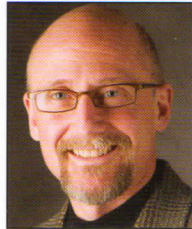


The rise of account-based marketing

What are the leading practices for generating greater returns from marketing?



By Susan Buddenbaum & Bernie Thiel

It's no secret that companies that strategically focus on their customers are more profitable and more likely to exceed financial goals of return on shareholder equity, return on assets, revenue growth and market share growth than their non-customer-centric counterparts. This is especially true during the recent recession, which demonstrated the value of customer loyalty to the revenue and profitability of all types of businesses, including professional services firms.

But customer-centricity doesn't happen by accident. Indeed, it requires marketing to be far more customised and sophisticated to be successful. Marketing now must gain far deeper insights about customer beliefs and buying behaviours – as well as act on those insights by tailoring marketing programs and messages to address customers' unique challenges and concerns. For a growing group of professional service firms, account-based marketing (ABM) – the dedication of marketing resources, time and attention to specific accounts and prospects – has become a key enabler of greater customer centricity.

To understand what's behind the rise of ABM, as well as the factors underpinning a successful ABM programme, Alterra Group recently completed a comprehensive

research initiative involving 50 US-based practice leaders, marketers and business development executives across the management consulting, accounting, law, corporate training and other professional services sectors. Our research included both one-on-one executive interviews as well as a quantitative survey. Here we share what we learned from our research about how ABM leaders derive higher returns from their ABM investments through the use of a variety of ABM best practices.

THE RISE OF ACCOUNT-BASED MARKETING

Our research confirmed that among professional services firms, ABM is indeed growing in importance. In fact, the vast majority of survey respondents (86 percent) use ABM as part of their marketing mix. In addition, 80 percent said it will become more important to their organisation in the next year. Why this rise in importance? For the majority of survey respondents, the increased focus on client retention and growth at their firms was a major reason (Figure 1).

In our research, one chief marketing officer at a mid-sized law firm clearly articulated this dynamic. He told us his management team's decision to invest in ABM was driven by the firm's recognition that in the recessionary economy, its success depended on a handful of accounts. The firm thus shifted its strategy and resources to focus on preserving and expanding those account relationships. ABM was a natural

marketing strategy to support this change in focus.

As greater customer-centricity drives the adoption of ABM in professional services, the efficacy of the approach is reinforcing its value. Indeed, 97 percent of research participants said ABM has a somewhat higher or much higher ROI than other marketing initiatives. Eighty-four percent also gave ABM a four or a five rating on a five-point scale for its ability to help firms expand client relationships (Figure 2). For 65 percent, it earned a four or a five for its power in attracting new clients. At a time when many professional services firms face declining revenue and thrifter clients, these are powerful benefits.

CHOOSING ABM TARGETS: REVENUE POTENTIAL IS KEY, BUT QUALITATIVE FACTORS MATTER

What can professional services firms do to ensure that their ABM initiatives generate returns such as these? One of the most

