

BUILD YOUR BRAND. BUILD YOUR BUSINESS.

MAKE YOUR PROFESSIONAL SERVICE THE OBVIOUS CHOICE

A WHITE PAPER FROM HINGE

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If you are a professional service firm executive you face challenges on many levels. For starters, your employees' time and expertise is your product. You can't stockpile it for use in periods of high demand. Worse still, your "product" can have a bad day, jeopardize a critical relationship, or suddenly move to a competitor with your client in tow.

But perhaps the biggest challenge of all is gaining a sustainable competitive advantage in a crowded marketplace. How can you attract the right clients? What's the best way to compete for talented staff? How can you stand out from your competitors?

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The secret of building a thriving professional service firm lies not in the size of its marketing budget or its technical prowess, but in making the most of a firm's most under utilized asset—its brand. To understand why, it helps to understand how firms grow.



HOW PROFESSIONAL SERVICE FIRMS GROW

The vast majority of successful professional service firms don't differ greatly from their competitors. Most firms grow organically by acquiring the right clients—clients that share three critical characteristics:

1. They are profitable
2. They are fiercely loyal
3. They refer other clients that share these three characteristics

These clients are a firm's core customers. Think of them as the 20% of clients who generate 80% of a firm's profits. They are your growth engine.

Core customers understand the value a firm brings to the table, so they rarely argue about fees. They are a firm's most straightforward and trouble-free clients, allowing you to do what you do best without a lot of interference.

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They tend to use the firm frequently, often on a continual basis. And because they are emotionally vested in the firm, core customers tend to refer the firm to others, typically with enthusiasm. When a firm systematically learns to attract and nurture core customers, it grows in size and profitability relatively quickly.

While the concept of the core customer cycle is simple and intuitive, it can be devilishly tricky to achieve. Why? Because most professional service firms are unsure about their true competitive advantage. Consequently they send mixed messages that confuse both prospective clients and employees. From the outside all firms start to sound, look and feel the same. This sameness and confusion makes it harder for you to meet three key challenges that are necessary for growth.

MANAGEMENT'S THREE CHALLENGES

To thrive, management has to address three critical challenges that face every professional firm in its quest to accumulate core customers.

> *Creating a Competitive Strategy*

Management must develop a strategy that resonates with its desired core customers and gives the firm a sustainable competitive advantage. You must find a way to differentiate the firm from the competition in a way that is both meaningful to potential core clients and establishes an emotional connection. For example, "You can relax. We'll fix your problem." Or "We will be easy to work with." This is your brand promise, and getting it right is not easy.

Lacking strong differentiators, most firms simply parrot what everyone else is saying. This "group think" approach is in fact counter-productive and potentially dangerous. It deprives firms of any definable advantage.



› **Finding and Retaining the Right People**

Almost by definition, professional services cannot be distinguished from the individuals that deliver those services. To be successful, a firm must be able to attract and retain a sufficient level of qualified employees who can represent the firm with distinction.

Staffing is the *single biggest challenge* faced by 35% of senior executives, according to Hinge's recent survey of CEOs from professional services firms.* Further, the ability to find and retain quality employees was rated a more important factor in achieving their growth goals than the ability to acquire new clients (85.0% vs. 79.7%).

› **Delivering on Promises**

To maintain credibility, a firm must be able to deliver on the promises it makes. Some of these promises are straightforward: meeting deadlines, delivering the expected services, staying within budget and providing good customer service. At minimum you must deliver on these baseline expectations.

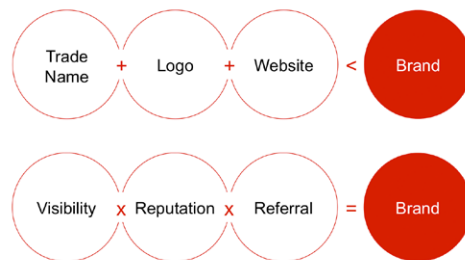
To maintain credibility, a firm must be able to deliver on the promises it makes.

