



The Itch to Niche:

Your Guide to Identify, Plan and
Implement a Niche Marketing Strategy
for Your Accounting Firm



In order to compete in the accounting profession, firms must focus their energies on building industry and service specializations, or niches. The evidence is clear. Two-thirds of *Accounting Today's* Top 100 Firms consistently cite industry specializations as an area in which their firms are increasing business. Our [SevenKeys to Successful CPA Firm Management](#) research tells us that leading firms are four times as likely to target niches. Client survey results tell us that industry knowledge is one of the main reasons why prospects select a CPA firm. Industry specialization has been cited as a factor of local firms' ability to survive and prosper.

What is a niche strategy? Here are a few descriptors:

1. Critical mass of staff and clients
2. Team serves industry 100% of the time.
3. Unique skills and expertise.
4. You have famous partners.
5. You are hired for experience versus fees.
6. A niche marketing plan.

The many benefits of niche marketing include high profitability, services that are of high value to clients, more easily identified prospects, and work that is not seasonal. Finally, niche services lend prestige to your practice. Niche marketing can also provide personal and professional challenges and rewards.

There are benefits and risks associated with niche marketing. Therefore, do your homework before you decide to utilize a niche marketing strategy for your firm. Review this ebook carefully before deciding whether your firm is ready to market an industry specialization.

Benefits of Niche Marketing



The following list includes short descriptive summaries of the benefits of niche marketing.

- *High profitability.* Niche marketing offers higher profitability for two reasons. First, clients are willing to pay a higher fee for industry expertise. Second, there is less danger of losing clients if your firm is the industry specialist.
- *Economical.* Marketing dollars are being spent on specific niches rather than random efforts.
- *High-value services to clients.* Firms specializing in an industry niche have the ability to offer services far beyond an audit and tax return. There are often opportunities for consulting engagements that benefit the client's bottom line.
- *Easily identified prospects.* By utilizing basic market research techniques, firms can identify prospects by geographic area, sales, number of employees, Standard Industry Classification (SIC) code or North American Industry Classification System (NAICS) code, and CPA firm. This information can then be used to define your market. Create your prospect list at www.hoovers.com.

- *Fewer geographical barriers.* Being known as an industry specialist opens the door to clients outside your local marketplace. The skills and services offered by your firm can be leveraged to build your client base in other geographic markets.
- *Personal and professional challenges and rewards.* Being known as an industry specialist provides opportunities and exposure for your partners and professional staff. Also, building a book of business is an effective career path to become a partner.
- *Easily identified competition, and strengths and weaknesses.* While researching your prospects, determine the CPA firms that currently serve these companies. Then, research the CPA firms to find their industry specialists, marketing products, and industry involvement.
- *Prestige.* A reputation as a specialist in a specific industry makes your firm more valuable to your clients and leads to additional marketing opportunities, for example, published articles, speeches, blogs, videos and leadership positions in trade associations.
- *Year-round work.* By expanding the range of services offered to clients, it is more likely that you will provide services on a year-round basis, unlike traditional, seasonal accounting work.
- *Increased knowledge of your clients.* By focusing on a specific niche you are also able to focus on continuing professional education (CPE), trade association memberships, and outside reading on topics of need and concern to your clients. This in turn makes you better able to serve your clients' needs and more valuable to them because you have an enhanced knowledge of their industry.

Dangers of Niche Marketing



The following list includes short descriptions of the dangers of niche marketing.

- *Misidentifying the niche.* Research is very important when identifying your niche. Be sure there is truly an opportunity by defining the niche by industry or industry segment, for example, electrical contractors, in a particular metropolitan area, sales range, and number of employees.
- *Misdirecting the message to the niche.* Define the message you will send to your clients and prospects. For example, it would not make sense to be known as a high-cost provider in a not-for-profit niche.
- *Relying too heavily on one niche.* The danger here is a downturn in a particular market, for example, real estate, that could adversely affect the future of your firm if that market represents the majority of your client base.
- *Services may not recur each year.* Consulting services may be one-time projects that would need to be replaced by new consulting services to continue growth.

