



Perception of Future Marketers and Accountants Towards the Need for Marketing of Public Accounting Services

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ABSTRACT

The law requires public companies to be audited, whereas auditing is optional for other types of business organizations. The paper sets out to ascertain whether marketing may be considered relevant to external auditors. The main purpose of the study is to present preliminary assessments on whether future marketers and accountants think marketing might be considered a necessity or redundant for public accounting firms. The study uses pairs of scaled question and open-ended components as instrument to solicit the opinions of two cohorts of university students associated with the two disciplines. The first cohort comprises third year and graduating students who have studied at least a course in marketing whereas the second cohort consists of relatively junior students. The questionnaires were given to the first cohort outside the class, whereas to the second cohort in class. After careful screening, only 56 out of 104 questionnaires collected were found usable. The open-ended responses of the respondents were content analyzed by the authors independently and the resulting classifications discussed to reach consensus. While the prospective marketers and auditors thought that promotion is important to audit firms, their reputation and service quality supersede the former in importance.

JEL Classifications: M31, M42

Keywords: Accountant, Auditing, Marketer, Malaysia, Marketing, Promotion, Public accounting

INTRODUCTION

Marketing is relevant to any profession, including accounting. One common

question confronting accountants and marketers alike is whether accountants – specifically public accountants or auditors – need to market their services. Whilst there are pros and cons to promoting professional services as deliberate programs, public accounting firms have been carrying out marketing activities. What are some of the reasons for public accountants to market their firms and services? What methods could have they been using and why? These are some of the major questions that the paper attempts to address.

LITERATURE REVIEW

Survival and growth of service companies, particularly audit firms are highly dependent on the extent of relationship between audit service quality and client satisfaction with audit firms. According to Ishak *et al.* (2006), research has revealed that customer satisfaction was found to partially mediate the relationship between reliability and customer loyalty.

Deregulations in audit firms over the past few years allowed accounting firms to increase their advertising activities and become more commercial. This has raised questions as to whether competition in the market for audit services has undermined auditor professionalism. Numerous commentators have specifically observed that the deregulation of advertising has forced auditors to become more competitive, and suggest that this may have contributed to a loss of professionalism. The orientation towards winning more customers through marketing activities enhances audit firms' profits but has resulted in lower quality of services provided to customers. This approach works only in a short term orientation as in the long run customers are able to understand that other organizations have been able to provide better services to customers. And, hence customers will opt to shift their preferences of audit firms (Hay and Knechel, 2010).

Some firms may perceive competition negatively. In fact, the greater the competition is the greater possibilities for customers to receive high quality services. Higher tendencies for marketing activities will be present among audit firms and if managed properly will lead to a larger number of customers. However, whether advertising of audit firms is associated with higher or lower fees for services provided has been a controversial issue for many years (Hay and Knechel, 2010).

It is conceivable that audit fees will highly depend on the type of advertising of the audit firm; whether advertising is priced-based or quality-based. Price-based advertising may lead to reductions in audit fees (DeAngelo, 1981). In contrast, the purpose of quality-based advertising is to build brand value and differentiate the quality of services leading to higher fees. However, in general it can be argued that advertising is associated with higher prices because of the need to recover the cost of advertising and because there is an incentive

to increase quality to justify advertising expenditures (Hay and Knechel, 2010).

Accounting firms have heavily relied on market orientation in the past. However, according to Ozer, Kocak and Celik (2006), accounting firms believe customer orientation to be the most significant construct within market orientation. Accounting firms as well as other service organizations have persistently been rendering services based on customer needs. However, this trend has changed. Audit firms now are trying to offer a wide range of services in advance rather than waiting for customers to realize what they actually need. Hence, emphasizing the importance of being customer oriented. Moreover, audit firms are now constantly looking for ways to alert customers for their future needs for which customers might not be able to identify at a particular time.

