



InterAction and the Accounting Firm:

Understanding Relationship Intelligence and Its Benefits

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Introduction

Customer Relationship Management (CRM) is one of the most potent business strategies to support the development of deeper customer relationships to drive revenue growth. Its allure is rooted in common sense, which dictates that the more an organisation knows about its customers and the closer the relationships it can forge with them, the better it can serve their needs and the more it can sell.

Indeed, so powerful is the notion behind this business strategy that a virtual economy has formed around it. Industry analysts estimate the worldwide market for CRM software to be over \$20 billion per year. And the market continues to experience strong growth in finance and accountancy sectors.

While virtually all sectors of the business economy are engaged in CRM, the role it plays within accounting firms and professional services organisations firms is very different than in the generic corporate marketplace. The reason? The business models of most firms differ widely from their corporate brethren. For example, firms do not sell discrete, manufactured goods or simple services – they market the skill, expertise and judgment of their professionals. What firms sell, is different.

Product-oriented businesses deploy legions of mid-level sales force and call center personnel whose sole responsibility is to sell and support inventory manufactured by other divisions within the organisation. At firms, the high-level professionals who deliver services on client engagements and who frequently own part of the firm simultaneously are tasked with sales and business development responsibilities. Who does the selling, is different.

Traditional corporations also rely upon a repetitive sales cycle and predictable sales models to fill the pipeline and convert “suspects” to “prospects” to “customers.” The business development profile at firms, however, is unique and opportunistic, necessitating the formation of one-to-one

relationships between the professionals who will be delivering the services and the prospective client in order to determine whether a new engagement opportunity exists and whether the firm has the requisite skill and expertise to accommodate the client need. How firms sell, is different.

Moreover, products-based companies can leverage mass-market channels to sell regardless of whether personal relationships exist between the organisation and prospect. In contrast, because relationships play such a critical role in establishing credibility, trust and competence, firms must be present to prospective clients wherever they are – whether in the boardroom or at a conference or meeting – in order to develop the type of one-to-one relationships that lead to new engagement opportunities. Where firms sell, is different.

Finally, traditional corporations can generate additional demand for their products by adjusting price, credit availability or other sales terms. But in an accounting firm setting, firms cannot create demand for their services. An accountant cannot say to a client, “we’re nearing quarter’s end and our revenue numbers are low, can you get audited so that we can get the business?” When firms sell, is different.

In light of the significant contrasts that exist between the business model of traditional corporations and firms, it follows that the CRM solutions catering to products versus services organisations must also be different if they are to have relevance. And while volumes of information have been published on the business benefits of CRM in traditional corporate settings, very little has been written on the subject as it pertains to accountancy.

The following information discusses the unique business value firms can expect when they implement LexisNexis® InterAction®, the leading solution for law, accountancy and other professional services.

Definitions

For accountancy firms, CRM can be defined as a business strategy leveraging Relationship Intelligence that enables firms to exceed client needs and expectations as well as revenue and productivity objectives. Because CRM is not simply a technology, but a business strategy, it must be closely aligned to the firm's strategic objectives defined by the firm's leadership. Firm culture and business processes must likewise support the firm's CRM strategy.

One of the important distinctions between traditional CRM and CRM for firms is the knowledge asset called Relationship Intelligence.

Information about people, companies, relationships, experience and expertise is used in all facets of a firm's business – from reducing costs, uncovering new engagement opportunities, cross-selling services and executing tailored communications, to properly staffing engagements, improving client service and increasing operating efficiencies.

Accordingly, for a CRM strategy to be successful, the firm must have a means to aggregate its collective knowledge about people, companies, relationships, experience and expertise, and transform this scattered data into Relationship Intelligence. It must also have a means to centrally manage this intelligence and a means to deliver it to professionals, when and where they need it.

Why is a technology infrastructure required to support a firm's CRM strategy? When firms are very small and comprise of just a handful of individuals, the process of leveraging Relationship Intelligence is done organically through human interaction. Firm meetings, chance conversations in the hallway or around the kitchen table are sufficient to keep everyone apprised of critical happenings within the firm, important relationships being formed, work being pitched to prospects and engagements currently being undertaken.

However, as the firm grows in size and expands geographically, these natural human interactions that lead to idea generation, human networking and opportunity identification become impossible to sustain. As a result, one of the most natural and productive dynamics firms have for leveraging their knowledge about people and relationships breaks down – threatening the firm's growth potential, image, client service and retention capabilities.

To avoid the inevitable breakdown that comes with success and growth, firms must adapt by supplementing the human network with a technology infrastructure capable of mimicking it on a larger scale. This is where InterAction fits into the CRM strategy, by providing a centralised architecture capable of aggregating, managing and delivering Relationship Intelligence to users whenever it's needed, wherever they are, in whatever technology environment they prefer.

Business Benefits

Once InterAction has aggregated a firm's scattered data and transformed it into an actionable asset called Relationship Intelligence, its impact within the organisation is far-reaching. Here are some examples of the business benefits that Relationship Intelligence provides through InterAction:

1 Ensuring Proper Client Management Means Fewer Client Defections

To spot opportunities, potential risks and otherwise effectively manage the client relationship, it is critical to have a global snapshot of all firm interactions that are taking place with individual clients and contacts. This is especially important when multiple individuals within the organisation interact with the same client regularly.

A good example to illustrate this point came from a financial services prospect, which employed “client deal teams” that were dispersed between their East Coast and London offices.



This firm had no efficient way to keep everyone apprised of what was happening with the client at any given time, which often led to mishaps that reflected poorly on the firm.

