The following report was written as an assignment in the authors MBA-course for the subject Managing Marketing. It was subject to a word limit, so that no deeper investigation was possible.

# Managing Marketing

# Branding services
# Selected questions at the example of the Accounting and Auditing Industry

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## 1 Introduction / Approach

This report will initially give a short overview of some general concepts of branding, especially definitions, benefits and types of brands.
Whilst most literature relates to branding for goods, the second part of this report focuses on issues for branding professional services, especially the accounting and consulting industry. The author will relate the approaches this industry currently takes to the relevant theory.

## 2 Branding in the literature

### 2.1 Definition and benefits

Literature gives several definitions of the term brand. The common themes are that a brand is more than just a combination of a name, a design, a symbol or other features that differentiate a good or a service from others. (Dibb 1997). It is a unique set of tangible and intangible added values that are perceived and valued by the customer. In addition a brand is said to have personality, an emotional bond to the customer that grows out of the perceived characteristics. (Court 1997, de Chernatony 1996, King 1991, Murphy 1990, McDowell Mudambi 1997, Biel 1990).

These certain features of a brand grow out of a complex set of added values that can comprise of history and tradition, additional services, marketing messages, quality, popularity of the product amongst a certain group of users (status) and others. These basis's of a brand perception prove that a strong brand can not be established over night The development of a brand takes time, strong financial marketing muscle and good marketing skills such as

- insight into customer needs,
- ability to offer products or services that meet those needs,
- creativity to produce exiting and compelling advertising,
- ability to communicate differentiation in a way that customers understand and that motivates them. (Court 1997).

Without this process you do not have a brand but only a name and a sign for a product.

Brands have benefits for both, the brand owners as sellers and the customers:

| **Benefits of a brand for** | |
|---|---|
| **Sellers** | **Customers** |
| • Identifies the companies products, makes repeat purchases easier<br>• Facilitates promotion efforts<br>• Fosters brand loyalty – stabilises market share<br>• Allows to charge premium prices and thus to get better margins<br>• Allows to extend the brand to new products, new markets and to new geographic areas<br>• Can communicate directly with the customer, reach over the shoulder of the retailer<br>• More leverage with middlemen<br>• Is more resistant to price competition<br>• Can have a long life<br>• Is more forgiving of mistakes | • Helps identify products<br>• Helps evaluate the quality of a product<br>• Helps to reduce perceived risk in buying, provides assurance of quality, reliability etc.<br>• Is dependable (consistent in quality)<br>• May offer psychological reward (status symbol)<br>• “rout map” through a range of alternatives<br>• Saves customer time<br>• Is easier to process mentally |

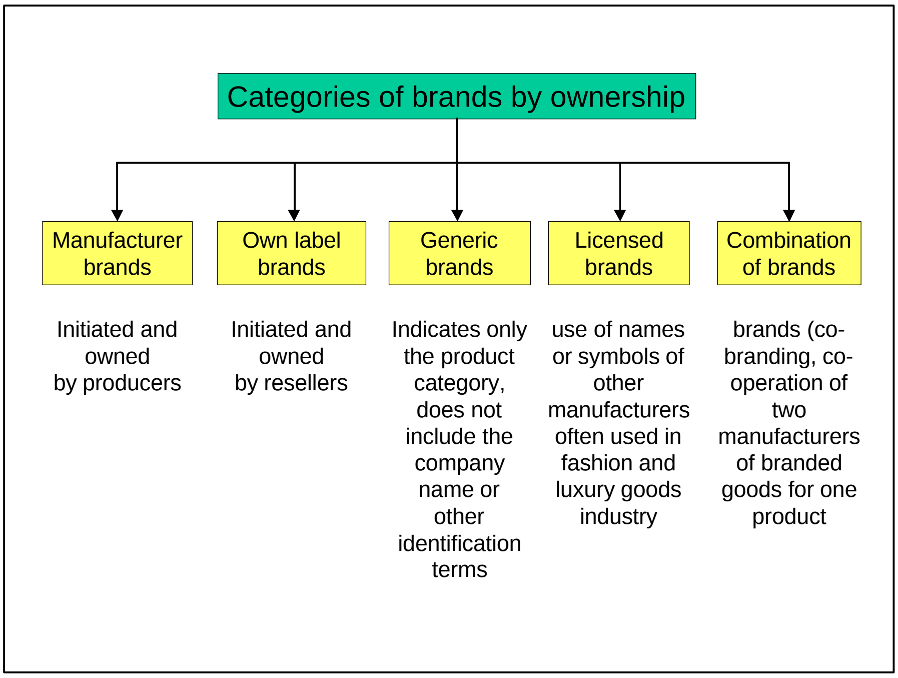
(Dibb (1997), Biel (1990), Murphy (1990), Court (1997))