Besides, professional service organizations are increasingly involved with marketing activities in order to develop and maintain relationships with their clients. Since these professional service organizations, particularly accounting firms are restricted by professional standards, they are striving to best understand marketing programs. Hence, understanding of customers can create better relationships with them (Barr and McNeilly, 2003).

However, although competition in audit market was greater in the 1980s than at any time, marketing in the past has mainly been practiced by organizations in a traditional way. This trend has changed with discoveries of advanced technologies. At present times, organizations have shifted to the digital mode of advertising which enables them to create presence, relationships, and mutual value with customers (Rowley, 2004). Such mode provides better marketing strategies but has also raised concerns about the validity of data that organizations provide in the digital form and the impact of these data in audit firms' professionalism. This is because auditors have little control over web contents and the changes that can be made to audited information (Iqbal, 2005). Hence, while companies attempt to enhance their own as well as an audit's firm image through audited data, if these data are altered and inaccurate, the reverse may occur.

This raises the issue of whether the information provided is due to any changes being made by the information providers (organizations) or the information is provided as being audited by an audit firm but it is inaccurate. If the latter case exists, the inaccurate information provided to external parties will have a tremendous effect in the image, reputation and the professionalism of the audit firm. This will also have legal consequences towards the firm that provided the information as well as for the audit firm. On the other hand, potential investors and users of financial statements (outsiders) fear that those in control (of organizations providing information to public) operate the enterprise contrary to the interests of the outsiders. Hence, resulting in higher demand for public accounting firms (Benston, 1985).

One of the main concerns of service organizations is its marketing and advertising activities (Macintyre and Hayes, 1990). If controlled effectively marketing programs can be of utmost importance for service organizations as they are one of the main flows of information in a company providing useful information about the general marketing environment. This in turn will support managers to better understand the market of the industry and accordingly generate effective decisions. Although costs involved in marketing activities are considerably high, service organizations have perceived these costs to be valuable as such marketing activities result in better relationship with customers which in turn will result in future customer retention and increment of the bottom line, profits.

Another concern that audit firms should consider in their marketing activities is the ethical responsibility towards their clients. While striving to increase their profits, demonstrating high ethical standards and being honest to customers will enhance reputation and the image of audit firms. According to the Code of Ethics for Professional Accountants established by International Federation of Accountants' Ethics Committee (2005), a professional accountant is required to comply with the fundamental principles, (a) Integrity, (b) Objectivity, (c) Professional Competence and Due Care, (d) Confidentiality and (e) Professional Behavior in all his professional activities. Although Code of Ethics for professional accountants establishes ethical requirements for professional accountants, the extent of moral behavior is highly dependent on the personal values of an auditor.

Moreover, the above code has set clear guidelines which serve as directives for advertisement of audit firms. Marketing for audit firms should be completely handled in accordance with the professional principles and their actions should not affect negatively the professionalism of an audit firm. Hence, no exaggerated claims for services offers should be made. Section 250, clause 250.2 of Code of Ethics of International Federation of Accountants' Ethics Committee (2005) states that "if the professional accountant in public practice is in doubt whether a proposed form of advertising or marketing is appropriate, the professional accountant in public practice should consult with the relevant professional body". Thus, when audit firms are faced with ethical dilemmas in their marketing activities they should not take actions which are against their professionalism.

According to O'Donohoe and Petersen (1991) in their comparison between marketing advices published in professional accounting journals and accountants' marketing practices, both of these sources emphasize referrals, personal communications, practice specializations and good working relationships to be of utmost importance. Although accountants emphasized personal communication methods and referrals to be important,

large firms tended to be more systematic and sophisticated in the practice of advertising and public relations whereby limited authority was given to those with marketing responsibility.