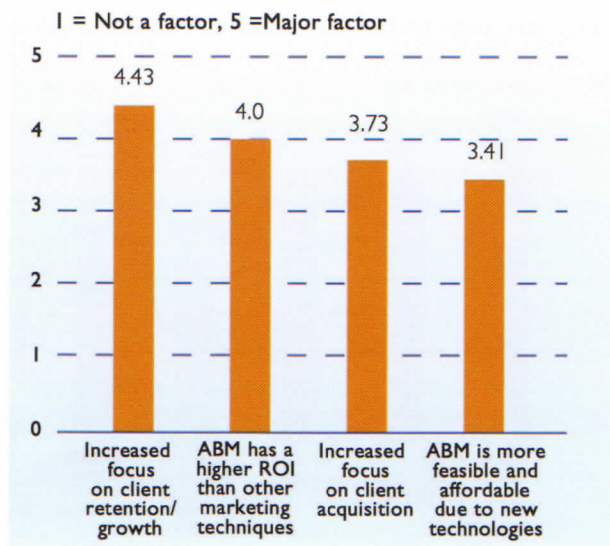


Fig 1: Reasons for increasing importance of ABM

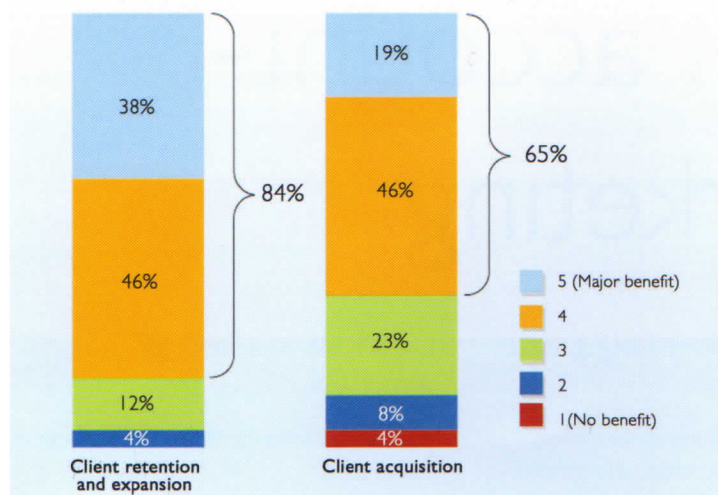


Fig 2: ABM's Impact on client retention and acquisition

important success factors is deciding which clients will be the targets of ABM programmes. Most executives we spoke to seem to agree on how ABM targets should be chosen. Seventy-eight percent said that potential future revenue from the account is the key decision criteria, closely followed by the current or projected profitability of the account (Figure 3). In contrast, a high risk of losing an account is not a key criteria. In other words, ABM is used primarily as a forward-looking, proactive approach – not as a defensive strategy or a means of better managing client relationships made more complex by the scope of the engagement.

There are also a number of non-financial account-selection criteria that surfaced in our research. For instance, continuity in the account team brings greater account knowledge and more enduring account relationships – both important to ABM success. In

addition, having robust account planning and business development processes provides a natural structure for creating and executing account-based marketing programmes. Many firms also are challenged by bringing together multiple practices and services into an integrated ABM programme. In one such instance, a company we profiled chose not to use ABM for a particular account out of fear of revealing just how much work their firm was collectively getting from the client. The firm was concerned that drawing too much attention to its collective fees could cause the client to take action to diversify vendors or negotiate volume-based fee reductions.

Leading firms deal with these challenges by staying flexible in their approach and focusing on accounts with a high degree of revenue potential as well as team continuity, a willingness to embrace ABM and few internal barriers to implementation.

STRUCTURING THE ABM TEAM: RIGHT PEOPLE, RIGHT SKILLS, RIGHT ROLES

Another key success factor is structuring

ABM teams correctly. For the vast majority of firms we studied, this means putting marketing staff in positions of authority within their ABM programmes. In fact, 81 percent of respondents said that marketers either provided strategic direction for ABM initiatives or drove the execution of specific parts of these initiatives.

Our interviews also revealed the need for different marketing skills than those required by traditional professional services marketing initiatives. In particular, our interview subjects told us that marketers need deep account and industry knowledge to build effective marketing programmes, create account-relevant marketing messages and garner respect within the account team.

Our research further revealed that in companies generating substantial results with ABM, marketing staff are deeply integrated into the account team. One marketing executive who works across numerous ABM teams commented, "Now that ABM has become a greater focus for our company, we have stronger alignment between marketing and sales and marketing is more embedded with account teams – all of which makes us more successful."

SELECTING ABM TACTICS: BALANCING SCALABILITY AND RELEVANCE

Companies have a wide range of ABM tactics at their disposal but, according to our survey, most respondents use a fairly narrow range of activities. The most heavily used ABM tactics included company-specific educational events, trade show meetings, customised 'annual reports' and email newsletters. Generally, the most frequently used tactics also were perceived as the most effective (Figure 4).

Our research also confirms that providing tools and templates for account teams to customise is critical to doing ABM at scale. However, this does not come without challenges. According to our interviews, balancing the need to scale account-based marketing across the firm with the need to maintain a high level of relevance to each particular account is a constant challenge. In fact, a marketing professional at one consulting firm admits his company spends considerable time thinking about how to balance re-use with account-specificity. This

