When Clients Leave, Learn

By Janet A. Meade

During periods of economic turbulence, it's easy for things to go wrong, particularly client relationships. Suddenly, clients are more demanding, less appreciative and slower to pay. Some become difficult or angry. Others become distant and unresponsive. Some complain about fees, while others make unworkable demands. And some, for whatever reason, leave.

When a client leaves, one of two things generally happens. Either the firm rationalizes the loss by saying that the client wasn't that important anyway, or it assigns individual blame to those allegedly reasonable. Neither response, however, helps avoid similar client losses in the future. Small clients, when properly serviced, often grow into big ones. Blame, moreover, merely leaves your team demoralized and resentful. More valuable than either of these responses is for the firm to evaluate the loss and then take steps to avoid similar losses in the future.

Learning from the loss

The loss of a client presents the firm with the opportunity to constructively revisit its client policies. Many firms have stated missions of providing their clients with high quality service. Fewer, however, consider the impact of a client loss on that service. A

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Cross-Selling: An Art You Need to Practice

By Anca S. Munteanu

In today's business environment, it is more important than ever for CPAs to position themselves as value-added service providers rather than as a commodity. Why? Because what ultimately differentiates a successful accountant is the level of advice he or she is able to offer clients. And clients are willing to pay more for valuable advice they can use to make their business more competitive. In a world where every accounting firm and its professionals claim to provide "a personal touch" and "24/7/365 attention," those qualifiers are fast becoming obsolete. Nowadays, it takes a lot more to win new clients and to retain existing ones.

Positioning yourself as your clients' primary business advisor is one way to differentiate yourself. It will make you the go-to source of advice on their operations, the true state of their "health" and where they stand in relation to others in their industry. That is a good place to be in good economies, and in bad.

How do you achieve primary-business-advisor status? The answer lies in doing the things you know instinctively you should do, but generally don't take the time for:

- Take a close interest in your clients' business and their success. Learn all there is to know about it.
- Immerse yourself in learning about the clients' industry and what factors affect it positively and negatively.
- Understand the issues that concern them the most, and why. Earn a seat at their management table by being available to answer their questions.
- Introduce them to other advisors that can help (*i.e.*, bankers, lawyers, insurance), so they will always view you as a "go-to" resource.

Making a real effort to take the steps outlined here can translate into more business for your firm. Regular communication with your clients, coupled with familiarity with their industries, allows you to uncover opportunities for cross-selling.

As defined by the Oxford English Dictionary (2009 online edition), cross-selling is defined as "the action or practice of selling among or between established clients, markets, traders, *etc.*" In essence, it is selling additional or add-on services to an individual or organization that is already an existing client and generating more work by focusing on what your clients need. Cross-selling is the positive, proactive, ongoing process of anticipating your clients' needs so that you can maximize the services you and

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client loss affects not only firm revenue, but also team moral. Examining the factors that contributed to the loss, therefore, is a useful exercise for building stronger future client relations.

The examination of a failed client relationship generally consists of four phases. The first phase begins with a candid discussion of the loss within your firm. This discussion is then followed by a similar discussion with the former client, if possible. After gaining an understanding of how your team and the client viewed the relationship, the third phase compares these perceptions to the documentation in the firm's files. Finally, in the fourth phase, the firm's client policies are examined to make sure that they reflect the firm's philosophy on client care, and that they are supported by appropriate procedures for spotting and dealing with client concerns.

Talking to your team

Clients seldom leave suddenly. Usually, there is a period of growing frustration when the client gives subtle signals that they are unhappy. Few will come right out and announce their dissatisfaction. Sometimes, the dissatisfaction is precipitated by the entry of new owners or creditors. Other times, the client feels that they are not getting the attention that they need or that their fees justify.

Whatever the reason, when the day comes that the client is gone, your first response should be to meet with your team and discuss the loss. Explain to them that the firm will no longer be working for the client and then open up and ask for their honest assessment of the situation. Underscore that the discussion is not about assigning blame for the loss, but on identifying possible reasons for its occurrence.

Ask your team to identify the first time they sensed that the client was dissatisfied. Sometimes a client is a poor match from the start. If so, ask whether the existing policies within the firm for accepting clients are effective. If the client relationship was good from the start, ask when it started to deteriorate. See if your team can identify specific points in the relationship when things started to go wrong, as well as the underlying reason. For example, did the client complain about poor service or lack of responsiveness? When? Or was the major point of dissatisfaction over fees? If so, which fees were the sources of the complaint? Try to gauge both the nature of the dissatisfaction and its scope. And make a point of keeping the discussion focused on your team's perception of the client relationship, not on individual failings.

Perhaps your discussion will reveal that it was the client, rather than the firm, who failed to meet expectations. If so, use this insight to probe for dysfunctional client behaviors. Was the client controlling, indecisive, or irresponsible? Were deadlines established without a clear understanding of the work involved? Many times, dysfunctional behaviors are warning signals that communication is breaking down. Use this opportunity to evaluate the firm's client-communication policies, as well as to gain insight into your teams perceptions of them.

Talking to the former client

Your team's explanation for the client loss reflects only one side of a two-sided working relationship. A meeting with the former client consequently can provide insights otherwise missed. Before calling to set up the meeting, it is best to wait a few weeks until some measure of reflection about the relationship has been achieved. The client's disappointment may be greater immediately after some breach or failing than several weeks later. Also, be clear about your intentions when setting up the meeting. Make sure the former client sees the mutual benefits that can be gained from talking about your past working relationship. For example, the meeting might assist the client with selecting a more appropriate CPA firm in the future.