Although, personal communication with customers tends to be highly effective, its limitations hinder an accounting firm to be effective. The large number of customers to be personally contacted limits the effectiveness of such method (O'Donohoe and Petersen, 1991). Hence, many organizations practice the mass marketing strategy that enables them to reach a large number of customers while reducing costs of marketing. As with other service organizations, word-of-mouth is perceived to be the most effective method for creating customer awareness about an audit firm. The quality of services provided by an audit firm will result in positive perceptions of customers who will later become "agents" of the audit firm to use the latter's services. On the other hand, accounting firms should be highly concerned that if quality of services rendered is below legal requirements because this will result in negative word-of-mouth advertisement.

METHODOLOGY

A one-page instrument was devised to capture the respondents' perceptions of the need for audit firms to engage in promotion activities. At the outset of the questionnaire, the subject matter and purpose of the study were stated clearly: "We desire to obtain your opinions on two disciplines, i.e. marketing and auditing (*verifying the financial accounts of a company*). Our main concern is to find out whether audit firms should engage in marketing activities in order to obtain their clients (customers)."

The questionnaire provided a scaled sub-question together with its open-ended counterpart and using a scale continuum of 1 (Disagree) to 5 (Agree) respondents were asked to indicate their opinions, such as whether an accountant should study at least a course in Marketing and if so, explain with at least one reason.

The instrument was administered on two sections of undergraduate Business Ethics students in class, and third and fourth year undergraduates outside the class. Although 104 questionnaires were collected only 56 were found usable and were analyzed for this study.

There were altogether nine questions related to the subject matter under investigation and five respondent's background questions placed at the end of the questionnaire. Background questions include gender, level (year) of study, degree program, preference to work with an audit firm, and preference to work with a marketing firm.

FINDINGS

Table 1 shows the demographics of the respondents. Out of 56 qualified respondents, females outnumbered males: 55.4% and 44.6% respectively. Almost all of the respondents were in their second through fourth year of studies (the sample included only close to 2 percent of first year students). About seventy percent (73.2%) of the respondents were third and fourth year students. Bachelor of Business Administration (BBA) students comprise the majority (57.1%), followed by Bachelor of Accounting (BAcc) (32.1%), and lastly Bachelor of Economics (BEcon) (10.7%).

TABLE 1
Demographics of respondents

	Frequency	Percent
Gender		
Male	25	44.6
Female	31	55.4
Total	56	100.0
Year of studies		
1	1	1.8
2	14	25.0
3	21	37.5
4	20	35.7
Total	56	100.0
Degree		
BAcc	18	32.1
BBA	32	57.1
BEcons	6	10.7
Total	56	100.0

All of the respondents were competent to give their views on marketing and auditing because they (94.6%) have completed the two relevant courses, i.e. Marketing Principles and Financial Accounting I. Table 2 shows the number of courses related to marketing and financial accounting the respondents have studied.

TABLE 2
Marketing and accounting courses studied by the respondents

MARKETING	N	Percent	FINANCIAL ACCOUNTING	N	Percent
Marketing Principles	53	94.6	Financial Accounting I	52	94.6
Marketing Management and Strategy	6	10.7	Financial Accounting II	40	10.7
Consumer Behavior	20	35.7	Financial Accounting III	15	35.7
Marketing Research	6	10.7	Financial Accounting IV	12	10.7
Promotion Management	8	14.3	Financial Accounting V	6	14.3
International Marketing	10	17.9	Financial Accounting VI	4	17.9
Service Marketing	3	5.4	Auditing I	14	5.4
Internet Marketing	1	1.8	Auditing II	3	1.8

Table 3 presents respondent’s job preferences. When asked to make a career choice, almost all of male respondents would like to work both in audit firm and marketing firm, whereas the preference for female is lower for marketing than audit firm. However, t-test does not disclose statistically significant differences between genders.