Beyond that, the most successful firms also make aspirational promises. Aspirational promises are more difficult for competitors to match. A firm may promise dramatically quicker project completion time or exceptional attention to customer service. It's delivering on this aspirational brand promise that emotionally charges your competitive strategy.

In the face of intense operational demands, it's all too easy to cut corners. Successful firms develop systems that allow them to keep their eyes on the prize without sacrificing their brand promise at the operational level.

WHAT IS A BRAND AND HOW IT CAN HELP BUILD YOUR FIRM

A brand is more than a logo, trade name or website. A firm's brand touches all aspects of a business, from market awareness to reputation and referral potential. When you consider the key functions that your brand can perform you'll discover that a well conceived brand will help you address all three key management challenges.



BRAND DEFINED

A brand is the way in which a customer perceives and experiences a product, service or company.

Defined this way, a brand is a more than a firm's logo, trade name, or "look and feel." It includes your reputation, visibility with key constituencies and your ability to attract satisfied clients who will make referrals.

When all of these elements align, the message resonates with the right people and the firm stands out from similar businesses, then you are positioned for success.

*Source: Hinge 2008 Competitive Strategy Survey of professional service firms.



What a Brand Can Do	What it Impacts		
	Competitive Strategy	Recruiting the Right People	Delivering on Promises
Communicates your “promise” to potential customers	✓		✓
Differentiates you from your competitors - create a competitive advantage	✓		✓
Communicates an enticing and inspirational vision for the future	✓	✓	
Communicates your business values	✓	✓	✓
Increases awareness or visibility in the relevant marketplace	✓	✓	

A great brand makes it much easier to attract core customers—these valuable clients are the engine that propels a firm’s growth. When core customers are ready to make referrals, a firm’s brand will provide the credibility to support their claims.

A brand also helps attract the right kind of employee candidates to a firm. Everyone wants to play on a winning team. An effective brand targets recruits with messages that speak to their unique needs and desires. In addition, a brand should communicate the firm’s vision, values, and culture so that recruits can decide if the firm is a good fit.

A brand also sets standards for daily operational performance. It helps management decide what level of service and expertise is required to maintain competitive advantage, fulfill the brand promise, and live up to the firm’s values.

HOW TO BUILD A BETTER BRAND

Most firms turn their attention to their brands after a long period of neglect (see sidebar). One day, management realizes that public perceptions no longer match reality. The brand feels dated, conveys the wrong messages, or is out of touch.

The brand building process, when done right, typically occurs in four stages:

1. Research and Analysis

First, you must take a careful look at your core customers, competitors, and your internal perceptions, values, and competencies. Often, the way a firm sees itself is out of sync with the views of its customers and the larger marketplace. The process usually includes both a review

TOP 10 REASONS FIRMS FOCUS ON BRAND BUILDING*

- 1) Need to attract new clients
- 2) Need to attract new or more qualified employees
- 3) Image looks dated or out of touch
- 4) New product or service offering
- 5) Change in target client group
- 6) Mergers or acquisitions - preparing for a sale or post merger integration
- 7) Change in firm strategy
- 8) No longer reflects scope of service
- 9) New offices or period of significant growth
- 10) Reacting to a change by competitors

*Source: Hinge 2008 Competitive Strategy Survey of professional service firms.



of existing data (surveys, operational data, etc.), as well as new research (including interviews and competitive studies). This stage typically reveals many hidden opportunities.

2. Positioning and Identity Design

The next step is to develop a clear and concise market position based on your research and analysis. Positioning should answer the question, “How do you differ from competitors in a way that is relevant to your core customers?” The brand’s visual identity and messaging is developed to support this critical position.

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3. Implementation

In this stage, the visual identity and messaging is applied to a variety of media. This may involve a new logo, website, marketing collateral, and other tangible products. The brand implementation will touch every aspect of the firm’s marketing, from public relations and publishing to tradeshow and “rainmaker” training to help employees better identify opportunities and represent the firm’s capabilities. A firm will often draft a marketing plan to coordinate its full spectrum of marketing activities involved in implementation.