- *Increased travel is necessary to reach prospective clients in narrower markets.* Your geographic market may expand as opportunities for new business increase. This may result in increased revenue for your firm but may also result in increased staff turnover.

How to Select an Industry or Service Niche

Niche marketing is the decision to use a mix of marketing tools to address a specific target: a niche in the market. The place to start in selecting a niche is to conduct a marketing audit of your firm.

The key areas on which to focus are the following:

1. *An analysis of your firm's client base.* Segment your clients by SIC or NAICS codes. Then, for each industry, calculate the gross fees, net fees, realization, average fees billed, average hours billed, average billing rate, and number of clients. Also, analyze your client base by sales volume, geographic location, and services provided.

Graph this information to give an accurate picture of your client base. This will show you in which industries you are spending the most time, earning high fees, experiencing high collection rates, offering a variety of services - all opportunities for niche market development. It will also show unprofitable industries, those you should avoid.

	Industry #1	Industry #2	Industry #3
Standard Fees (Gross Fees)			
Fees Billed (Net)			
Realization (Fees Billed/Hours)			
Fees Billed/Total Fees Billed			
Hours Billed/Total Hours Billed			
Average Hourly Rate			
# Clients			
Average Fee			

When you analyze your client base, you might find that your firm has 20 manufacturing clients. Well, Bill might do five of them, Joe does three, Bob does two, and Sally does seven; the clients are spread out. There is no need to move all your clients around at once, because there are strong client relationships that you don't want to break. Rather, over time, organize your client base and assign your clients to your team members that have the industry expertise. As partners retire, transition clients so that you continue to build stronger niche teams.

2. *An analysis of your firm's current services and skills.* In addition to traditional accounting, auditing, and tax services, what services is your firm competent in providing? What services does your firm provide that your competitors do not provide? Do your partners and professional staff have the skills to build a niche or should you consider hiring an industry specialist?
3. *The trends affecting your clients.* Talk with experts and clients in the industry to understand its service needs and hot buttons. Trends that influence an industry niche can create opportunities for additional firm services, expand the scope of services to existing clients, and provide services to new clients experiencing the same trends.
4. *Industry research.* Gather information about your chosen niche industries.
 - [First Research](#) is a great resource for industry reports on over 900 segments. Reports can be purchased through a subscription or a la carte. The reports include Call Preparation Questions with areas of concern by client personnel. For example, the CEO is concerned about this, the CFO is concerned about that, and the IT director is concerned about this. The Call Preparation Questions are questions that you can ask during prospect meetings to uncover their challenges. This enables you to craft a proposal that's focused on their needs and to help you win that business.
 - [VerticalIQ](#) offers a customized product for CPAs, business valuers, financial planners, and other advisor roles. Their database includes profiles for more than 400 industries and over 350 local economic profiles. VerticalIQ also offers a mobile app, available for all phones and tablets, that helps bring VerticalIQ with you on-the-go.
 - [IBISWorld](#) also has tremendous industry reports. A subscription is required. This research helps you learn even more about your chosen niche industries and helps you ask intelligent questions when you're networking and meeting with your clients and prospects.
 - [GuideStar](#). A monthly or annual subscription to GuideStar Premium gives you robust search, analysis, data collection tools, and reports for the nonprofit industry, which include compensation information, historical financial data, and leadership information.
 - [Census Bureau Economic Statistics](#) provides access to official government data from the U.S. Census on topics related to broad industry sectors.

- [Bureau of Labor Statistics by Industry](#) provides reports on over 100 industries, organized by NAICS code or industry name, focusing on employment, labor, and trends.

Using the information gathered in your marketing audit answer the following questions prior to pursuing a particular industry or service specialization.