TABLE 3
Preference to work with audit and marketing firms by gender

	Gender	Frequency	Percent	Mean	Std. Deviation	Std. Error Mean
Work with audit firm	Male	24/25	96.00	3.21	1.250	.255
	Female	27/31	87.09	2.63	1.334	.257
Work as marketer	Male	24/25	96.00	3.54	1.318	.269
	Female	26/31	83.87	3.46	1.067	.209

Note: Numerator = actual responses; denominator = total in sample

Table 4 reveals the results that the year of study differentiates preferences to work with either type of firms. Third year students show higher preference to work in audit firms compared to their seniors (t-value=2.344, df=38 p=.024), whereas they show less preference for marketing firms (t-value=2,527, df=37 p=.016).

TABLE 4
Preference to work with audit and marketing firms by year of study

	Level	N	Mean	Std. Deviation	Std. Error Mean
Work with audit firm	3	21	3.38	1.244	.271
	4	19	2.42	1.346	.309
Work as marketer	3	20	3.05	1.317	.294
	4	19	4.00	1.000	.229

As expected, BAcc students prefer to work with audit firms (t-value=4.598, df=48, p=.000) whereas BBA students prefer working with marketing firms (t-value=-3.617 df=48p=.001) as depicted in Table 5.

TABLE 5
Preference to work with audit and marketing firms by degree program

	Degree	N	Mean	Std. Deviation	Std. Error Mean
Work with audit firm	BAcc	18	3.89	.832	.196
	BBA	32	2.41	1.214	.215
Work as marketer	BAcc	18	2.78	1.166	.275
	BBA	32	3.91	.995	.176

Pearson correlation results in Table 6 provide additional support for inverse relationship between those who prefer to work in an audit firm versus marketing firm (Pearson's coefficient -.458, p=.001).

TABLE 6
Correlations between two career preferences

		Work with audit firm	Work as marketer
Work with audit firm	Pearson Correlation	1	-.458
	Sig. (2-tailed)		.001
	N	51	50
Work as marketer	Pearson Correlation	-.458**	1
	Sig. (2-tailed)	.001	
	N	50	50

** significant at the 0.01 level (2-tailed).

Table 7 presents frequency results which revealed that 40.4% of the respondents expect accountants (auditors) to study at least a marketing

course, and that audit firms need to promote themselves (78.6%). When the respondents were asked to make a contrast between the required promotion for audit firms in comparison with law firms and medical firms, their verdict was 32.1% and 51.9% respectively. In other words, according to the respondents audit firms need promotion more than legal and medical firms (i.e. clinics). T-test analysis, however, does not reveal any significant differences between male and female respondents and (BAcc and BBA) degree programs on the same matter.

TABLE 7
Need to study Marketing and Accounting

	Accountant Studying a Marketing course	Marketer Studying a Financial accounting course
N	56	56
Agree	40.4%	79.7%
Mean	4.16	4.11
Std. Deviation	.890	.867

Table 8 shows respondents' views of the main reasons for accountants to study marketing. Exposure to overall management of firms (47.9%), need of knowledge in marketing to promote audit firms (20.8%), and enhancement of career promotion for the accountants (12.5%) were highlighted to be some of the major reasons.

TABLE 8
Reasons for studying marketing

	Frequency	Percent
Enhancing career promotion	6	12.5
Finding clients	1	2.1
Managing costs and budgets	4	8.3
Overall management	23	47.9
Promoting the firm	10	20.8
Understanding company needs	4	8.3
Total	48	100.0

The whole study defines audit firm as follows:

An *accounting firm* (also called *audit firm*) is a company that provides a number of services such as writing up accounts for a client (i.e., a company), preparing tax returns, providing company secretarial services, and auditing

company accounts. *Auditing* is verifying (checking) whether the accounts are being prepared truly and properly.

With a common reference to the definition above, the respondents answered three inter-related questions. Table 9 shows combined results of the three related questions (4, 5, and 6). The results were assembled in the same table for comparison. The table shows the summary responses to methods of audit firms obtaining their clients, knowing the existence of audit firms and methods that audit firms need to employ in order to retain their client clients.