With this potential a brand can offer an important competitive advantage for a seller who has decided for a differentiation strategy. Even in markets with many similar products or services a brand can provide some sort of uniqueness to a certain product. Depending from the strength of a brand the branded product thus can be positioned towards a more monopolistic situation.

With all these characteristics a brand is important in an organisations marketing mix. Although it is basically a certain feature of the category “product”, it influences every component of the marketing mix:

- The product gets a higher value in the perception of the customers.
- This influences the pricing policy in the way that often a premium can be charged.
- The promotional strategy and mix will be different because it is more focused on the brand than on the individual product. For instance the introduction of a new product under an well established umbrella brand requires a very different promotion campaign than the introduction of a new brand or an unbranded product.

The decision for the place and the marketing channel is influenced because a branded product with a higher perceived value might be placed in an environment that is well related to the brands personality, e.g. gourmet shop vs. food department in a supermarket.

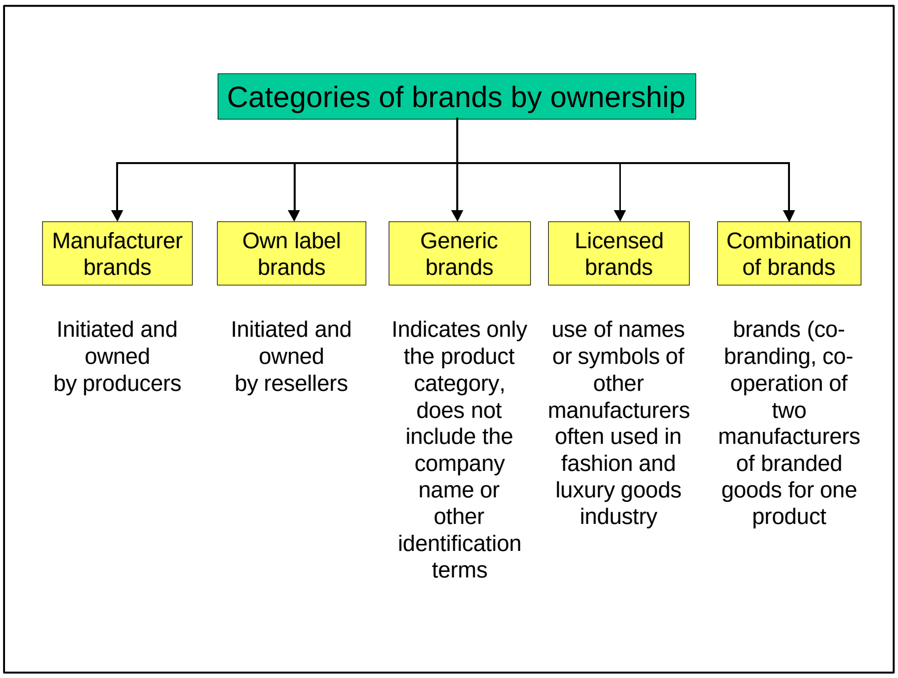



## 2.2 Branding strategies

Besides the more general decision for the use of brands the decision for the branding strategies is important. There are several aspects to be considered:

- Ownership of brands
- Structure of brand systems

Regarding the **ownership**, Dibb (1997) and Kotler (1999) differentiate between five categories:



