

Professional Service Firms are Relationship Marketers: But does size matter?

Janet R McColl-Kennedy, Jillian C Sweeney, Geoffrey N Soutar, and Claudia Amonini

Abstract

There are few research-based insights into professional service firms' (PSFs) contemporary marketing practices. This is unfortunate as the professional services sector is a key contributor to growth in the Australian and other economies around the world. As professional services are unique in a number of ways and their operations and marketing activities inextricably intertwined, the present study investigated the extent to which PSFs practice marketing and whether this differs according to size. Depth interviews were held with thirty seven Australian senior managers in four key industries. We examined the extent of relationship marketing, conceptualised at an overall managerial level as well as four sub-practices identified in research by Coviello and colleagues. We found relationship management and interaction marketing were the most common practices, which is consistent with the inseparability concept, and that relationship management and database marketing were more common in larger firms, which is consistent with their relative resource strength.

Keywords: Marketing practices, Professional service firms

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1. Introduction

Relationship marketing has been posited to replace the toolkit offered by the four Ps framework (e.g. Webster 1992). While this concept dates back to the bazaars of ancient times, academic focus on the topic has sharpened in the last three decades. Despite the importance of relationship marketing, Coviello et al. (2002) found consumer service providers often used a transactional marketing approach, which was also commonly used by business-to-business service firms. However, little is known about the use and specifically the extent of use of relational or transactional marketing among professional service firms (PSFs) as no prior research has examined this issue in this context. PSFs have been slow to adopt formal marketing strategies and their attitudes towards marketing are mixed (Hodge et al. 1990; Crane 1993; Yavas and Riecken 2001; Barr

and McNeilly 2003). Nonetheless, since professional services are people-centred, it is likely that most PSFs practice some form of relationship marketing, whether they specifically recognise it or not.

Given the unique challenges faced by PSFs, the present study investigated the appropriateness of Coviello et al's (1997) four relationship marketing practices in such a context. Further, the study attempted to identify the activities that supported such practices. Such an approach is consistent with Kohli and Jaworski's (1990) approach to measuring market orientation and offers a practical description as to what translates relationship marketing into practice. It also follows Barr and McNeilly's (2003) suggestion that there is plenty of commentary on what professional service firms should do, but little on what firms are actually doing. The study therefore examined the practices of different types of PSFs including law, consulting engineering, accounting

and finance and marketing and management consulting by addressing two questions:

- To what extent do PSFs undertake various relationship marketing practices and, more specifically, what are the activities that underlie these practices?
- Does the size of a PSF impact on the relative emphasis placed on the relationship marketing practices it undertakes?

Before discussing the study that was undertaken to answer these questions, an overview of relevant prior research into the services sector and the conceptualisation of marketing practices is provided in the next section.

2. Background

2.1 Service sector growth

The service sector is an important contributor to economic growth (United Nations 2005). Indeed, in some western economies, the service sector accounts for more than 70% of gross domestic product (GDP). For example, services make up approximately 80% of the GDP in the United States, 74% in the United Kingdom, 73% in the Netherlands and 72% in Canada and Australia (Central Intelligence Agency 2004). Business and professional service firms account for a sizeable share of this contribution (e.g. 11% of GDP in the United States (Kirkpatrick 2004) and 15% of GDP in the United Kingdom (United Nations 2005)).

The United Nations Trade and Development Board recently noted that professional services are “one of the fastest growth sectors in economies worldwide, achieving double-digit growth rates” (United Nations 2004, p. 4). This is particularly evident in Australia, where in the last decade full-time employment in the business and professional services sector rose 64% compared to 6.5% for the overall economy during the same period (Department of Industry, Science and Resources and Australian Trade Commission, 2001).

Although the focus of professional services has traditionally been on domestic growth, international trade in this sector is mounting. Driven by globalisation and innovative technologies, international trade in professional services has increased from approximately 18% of world trade to 23% in the last two decades (Australian Trade Commission 2006; ABS Catalogue 5302 2006). Professional services have become the fastest growing sector in world trade and are therefore a primary source of growth for developed and developing countries (United Nations 2004). Such trends highlight the importance of professional service providers and suggest a need to examine their marketing practices.

2.2 Marketing in professional service firms

Professional service firms are different to many other firms. As Gummesson (1981, p. 108) noted a quarter of a century ago:

“A professional service is qualified, it is advisory and problem solving, even though it may encompass some routine work for clients. The professionals involved have a common identity, like physicians, lawyers, accountants or engineers and are regulated by traditions and codes of ethics. The service offered, if accepted, involves the professional in taking on assignments for the client and those assignments are themselves the limit of the professional’s involvement. Such assignments are not undertaken to merely sell hardware or other services.”

In years gone by, many PSFs did not need to market themselves as demand exceeded supply. However, several trends have changed this situation, including:

- More sophisticated and discerning customers, deregulation, increased competition and new technologies (Morgan et al. 1994).
- Clients who no longer seem to hold professionals in high esteem, as can be seen in the number of malpractice suits and a variety of other challenges to professional authority (Herbig and Milewicz 1993).
- Increased competition in local markets and the opening of international markets that offer significant opportunities for smart operators (Australian Trade Commission 2006; ABS Catalogue 5302 2006).

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