4. Ongoing Operations

As a firm rolls out its new or refreshed brand, it can begin monitoring its impact on lead generation, conversions, referrals, recruiting, customer satisfaction, growth, and profitability. This allows you to test and make adjustments as needed.

WHAT BUILDING A BRAND COSTS

Brand building doesn’t have to burst a firm’s marketing budget. When budgeting for brand building, a firm needs to consider overall budget size and allocation across activities.

Overall Marketing Budget

While marketing budgets range widely (from less than 1% to over 20%), the average professional service firm spends a little more than 5% of gross revenues on marketing (see sidebar). It’s notable, however, that firms experiencing the highest growth rate spend slightly less than average on marketing (4.9%). This means their marketing is more efficient. And brand building is the key to increasing efficiency because it focuses marketing dollars on activities that influence the right audiences.

HOW MUCH DO PROFESSIONAL SERVICE FIRMS SPEND ON MARKETING?*

Typical Range	1-20%
Overall Average	5.1%
Aggressive Spenders Average (top 20%)	12.2%
High Growth Firms Average	4.9%

*Source: Hinge 2008 Competitive Strategy Survey of professional service firms.



Brand Building Budget

Brand building typically consumes 10-20% of a firm's overall marketing budget. For example, a \$20 million firm would have an overall marketing budget of approximately \$1 million. To undertake a comprehensive brand building exercise should cost the firm \$100,000 - \$200,000.

Rebranding costs can vary for several reasons, such as:

- > Availability of pre-existing research
- > Need for key branding elements such as a new name or logo
- > Scope and content of new branding elements, especially a complicated website
- > Need for staff "rainmaker" training and coaching

Of course, the inherent complexity of larger firms makes brand building proportionally more expensive. Figure 1 illustrates how these variables affect budget ranges for firms of different sizes.

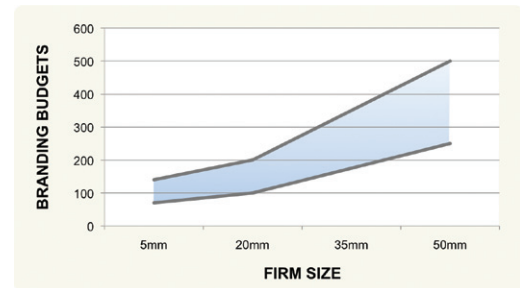


Figure 1

YOUR BRAND IMPACTS FIRM VALUATION

Branding doesn't just affect the day-to-day and year-to-year success of a business. It can also drive the valuation of a firm when it's time to sell.

To understand the impact of your brand on the valuation of your professional service firm, it helps to think about your firm from a valuation expert's point of view. Andy Smith is the Managing Director of the Corporate Valuation practice at The McLean Group, an investment bank that specializes in middle market firms (\$5-300 million in revenues). According to Smith, only about 10-12% of a typical professional service firm's value is associated with tangible assets such as cash, receivables, and furnishings and fixtures. The rest of the value is attributed to intangibles, largely composed of "goodwill."

A significant proportion of a firm's value can be attributed to the strength of the brand and the reputation and position it commands in the marketplace.

"The value of a professional services firm is largely based on the expectation of future business," says Smith. "Concepts such as forecast visibility, recurring revenue sources, client retention, reputation, position in the marketplace, and the potential for more referrals and growth are central to that expectation and assessment of future profits."

At least some of the intangible asset value is usually allocated to a firm's assembled workforce, its unique processes, or technology. But a significant proportion of a firm's value can be attributed to the strength of the brand and the reputation and position it commands in the marketplace.



UNCOVERING HIDDEN OPPORTUNITIES DURING THE BRAND BUILDING PROCESS

In the process of doing the research and analysis that underlies brand building, a firm is likely to uncover opportunities to grow the business and improve operations. Because every company has unique history and circumstances, these hidden opportunities will vary from firm to firm. There are, however, several findings that surface frequently. We list a few of the most common opportunities—and ways you can take advantage of them—below:

HIDDEN OPPORTUNITY

Your customers don't know all that you do.