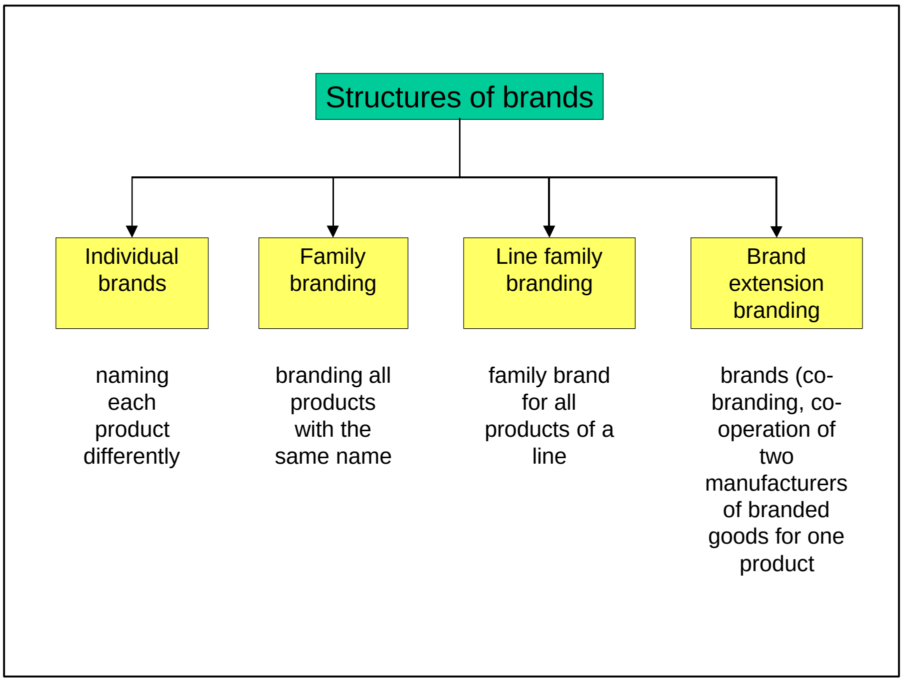
These decisions need to be taken carefully. They offer not only large opportunities but also various risks:

A company which has strong manufacturer brands may decide to sell the same or similar products to retailers for use as their own label brands. If consumers become aware of this they might change their perception of the manufacturer brand:

- "I get the same product for a lower price under my retailers brand." or
- "They sell the same thing under another name very cheap. This product is not exclusive anymore. I go for another brand then."

Extensive permissions for the licensed use of a strong brand for other products can destroy the value of the brand. Pierre Cardin has lost lots of its luxury appeal since various goods with this name can be found in every department store.

The **structure** of brand systems describes how an organisations products and brands are related. Dibb (1997) distinguishes between:




## 3 Branding for service industries

### 3.1 Reasons for branding services

Although the principles for branding of goods and services are generally the same there occur some differences. These arise from the different natures of both categories. The main differences that influence branding policies are that services

- have a changing level of quality,
- the consumer has to become involved in the consumption of a service actively,
- they are intangible and not storable.

When a brand in general gives the consumer more confidence in his choice this is even more important for services. Their quality and other features are more difficult to asses. Because of their intangibility and complexity it is harder for the customer to distinguish between the offers from the wide range of service companies operating in the market place.

This especially applies to the market of accounting, auditing and consulting where consolidation and globalisation increase competition. In an FT-article about branding accounting services (Kelly 1998) a branding expert states that "more than 70 % of the Fortune 500 companies ...said branding is increasingly important in helping them to choose where to get a service. They want to be able to tell who is good at what."

### 3.2 Drivers for the use of branding in the accounting/consulting industry with a focus on the Big Five (former Big Six) firms

The Big Five accounting firms have a long history up to 75 to 100 years. These firms have developed from smaller entities through co-operations and mergers. Often new products and new markets have been developed by "buying in", by buying the expertise and the access in the form of other firms. For many small and medium accounting and auditing firms it is attractive to join the association (in most cases) of one of the large players for the following reasons:
The form of an association with independent member firms allows to retain a level of individuality – although in some cases this is not long-lasting. The membership in an large powerful firm gives a competitive advantage (reputation, access to knowledge, access to new markets, higher market share, cost savings through sharing resources, e.g. for training and recruitment etc.).
Partners of these smaller firms are often offered to become partners in the large firm.

For a long time the industry did not put much effort in the development of brands.

The tradition and long lasting reputation of the Big Five itself gave their names a considerable brand value. For quite a long time this was fairly enough for their purposes. In Kelly's (1998) article a professional firms branding expert states that for many years the accountancy firms hid behind the "convenient parapet" of the Big Six brand label. In the audit market most shareholders were happy to have any audit firm as long as it was from the Big Six.
An other factor were legal limitations for advertising. Accounting firms were first allowed to advertise in 1984. That means that marketing and communications focused mainly on activities like excellent work and the power of word of mouth, job advertisements (as the only allowed advertisements they were used as a means to present the company), speaking at conferences, publishing articles in professional journals, co-operating with universities and business schools and so on. Accounting firms saw themselves as a conservative industry with discretion as one of their services. In their minds this didn't go together with an aggressive marketing campaign.
In the last years the industry has seen some developments that required new strategies:

- **Globalisation**: A global client needs a global auditor because companies are legally required to prepare consolidated financial statements including all subsidies around the world. This is much easier if you have all subsidies audited by the same firm. In addition global clients have a high need for specialised consulting. They often prefer a consultant that is as global as they are to get more expertise and consistency.
- **Stagnation in the core business**: The traditional auditing business does not show high growth rates. An individual firms growth can mainly be achieved at the expense of competitors.