1. Is pursuing this niche consistent with your firm's mission?
2. Is there a market? Is the market size sufficient to generate revenue goals? Is there a market demand? Will clients and prospects be willing to buy these services?
3. What are the current growth rate trends for this industry?
4. Is there a champion within your firm to lead the effort for each niche?
5. Can your firm deliver? Can your firm meet the market's perceived needs? Are additional resources needed to deliver? Are they accessible? A dissatisfied client can undo the benefit to your firm of having sold its services to that client.
6. Do you have enough knowledge about this industry? If not, what more do you need? Where can you get it?
7. What kinds of clients do you like to spend time with?
8. What fees can you expect?
9. Can you anticipate premium pricing or value billing?
10. Can your firm reach the target market?
11. Do the individuals in your firm have a network of referral sources to obtain work in a specific niche?
12. What level of manpower and resources will your firm need to enter this niche and service prospects?
13. What firms in your marketplace are currently providing services to this industry? What are your competitors' strengths and weaknesses?
14. What marketing effort will your firm have to make to enter this niche and serve prospects?
15. Will your firm's size affect its ability to succeed in a particular niche? Keep in mind that certain industries are predisposed to Big Four firms.
16. Are there other obstacles?

Develop a Strategic Marketing Plan

One of the key factors of a successful marketing program is a written plan. The plan should start with your firm's mission, vision, and core values. The mission statement is your firm's basic purpose, why you



do what you do. The vision for your firm is where you see your firm in the future, including net revenue, number of employees and offices, and new products and services. Core values are the essential and enduring beliefs of your firm.

The situation analysis describes the current status of your firm, the niche market you wish to pursue, and your competition. This information was gathered during your firm's marketing audit.

Goals need to be developed. Goals should be SMART - Specific, Measurable, Attainable, Realistic, and Time-Bound. The strategic marketing plan should include three-year goals for the firm, revised annually. Each niche area should have one-year goals, reviewed quarterly. Specific strategies are then identified to achieve your goals. Make sure that your goals and strategies state the specific tasks, deadlines, and those responsible for making it happen.

Organize your niche marketing around:

1. where you network,
2. where you speak,
3. where you exhibit,
4. where you target your inbound marketing campaigns,
5. where you are an active member,
6. where you advertise, and
7. where you are published.

Kinds of Opportunities

The following are the four types of opportunities your firm can pursue, each with its own level of risk.

	Present Products	New Products
Present Markets	Market Penetration	Product Development
New Markets	Market Development	Diversification

1. *Market Penetration.* Better known as cross-selling, market penetration is providing existing services to existing clients. This is the least risky opportunity since you are already familiar with the service and the clients. For example, you may be developing a niche in the construction industry. Currently, succession planning is a firm specialty. This is a service needed by and could be offered to your builder and contractor clients.
2. *Market Development.* Provide existing services to new clients. This is a bit riskier since you need to learn about a new market segment. For example, you may currently offer retirement

planning services to your current clients. This is a service needed by and could be offered to new business prospects.

3. *Product Development.* Provide new services to existing clients. This is also a bit risky since you need to learn a new service area.
4. *Diversification.* Provide new services to new clients. This opportunity is the riskiest since you are moving into a new line of business.

Implement the Strategic Market Plan

There are many success factors critical to the effective implementation of your strategic market plan. The more of these factors that exist within your firm, the more likely the plan will succeed. These factors include the following:

1. *Active support from the managing partner or director.* The managing partner or director must support the strategic market plan with time, dollars, and personal commitment.
2. *Commitment to and ownership of the plan by the entire group that will be responsible for its implementation.* Without total commitment, it is easy for your strategic marketing plan to fall off course and things to return to "business as usual." Hold monthly meetings to review the progress of each niche group. This will help keep your efforts on track.
3. *One person who will be the "driver" of the plan.* This is the person who makes sure the plan stays on schedule. Your firm's marketing director is an excellent candidate to fill this role.
4. *The group who will be the visionary force behind the plan.* This is the group that provides the overall view and much of the input in developing the objectives and strategies. It should consist of one or two technical partners who are knowledgeable in the industry, assigned staff members, and a marketing-oriented partner or marketing professional.
5. *An internal marketing awareness and mind-set within the firm.* It is important for everyone in your firm to understand the purpose of your strategic marketing plan and to be knowledgeable about the services offered by your firm and the promotional materials available to market these services. Share your goals in firm meetings and internal publications. Explain the why and how of your goals and what they mean to everyone in the firm. Everyone in your firm is a potential salesperson; everyone needs to know what they are selling.
6. *Integrated marketing tools.* Analyze how the various marketing tools will work together. The goal is to maximize all the marketing opportunities by selecting the best marketing mix. Marketing tools include but are not limited to websites, newsletters/enewsletters, seminars, webinars, social media, thought leadership, speeches, direct mail, e-mail, blogs, brochures, telemarketing, news releases, articles with by-lines, media interviews, advertising, sponsorships, organization memberships, surveys, and mixers with clients, prospects, and referral sources. When developing a niche, it is important to gain name recognition. Brochures, websites, newsletters, organization memberships, advertising, sponsorships, and news releases can help you do that. Inbound marketing, seminars, webinars, speeches, and mixers can help you generate leads, if you are better known in the marketplace.

7. *Project management tools.* This is a system to track the status of your plan's implementation and budget. This system can be as simple as a spreadsheet outlining the specific activities and deadlines of your plan, and the date on which each activity was accomplished.

You may want to use a web-based project management system like [Basecamp](#). Basecamp organizes your communication, projects, and plans by providing a centralized location for files, notes, calendar, and more. Features include to-do lists, milestone management to track deadlines, forum-like messaging, file sharing, and time tracking.

You'll also want to track the expenses incurred including promotional materials, CPE, entertainment, seminars, and advertising to ensure that you stay within budget. Be sure to communicate this within your firm on a regular basis.

8. *A recognition and reward program.* These will differ from firm to firm. Determine what kind of program will work best with your people and culture. An Atlanta-based CPA firm initiated a recognition and reward program. A marketing activities list was developed, and points assigned for each activity. Each level of personnel, from administrative staff to shareholders, was assigned quarterly and annual point goals. Monthly, quarterly and annual prizes were awarded. Plus, at year end, those who had achieved their minimum annual point goals were eligible to earn redemption credits, which could be used to claim additional prizes.

Not only did the firm achieve nearly 15 percent growth, the recognition and reward program encouraged an increase in marketing activity.

Recognition and reward programs can be as simple or elaborate as the firm sees fit. In addition to offering monetary bonuses for new clients, firms may offer other prizes like dinners or tickets to a concert or show, movie passes, and electronics. Recognition can be given in the firm's internal newsletter and on signs and plaques hung in the office.

Common Obstacles in Niche Development



The common obstacles in niche development include not knowing where to start, lack of partner commitment, lack of a champion, perceived lost opportunities, and lack of communication. A discussion of each obstacle follows.

Not Knowing Where to Start

The place to start is to make a commitment to a niche marketing strategy. Then, follow the steps in this ebook to determine the niche(s) to pursue, identify the champion, and write a strategic marketing plan for the niche. Learn from CPA firms outside your geographic market.

Many accounting firm networks and associations have developed niche marketing programs for their member firms. Members meet and share ideas and skills. Promotional materials such as brochures, newsletters and thought leadership are produced. Also, they utilize industry specialists from other member firms to assist in both current client and new business opportunities.

Firms can join a "power network," a network developed to market a specific industry. [The Rainmaker Alliances](#) offer exclusive membership by territory for accounting firms specializing in auto dealers, banking, health care, manufacturing, nonprofit, and real estate and construction.