According to Table 9, respondents highlighted that audit firms obtain their clients using referrals (30.6%), promotion (22.4%), advertisement (20.4%), contacting potential clients directly (14.3%), and quality work (12.2%). However, referral constitutes only 20.0% of the method potential clients use to learn about audit firms, and it is certainly one of the methods audit firms might use to retain their clients (17.5%).

TABLE 9
Obtaining and retaining clients and knowing audit firms

	Methods of obtaining clients		Knowing existence of audit firms		Retaining clients	
	Q4		Q5		Q6	
	Frequency	Percent	Frequency	Percent	Frequency	Percent
Referrals	15	30.6	8	20.0	7	17.5
Promotion	11	22.4	5	12.5		
Advertisement	10	20.4	15	37.5	1	2.5
Contacting clients	7	14.3	5	12.5		
Website			7	17.5		
Quality work	6	12.2			32	80.0
Total	49	100.0	40	100.0	40	100.0

Including economical and quality service with nine counts (22.5%).

Referring to Table 9 if advertisement was incorporated into promotion then the percentage for promotion for each of the first two questions (Q4 and Q5) would be increased to 42.8% and 50.0%, respectively.

The most powerful method to retain clients (Q6), according to the respondents is “quality work” (80.0%), irrespective of the methods listed in response to Question 4. In response to the question: “Do you think audit firms need to promote, market and advertise themselves?” Approximately 80% (78.6%) of the respondents said the firms do need to promote themselves.

Two main reasons surfaced from the analysis of responses, i.e. to make their existence known and as competitive tool. Results revealed

that 58.1% of the respondents are of the opinion that audit firms need to promote themselves to create awareness in the market while 41.9% indicated competition as a reason for marketing of audit firms.

Responses to competition averaged 3.45 out of 5.00 (Std. Deviation .932, N=53, on the scale *Low 1 2 3 4 5 High*). There is no significant difference when t-test was performed on gender and degree programs. In their evaluation of the importance of marketing of audit firms in comparison with two other professional firms, i.e. legal and medical, the respondents insisted that audit firms need promotional efforts the most with grand means exceeding 3.00. The respondents suggested law firms do not need promotion (3.19) as much as medical firms (3.52), while t-test analysis does not produce significant differences for gender and degree programs for each of the three types of firms when tested.

DISCUSSION AND CONCLUSION

Views of respondents suggest that there is some association between their year of studies and majors and their preference to work with audit- and marketing-related firms. The respondents seemed to have rightly assumed their roles as potential future accountants and marketers.

Marketing is related to competitiveness (41.0%), and forty percent of the respondents are of the opinion that accountants should study the discipline. Auditors need to understand their clients (Barr and McNeilly, 2003), and promote their services accordingly. This perception is consistent with the deregulation of advertising (Hay and Knechel, 2010) and the need for audit managers to control effectively their marketing programs within the budget constraints (Macintyre and Hayes, 1990). Accountants may obtain clients may be obtained through referrals (30.6%) and quality work (80.0%). Due to limited effectiveness of referrals as a strategy, O'Donohoe and Peterson (1991) argue that firms might resort to other forms of promotion.

Promotion and direct contact with potential clients (promotion 22.4%, advertisement 20.4%, contacting clients 14.3%) as revealed in this study are methods which audit firms might use to reach a large number of potential clients (O'Donohoe and Peterson, 1991).

To sum up, accountants need to study marketing for a number of reasons including enhancing career promotion, finding clients, managing costs and budgets, overall management, promoting the firm, and understanding company needs. Close to half of the respondents think that audit firms need to engage in promotion activities for at least two main reasons: creating awareness of the availability, and to be competitive. The respondents suggest a few methods: Referrals, promotion, advertisement,

contacting potential clients directly, website, and maintaining quality work. Powerful promotional tools comprise referrals (17.5%) and quality work (80.0%), whereas advertisement (2.5%) is not considered as significant.

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