- **Growth in consulting services**: On the contrary to the auditing business there is an enormous growth for consulting services. The accounting firms have traditionally done some consulting and now they developed these activities aggressively. This had two results:
- **A growing variety of services offered** – these new products had to be communicated to existing and potential clients   Accounting firms came into direct competition with the traditional consulting firms which had their own brands and reputation
- **Need for qualified people**: With the development of new products/services all firms needed much more highly qualified people. Recruitment became an important issue. (For example: The German member firm of PricewaterhouseCoopers took on about 1000 new employees in 1998, the first year after the merger.) This led to a competition to attract the best university students.

All these factors together increased competition amongst the Big Five. For this industry excellent quality is not a means to get an competitive advantage, it is an important requirement for any success at all. A large variety of services is important; but the customer will perceive it only in the moment he needs a certain service.

In this situation the Big Five did not manage to differentiate themselves successfully from competition. A survey conducted by PricewaterhouseCoopers during the merger process revealed that “the business community and the general public did not - and do not - perceive any compelling differences between and among either the Big Six or the Big Five. Not only did all firms appear to have similar defining qualities, they were also not sending any consistent messages about their organisations to external audiences.” Here a strong brand with a personality and a clear message can be a valuable means for differentiation and thus for gaining a competitive advantage. By now we can say that the Big Five have become aware of this. Now they invest heavily to reposition themselves and to develop their good names to real power brands.

### 3.3 Brand structures for services industries

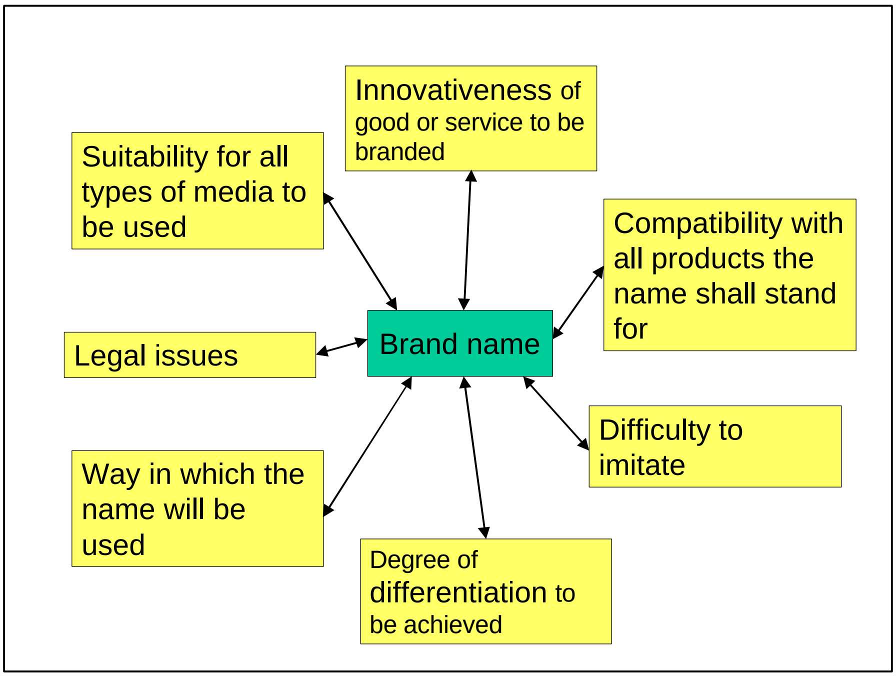
As for services, literature suggests to use the companies name – a so called corporate brand – as the overall family brand for all the services offered. Murphy (1990) calls this the “monolithic approach”. He argues that especially for companies which offer an enormous array of services (e.g. consultants, banks) corporate names must be used to deliver more generalised benefits of quality, value and integrity. de Chernatony (1996) comes to the conclusion that corporate brands are a crucial means to help make the service offering more tangible in consumers minds and can enhance consumers perceptions and trust in the range of services provided by the company.
One disadvantage of corporate brands – little opportunity for developing second or sub-brands for differentiated product lines– applies more to branded products. However Murphy (1990) states that many companies have chosen an approach of “local autonomy but group-wide coherence” as a system whereby individual divisions and products are largely free-standing but mention is made in all literature and on all stationery and products that “company A is member of the XYZ group”. This approach is very common amongst the Big Five accounting and auditing firms. It allows their national member firms, to exploit the groups brand name and their own (brand) name at the same time. Many member firms that had joined the global firms have long traditions and a good reputation of their own. For them it is important to demonstrate their clients that these qualities are not lost, on the contrary – other qualities and services are added.

