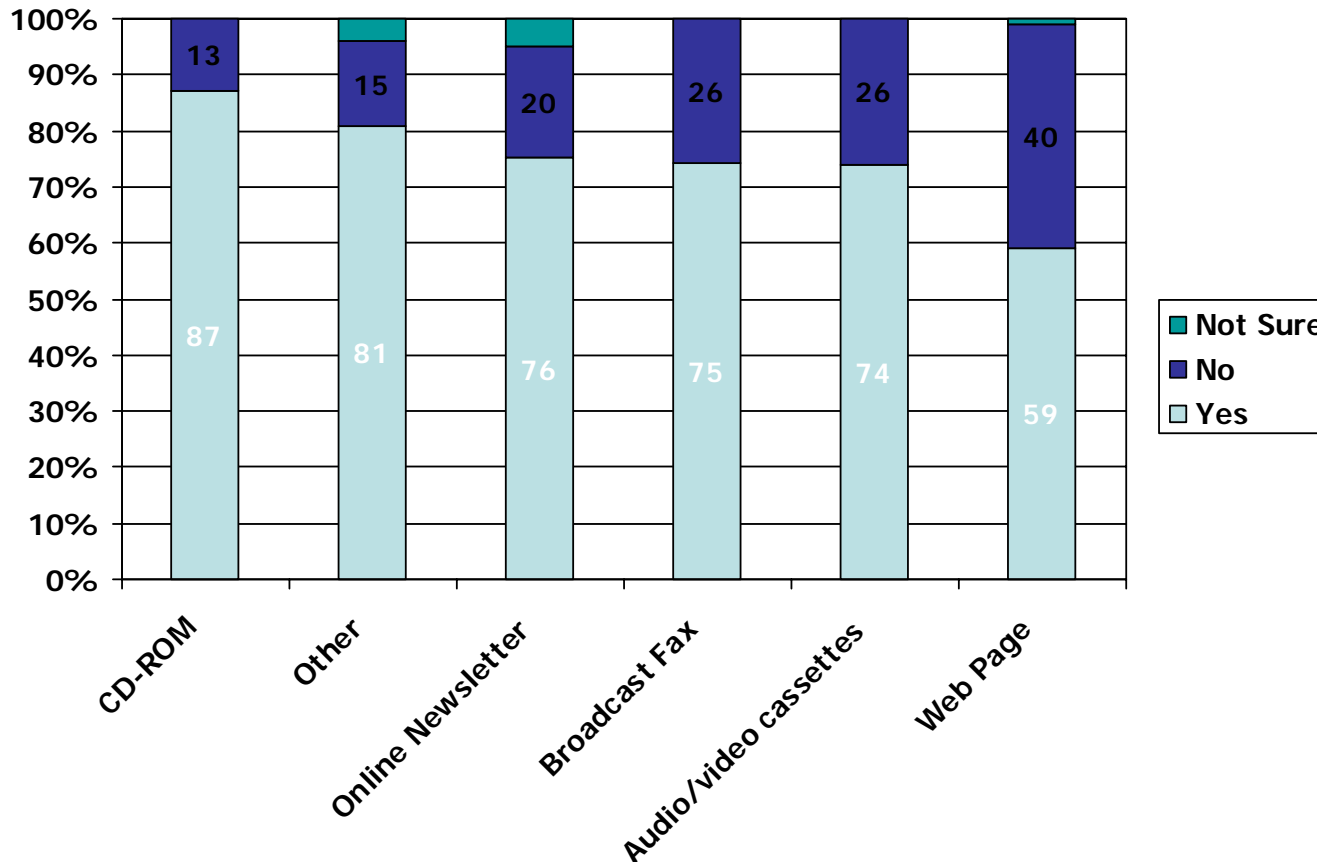


Figure 8.3 Qualitative Measurements of Promotion Effectiveness

* 490 respondents

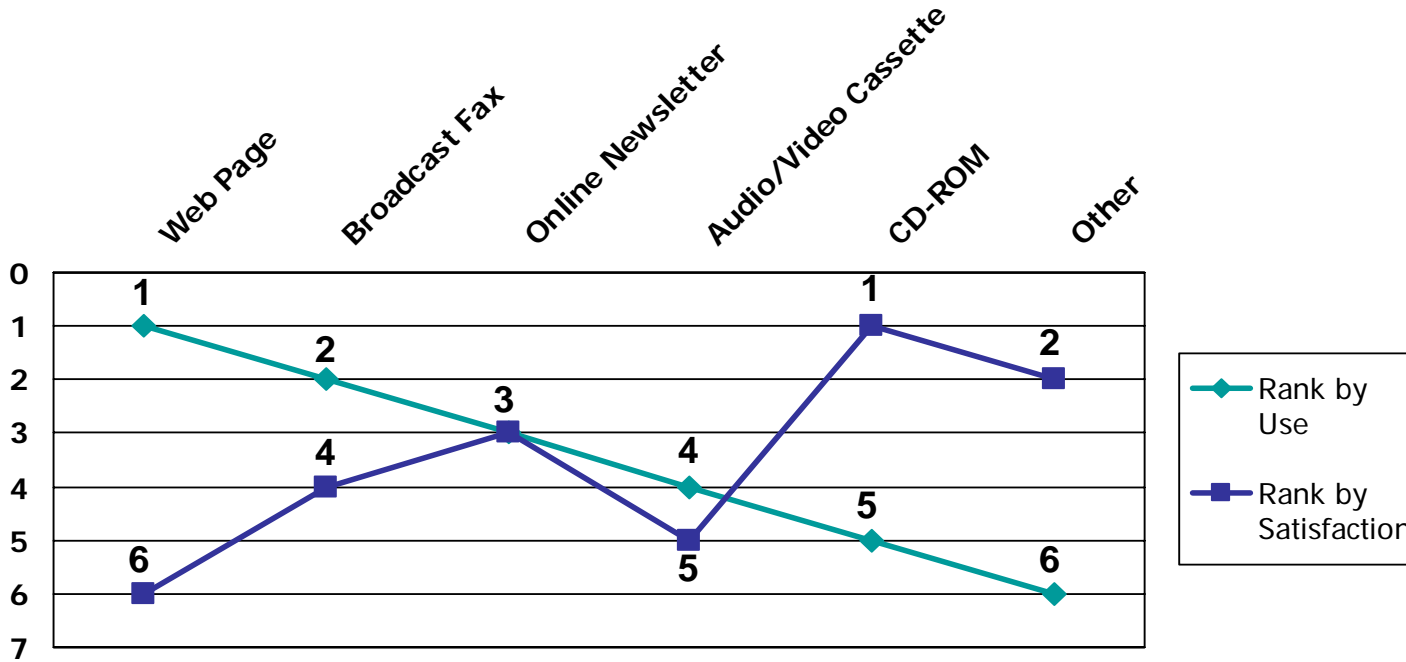
Professional service firms were generally satisfied with their external technologies.*



*External technologies are defined as technologies that are used to build a firm's visibility with its target audience - those which are directed towards a firm's outside publics, including clients and prospects. Studied vehicles included on-line magazines or newsletters, brochures, faxes, web pages, CD-ROMs, video- or audiocassettes, as well as others independently mentioned by respondents.

Figure 10.1 General Satisfaction with External Technologies

... respondents are the *least* satisfied with the technologies they use the *most*.



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Figure 10.2 Least Satisfaction with Most-Used External Technologies