They know what you've done for them, but they aren't aware of your full range of services. As a result, customers often go elsewhere for services that you offer.

HOW TO CAPITALIZE

It's not your client's job to figure out how to use your service to solve their problems.

You have to be proactive. Ask your customers what challenges they face, then tell them how your firm is equipped to help. Your response mustn't sound too pushy or salesy or you will lose their trust. An appropriate response might begin, "You may not be aware of it, but we've helped Company XYZ solve that very problem and here's how it worked...."

HIDDEN OPPORTUNITY

You are confusing your potential customers.

When talking with potential customers, many professionals paint a confusing picture laced with vague language and technical jargon. Many firms talk about themselves this way on purpose because they don't want people to view them as limited in any way. Their potential customers, however, are left with nothing to latch on to—little understanding of the firm's expertise, capabilities, or experience. They have no reason to buy.

HOW TO CAPITALIZE

Clarity = \$

Develop a clear and easy-to-understand message and you will attract clients that appreciate those things you do best. As you prepare, keep one thing in mind: the more you leave out, the sharper the message. The more you pare away, the more you can emphasize your true strengths.

What Do We Do?

Our mission is to provide the highest level of quality and to maintain a tradition of technical excellence, commitment to quality and client satisfaction on any project the firm takes on. We strive to apply high professional, ethical and aesthetic standards.



Guess What We Do?

- a) IT consulting
- b) Consulting engineers
- c) CPA firm
- d) Graphic Design

Answer: b



HIDDEN OPPORTUNITY

You understand what your clients tell you they need but you probably don't know what they really want.

Sometimes needs and wants are very different. Clients' wants are often motivated by emotions. Suppose, for example, a client needs a new IT infrastructure. What they really want, however, may be the confidence that their problem is being solved so they can stop worrying about it.

HOW TO CAPITALIZE

Give them what they want. Include what they need.

Yes, you must address the need. But if you can understand and address a client's emotionally-driven desires, you will have a strong competitive advantage. A well executed brand appeals to clients' emotions.



HIDDEN OPPORTUNITY

Some of your most loyal clients don't want to work with you.

Longevity doesn't necessarily indicate enthusiasm. In fact, some long-term clients feel locked into an unsatisfying relationship. A sense of obligation, inertia, or the hassle of finding a new vendor keeps these clients around. These relationships often require a lot of maintenance and typically produce low profits.

HOW TO CAPITALIZE

Get an outsider to ask the questions – because your unhappy customer may be reluctant to tell you.

Unhappy clients may fear making the situation even worse, or they simply may dislike confrontation. Once you understand the issues, you can either fix them or find a low-pain way to end the relationship.

HIDDEN OPPORTUNITY

You don't know what your best people want.

Your top people, those you "wish you could clone," typically have very specific motivations and values. But management rarely understands these individual motivating factors.

HOW TO CAPITALIZE

Cover the basics but attract new employees with differentiators.

You must, of course, cover employees' basic needs, such as competitive salaries and a pleasant work environment. But understanding the intangibles that motivate your best people will allow you to attract the right talent for your firm. A focus on recruiting is an integral part of most professional service brand building efforts.

THE ANSWER

Does building your brand help build your professional services firm? Without question, brand building is critical to building a successful firm with a premium valuation. Indeed, it is hard to conceive of how you could build a prosperous firm without attending to the central elements of brand building. By understanding the process and approaching it systematically, you will maximize your potential to achieve a commanding competitive advantage.

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ABOUT THE AUTHORS



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A partner and co-founder of Hinge, Aaron has conceived and overseen engaging brand strategies for dozens of professional services firms. He has authored articles on branding for the Washington Business Journal and numerous service industry publications.

ABOUT HINGE

Hinge is a branding and marketing firm specializing in professional services companies. They help professional services firms grow faster and maximize value. Their comprehensive offerings include research and strategy, brand development, award-winning creative and marketing outsourcing.

For free information about growing your professional service firm or to learn how Hinge may be help to you, contact us at www.hingemarketing.com or 703-391-8870.