Kelly (1998) sees three obstacles to develop a strong global corporate brand for the large accounting firms:

- National partnerships value their individuality over “corporate” discipline
- National regulations and cultures make it difficult to work smoothly under one global set of values
- The diversity of services offered makes specific branding impossible.

The first two points closely relate to quality and consistency, two issues that customer value in a brand. They need to be monitored and controlled carefully. I think that – under the pressure to globalise and with ongoing integration of national member firms at least the Big Five will be able to overcome these obstacles to a greater extend. The third point should be tackled  with a strong corporate brand that stands for all services. The “Big five” see one competitive advantage over smaller firms in their ability to offer every service their client might need in every place of the world.3.4 Choosing a brand name

The decision for a brand name has to be taken carefully because it can have a long term influence on the success of the branded product or – in the case of a corporate brand – of the whole company. Murphy (1990) and Dibb (1997) give a list of factors to take care for:

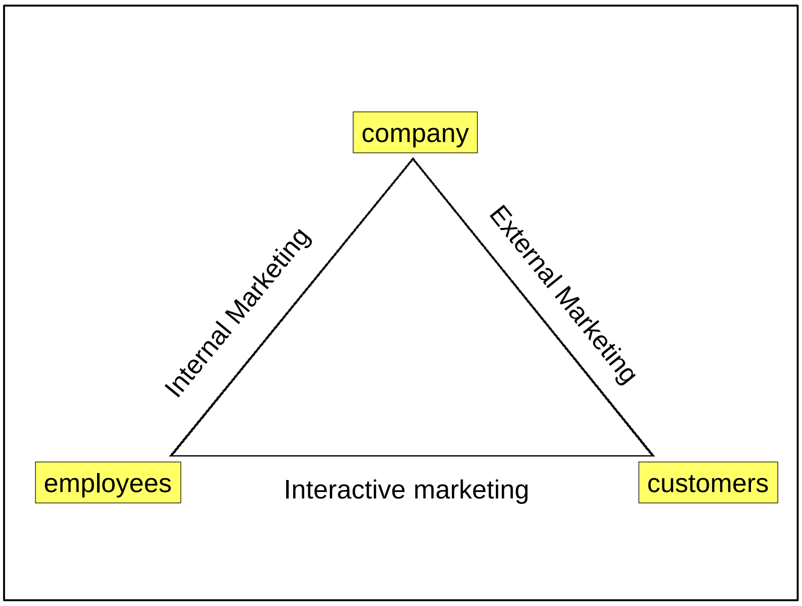



To pick out one issue of the process of developing a brand name, there is a big choice in the spectrum from descriptive to free-standing names which are often artificial words with no obvious relation to the good or service. Free standing or arbitrary names are more suitable if they are to stand for a variety of services since there is no initial associations with this name. In addition they are the potentially strongest form of trademark in legal terms. (Murphy 1990)

As for professional services firms  a common theme in the brand names is the use of the companies founder's names. For instance the name KPMG stands for Klynveld, Peat, Marwick and Mitchell, Goerdeler. In the process of the merger between Price Waterhouse and Coopers & Lybrand they had to develop a new name for the new company that would exploited the reputation and heritage from both old names. This was important for the relationship with the existing customers as well as for the relationship with all employees. The result was the name PricewaterhouseCoopers. This corporate name is formed out of three names of founders of companies where the new company originates from (Price, Waterhouse, Coopers). Both names are completely free-standing. That’s why they properly address the issues of suitability for different media, different markets and cultures and different products as well as the issue of imitation and legal protection.