Firms have also joined forces with other firms specializing in an industry to form a power network, most notably [Auto Team America](#). Organized in 1991 ATA currently has 11 members that serve over 2,000 auto dealerships nationwide.

The [Association for Accounting Marketing](#) (AAM) is a national trade association and a one-of-a-kind network of marketing, business development and growth strategists. The association provides education, community and resources for accounting firms, CPAs, consulting firm marketing and sales professionals, partners, firm administrators, and representatives of businesses offering products and services to the accounting industry and marketing professionals.

Firms can also form an alliance with a consulting organization that provides services to a specific industry. This enables a firm to offer services to clients and prospects that it would be unable to provide.

Lack of Partner Group Commitment

Rarely will you receive 100 percent commitment from all partners for any initiative your firm would like to undertake. It is important, therefore, that the firm's managing partner and those partners who are interested move forward with a niche marketing effort despite resistance. The reward for these efforts will be reaped in new business. Partners who are not interested in marketing an industry specialization must specialize in a technical area, e.g., international tax, to maintain a role in their firms.

Lack of a Champion

An important point for you to keep in mind is that *without a champion you do not have a niche*. The champion must be a person with influence, but does not have to be a partner. One possibility is a manager who is interested in building his future in the industry and becoming a partner in the firm. The champion is not necessarily the driver of the strategic market plan. The driver is a role that can be effectively played by the firm's marketing director.

If the champion does not exist in your firm, consider hiring the champion from another firm or industry.

Perceived Lost Opportunities

Research conducted by McKinsey & Company on market dominance states that ranking in the top three in any market is critical to achieving marketing efficiency. The top three firms in each market will get the opportunity to sell 70 percent of the time. The opportunity to sell for the firm in fourth place drops to 40 percent. Niche marketing will allow your firm to break up the market and be in the top three firms for selected niches. By utilizing a focused niche marketing approach, your firm will increase its number of opportunities for new business while also improving its closing success.

Lack of Communication

The champion and visionaries of your strategic marketing plan are key to its implementation. It is important to communicate your progress throughout the entire firm and to celebrate the successes.

This will help build a sense of enthusiasm within your firm and enhance the commitment to a niche marketing strategy.

Conclusion

At a time when clients want and need industry-specific services and advice from their accountants, it is important that CPA firms implement a niche marketing strategy to attract and retain clients. A niche marketing strategy will allow you to offer your clients value-added services at premium fees. It will challenge your partners and staff. It will focus your energies on the greatest opportunities for growth for your firm.

Your challenge is to conduct a marketing audit of your firm, determine the niche areas with the greatest opportunities, select your champion, write your strategic marketing plan, implement and follow through. You may find that marketing an industry specialization is an effective method of growth for your firm.

Jean Caragher Capstone Marketing



Jean Caragher gets things done. For CPA firms seeking to improve their marketing, Jean is the go-to resource for strategy and implementation. With more than 30 years of experience working solely with CPAs, Jean knows the challenges and opportunities firms face today. Her experience and knowledge, combined with her practical approach, help growth-focused CPA firms attract the best clients and talent.

A well-respected industry specialist, Jean is an inaugural AAM Hall of Fame inductee, a multiple AAM-MAA award winner, and a *CPA Practice Advisor* Thought Leader. Prior to launching Capstone Marketing in 1998, Jean served as a CPA firm marketing director and association executive director. She has twice been named one of *Accounting Today's* 100 Most Influential People in Accounting.

Capstone Marketing provides a variety of services to CPA firms including Brand SurgerySM, Marketing Plan Development and Implementation, Inbound Marketing, Client Satisfaction, Retreat Facilitation, Merger Integration, and Outsourced CMO.

Contact Jean at 727.210.7306 or jcaragher@capstonemarketing.com.

<http://www.capstonemarketing.com>

Connect with Jean:

<https://www.linkedin.com/in/jeancaragher>

[@JeanCaragher](#)

<https://www.facebook.com/capstonemarketing/>