Schedule the meeting at some neutral location, possibly a quiet restaurant for lunch or dinner. Your office may be viewed as hostile territory, and generally a former client won't want to meet you there. Similarly, you may not be welcome at the client's office because the client may want to have the option of leaving during the meeting. A neutral location puts you both on equal terms.

At the start of the meeting, express your concern over the loss of the client's business, but stop short of dissecting the relationship. Instead, let the former client pick up on the conversation and air its grievances. Listen carefully and don't challenge the client or make a rebuttal until the client is finished. If necessary, stop the client to be sure you understand exactly what they are saying, but make sure the client has the opportunity to explain their its point of view. The last thing you want is to create a defensive mood, so keep the conversation focused on why the client left, not on why they it should come back.

Use this meeting to gain a sense of expectations versus results. If the former client complains of unacceptable work, probe deeper to unearth the origin of the problem. Did the scope of the client's work expand faster than the firm's expertise? Or were the wrong professionals assigned to the client's work? If the client expresses dissatisfaction with fees, try to get a measure of the client's perception of value. Ask whether the invoices accurately described the services rendered. If the client cites lack of responsiveness, determine the preferred frequency and modes of contact, as well as why the firm's communications fell short.

End the conversation with a brief summary of the client's complaints and an acknowledgment of any cited shortcomings. Express empathy for the client's frustrations without apportioning blame. Part on a positive note, showing respect for the client's decision to leave. Later, after working with another firm, some clients may consider returning, but this meeting is a fact-finding mission, not a sales call.

Reviewing the files

After meeting with the former client and your team, it's time to compare your interview notes to the firm's files. Make sure your investigation includes a review of the firm's work product, correspondence, invoices and internal processes. Your objective is to determine whether the complaints of the former client are valid and, if so, what steps can be taken to avoid similar client losses in the future. As you go through the firm's files, keep in mind that your notes contain personal reflections of a working relationship after it went bad. The firm's files, however, contain a contemporaneous recording of the relationship. Inconsistencies are therefore likely. Note them and move on, as only after reviewing all of the evidence can any reconciliation be attempted.

Two aspects of your firm's internal processes that should be examined closely are those governing client communication and billing. Poor communication is the fastest way to turn a working relationship sour, yet it is also one of the easiest failings for a firm to correct. Check the files to determine whether regular updates on the status of the former client's work were provided. Also, look to see if the lapse of time between communications was in accordance with the preferences of the client. Some clients expect return calls or e-mails the same day, while others allow several days to pass without concern.

Next, turn your attention to the firm's billings. If the former client expressed frustration with the firm's invoicing, was it because of poor billing practices? Did any unusually large invoices go out the door without adequate explanation? Examine the bills to see whether all services were clearly identified, including those for which the client was not charged. Frequently, a client who complains about fees is unaware of all the benefits being received. The firm's invoices should be easy to understand and include enough detail for the client to see the added value of the firm's services, as well as the complexity of the issues involved. Misunderstandings about fees often result when clients lack the technical knowledge to evaluate the services rendered. Clear and accurate invoices are one way to communicate value.

Revisiting client policies

Using the information gained in the investigation phases, the final phase focuses on the firm's client policies. Begin by examining the firm's policies for accepting clients. Is the acceptance decision made unilaterally or are multiple partners involved? Does the reward system for bringing in new clients contain clawback provisions that require repayment if the client turns out to be trouble? Does the initial client meeting require a frank discussion of the services to be rendered, the professionals responsible for the work, the time requirements for completion of the work, the frequency and modes of communications, the procedures for resolving complaints and the basis for determining fees? More important, are these matters also included in the letter of engagement?

After reviewing the firm's acceptance policies, consider its use of other tools for managing client expectations. Do firm employees practice good telephone and e-mail etiquette, and does the firm have procedures in place for educating employees about such matters? Does the firm have a policy requiring prompt responses to client calls and e-mails? How are these policies monitored and enforced? Surprisingly, many firms leave such things to chance, assuming client etiquette is too trivial to warrant much attention. Yet prompt and courteous communication is among the most effective tools for retaining clients.

Good communication is more than just phone calls and e-mails, however. Satisfaction surveys, electronic newsletters, informational seminars and periodic face-to-face meetings are all helpful tools for keeping clients informed about important developments affecting their business, as well as changes in the firm. Additionally, these tools project a sense of respect for the client's business. Your examination of the firm's client policies, therefore, should consider how effectively the firm uses various communication tools.

Communication tools work best when clients are happy. To retain good clients, the firm also needs tools for spotting and dealing with signs of dissatisfaction. While disgruntled clients come in all shapes and sizes, generally they share one thing in common—they leave without much warning. Your examination of the firm's client policies consequently should include a review of its protocol for handling client concerns. Many firms appoint a partner or principal to serve as a client advocate. Others hire someone external to the firm. Either way, the client advocate should be given the authority to address client issues in a way that benefits both the client and the firm. Additionally, all employees should be sensitized to the signs of client dissatisfaction and know who to contact with such information.

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After completing your examination of the firm's client policies, compare these policies to the information gleaned in this and the earlier phases of your investigation. Do the policies accurately reflect the firm's philosophy on client care? If so, does the firm have the right procedures to support these policies? Check for both internal consistency and completeness, making sure that the firm's procedures contain effective feedback and control measures. If weaknesses are noticed, meet with your team to develop modifications.

Conclusion

No firm likes to lose a good client, particularly in difficult economic times. The loss of a client, however, can present your firm with a positive opportunity for improving its future client relations if it takes the time to evaluate and respond to the loss. Successful client relations are built on appropriate client policies. A failed client relationship can, upon examination, provide insights regarding the strengths and weaknesses of the firm's existing client policies. These insights can then be used to improve the firm's policies so that healthier client relationships emerge.

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