### 3.4 Marketing a service brand

In general marketing strategies for services add three more P's to the marketing mix, which stand for Process, Physical evidence and People. The same principles apply to the branding of services.
de Chernatony (1996) emphasises the importance of the people as the provider of the service. The careful selection and training of staff firstly assures a higher level of quality of the service, that is depicted by the brand. It is up to the people to give the processes more reliability and thus to assure a higher homogeneity between the quality of the service and the personality and message of the brand. Furthermore people have contact with the customer. They have to be aware of the brands objectives so that they can "live them" and communicate them to the customer. It is not enough to communicate the message of the brand externally to the customer; the first step has to be internal communication. Here the principles of internal marketing play an important role. Staff is seen as the first customer of the brand. Kotlers (1999) typology of marketing in service industries applies equally to the marketing of brands in service industries:




The theme here is that the customer not only receives the message from the companies external marketing activities, but also the message from the behaviour of the staff he has contact with. The impression the customer gets from the service, from the company and thus from the personality of the corporate brand is also influenced by the friendliness and responsiveness of staff, their perceived qualification and how the staff "lives" the philosophy of the corporate brand.
The element of physical evidence is about the environment in which the service is offered and consumed, it is about the customers "feelings" (Dibb 1997). As for branding services, the physical evidence is closely related to the personality of the brand, which can be described as an emotional bond to the customer that grows out of the perceived characteristics of the brand. To give the service a differentiation advantage it is important to create a distinguishable atmosphere that the customer can relate to the service provider. This can be achieved by the use of corporate brand signs, corporate colours and several other themes that are common for all outlets, all employees everywhere the company presents itself to the public.

As for branding auditing and consulting firms, physical evidence is more than just to have a visible corporate identity. It is about bringing a message across. In this industry the message of the brand has to establish the emotional bond to the customer which is one of the few ways for differentiation. Kelly (1998) gives an good example when he says ”Some clients may ask how brand building sits alongside the traditional virtues of a professional partnership – skilled individuals with independent minds able to solve problems on a case by case basis. The real challenge is turning that into a brand.” Up to now many accounting and auditing firms use their job advertisements to send out their brand personality. Job ads for professional services are much more than a means of attracting qualified people. They allow the companies to present themselves with some unique personality. Today’s job advertisements not only use corporate colours and logotypes, they tell little stories, transfer messages, describe corporate cultures, and the skills and experiences of the people in these firms. For the companies the job advertisements are a good way to present the variety of services offered when they search specialists for a certain position. In that way the firms can make their brand and its personality more known amongst possible employees and possible clients.

Processes are very important in services industries since in most cases the customer is directly involved in the processes. Aspects that especially apply to the auditing and consulting industry are extremely high quality, confidentiality, timing/availability, consistency and the avoidance of the abuse of insider knowledge. The internal processes that assure these characteristics are less important for the customer. For him it is important that these characteristics are met. Again a brand can provide more confidence in the choice of a service provider. It allows to identify a provider with a good reputation for high quality processes and results. As with most other services the quality of the auditing or consulting processes can not be tested in advance. Moreover, you can change your hairdresser if you are not satisfied but it is much harder to change your auditor since public normally perceives this as some sort of sign for alert.

On the other hand, even if necessary, there are dangers in relating a brand to closely to the quality of processes. Poor quality in only one single case can affect the whole brand. Many of the professional services firms have faced the problem that one of their major clients went into bankruptcy or was accused for some illegal activity. In such situations the media often ask about the quality of the auditing processes.

We can see that the processes that deliver the service closely relate to consistency as one of the issues customers value in brands.

## 4 Summary

This assignment has shown that a strong brand can be an important means of differentiation. It increases the value of a product and/or its provider and helps the consumer to make his choice.

Thus a brand is highly valuable for services that don’t have any physical characteristics the consumer could look at, touch and assess. In service industries often the companies name is used as a corporate family brand for all services offered. This approach allows to transfer the reputation and fame of one service to others. In addition it allows to transfer the personality and the created physical evidence of the brand to all services. This is especially important since it is much more difficult to give personality and evidence to services than to goods.
In the accounting and consulting industry there is a growing trend to exploit and further develop the existing brand values of the big names. These brands are featured by a homogenous set of messages, ideas, values, visual aids and communication tools. With these efforts the organisations

aim to rise awareness of themselves and the variety of services offered, to improve their market position and to attract qualified people.



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