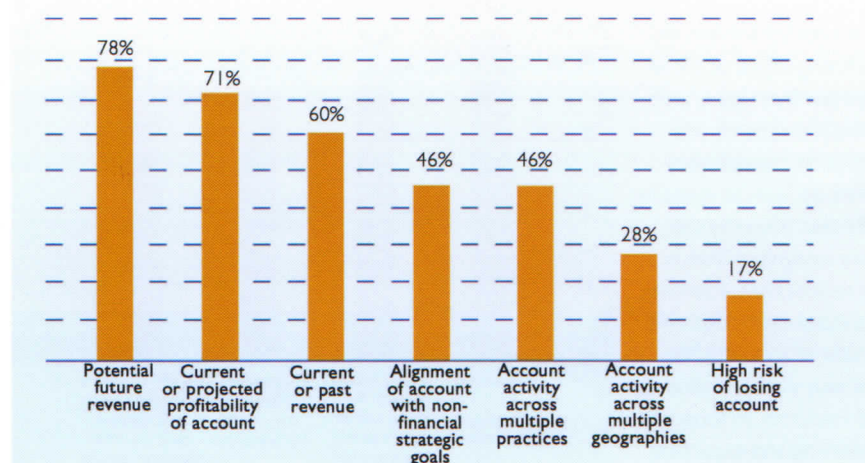


Fig 3: Criteria used to choose ABM targets

person's best estimate of what they are ultimately able to do: Sixty-five percent of ABM content can be effectively repackaged, and 35 percent must be new each time.

MEASURING THE RESULTS OF ABM: THE MORE THE BETTER

In this era of constrained budgets and heightened growth expectations, measuring the ROI of marketing spend is a given. This applies to ABM as well: Sixty-four percent of respondents measure ABM's ROI to at least a moderate degree (a rating of 3, 4, or 5 on a 1 to 5 scale, where 1=not used at all to 5=used heavily). To do so, they focus on client satisfaction (68 percent), revenue growth (68 percent), the profitability of client relationships (64 percent), the achievement of broader awareness within the account (55 percent), the strength of client relationship from a qualitative perspective (55 percent), and the number of new inquiries/leads from the account (50 percent).

And what is one of the most critical success factors for measurement? To put it simply, the more measurement, the better. Our survey shows those firms that said their ABM initiatives resulted in major benefits for either client retention or acquisition were more likely to closely measure the impact of their spending. Indeed, 58 percent of these

leaders said they measure the ROI of ABM to a large or very large extent, compared with 27 percent of companies achieving fewer benefits.

MAKING ABM WORK AT YOUR FIRM

As professional services firms focused on

retaining and growing their best accounts during the recent downturn, account-based marketing became a much more important element of their marketing plans and will likely remain important well after the recession has passed.

Yet ABM can be a challenging discipline. It demands different skills than traditional marketing activities, it forces firms to prioritize their accounts and work across functions, and it demands dedicated resources. As our research reveals, leading firms have developed innovative ways to choose the most appropriate targets for ABM programs, staff their ABM teams with the right professionals, reuse and recycle content while staying relevant and, ultimately, measure the impact of their ABM investments. By adopting these best practices (table above), professional services firms stand to derive substantial returns from ABM, regardless of the economic climate.

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ABM Best Practices at a Glance

- > Consider quantitative and qualitative factors when choosing target accounts. Use a flexible approach for gauging the opportunity.
- > Focus on those accounts in which there is a high degree of team continuity in terms of knowledge and relationships.
- > Make firm marketers accountable to provide strategic direction to ABM programs or drive the execution of specific elements of ABM programs, as opposed to playing supporting or reactive role.
- > Staff ABM initiatives with marketers who possess deep account and industry knowledge in order to create account-relevant marketing messages and programs.
- > Maintain a tight linkage between sales, marketing and account teams.
- > Take advantage of templates and reusing content to the fullest possible extent, balancing the need to scale with the need for account-specific relevance.
- > Closely measure the impact of ABM spending, focusing primarily on quantifiable business metrics such as revenue growth.

Answer Options	Use to a large extent	Consider tactic to be very effective
Company-specific educational events: Providing access to internal/external topical experts to your clients	46%	50%
Hold meetings with individual clients during trade shows or industry conferences	46%	38%
"Annual reports" on the overall client relationship	35%	42%
Email newsletters customized for and targeted to specific clients and prospects	31%	19%
Client- or prospect-specific webinars	23%	19%
Develop customized presentations, white papers and other thought leadership documents for specific clients based on new points of view	23%	23%
Microsites: Private website dedicated to the relationship with a client	15%	31%
Social/sporting events for specific clients or prospects	15%	23%
Conduct promotion for the client—speaking slots, case studies, PR, etc.	8%	23%
Highly-targeted advertising (such as in the elevators of client buildings)	8%	12%
Benchmark a specific client or prospect against recent research findings	4%	15%
Client- or prospect-specific groups or blogs on social networking sites	0%	8%

Fig 4: Use and effectiveness of ABM tactics