In an attempt to deal with the problem, the deal teams would have to gather their client communications on a daily basis, piece them together and fax or e-mail the document to other offices. This was inefficient and could lead to a delay in communicating important transaction developments.

InterAction helped eliminate the complexities of keeping everyone apprised of firm interactions with the client. The solution automatically notifies users when relevant interactions occur between other firm members and important contacts.

For instance, a client relationship manager can automatically be notified when anyone in the firm has a meeting, phone conversation or correspondence with an important contact – eliminating the risk of embarrassing mishaps that occur when one hand doesn't know what the other is doing.

InterAction also keeps relationship managers apprised of potential risks and opportunities concerning their clients. For instance, an administrative assistant might update the database when notification is received that a client has changed companies. When the relationship manager sees this update, two red flags immediately are raised – risk and opportunity. Risk that a key contact has left the company, prompting quick follow-up to determine who will be replacing the contact and initiate a relationship with the replacement. This update also spells potential opportunity, prompting the relationship manager to phone the contact at his new place of employment, congratulate him on his new position and inquire whether the firm's services might be needed there.

By providing instant and automatic visibility into the myriad interactions occurring between the firm and client, InterAction takes the guesswork out of effective client management, enabling firms to provide a better, more seamless service.

2 Increasing Cross-Sell and Upsell Revenues

The skill and expertise that firms market to their clients represent the firm's "inventory" of services. As a firm expands, so does its skill-base, which ideally can then be leveraged to attract a wider variety of clients and cross-sell a richer complement of services.



Many firms have a difficult time keeping up with their ever-expanding and evolving capabilities, making it difficult to leverage the full range of their strengths.

This challenge is most common as new professionals join the firm bringing new skills and expertise with them, or after a business combination such as a merger or acquisition, when a new group of professionals is added to the team.

InterAction's ability to provide visibility into client needs as well as firm capabilities facilitates effective cross-selling and upselling. For example, one InterAction client manages its cross-selling initiative as follows: A core client service team is assembled based on whom within the firm InterAction identifies as having the strongest relationships with the client. A complete profile of the client is then generated from the system that includes information such as the client's business, revenues, past billing history, services currently used, key players, influencers, decision-makers, etc. A strategy session of the client service team will reveal what additional needs the client might have that the firm can accommodate. An additional query of InterAction uncovers who within the firm has the specific experience and expertise to comprise the appropriate services team and which other clients can serve as references for this work. The team then has all the information it needs to pitch the client on these additional services.

To avoid the inevitable breakdown that comes with success and growth, firms must adapt by supplementing the human network with a technology infrastructure capable of mimicking it on a larger scale.

The Relationship Intelligence provided by InterAction arms firms with information they need to identify additional business opportunities within the client base, and staff those engagements with the professionals most capable of producing the desired results.

3 Leveraging Relationships to Win New Business

As firms grow, their expanding network of relationships becomes a critical competitive advantage. But without immediate access to Relationship Intelligence, leveraging these resources effectively is nearly impossible.



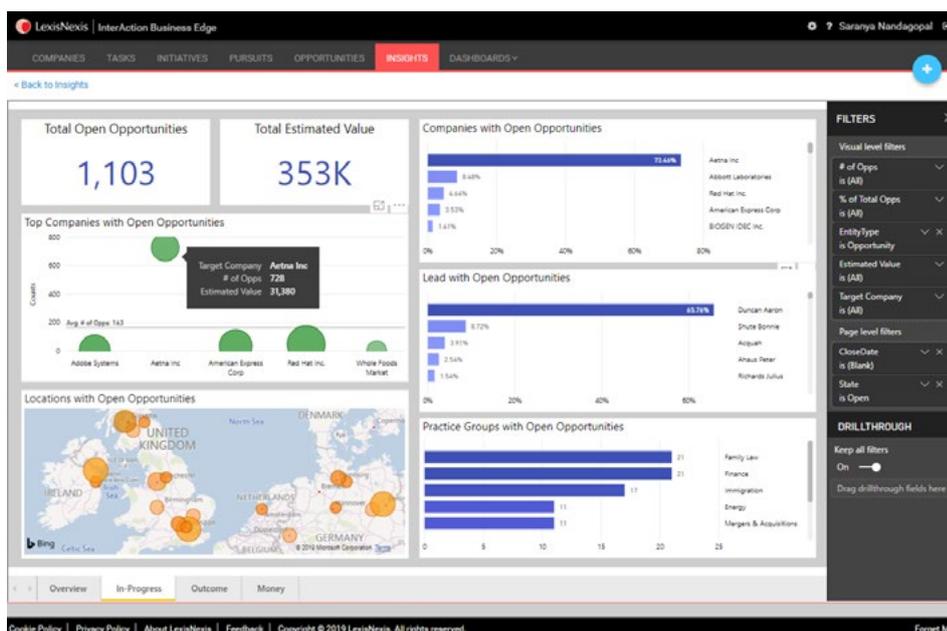
Regardless of the reason, in most instances, information about useful relationships are not revealed at the time they're needed. And one of the firm's most precious resources – who it knows – goes underutilised.

For instance, in the most common scenario, a professional trying to win a new client will typically send out a mass email to other firm members asking if anyone has a relationship with the prospect. If a response is given, the professional will then try to leverage that relationship to win the engagement.

In most instances, however, responses are few and far between for a number of reasons: These mass emails are viewed as nuisances and ignored; the recipient is not in the office at the time; the recipient is simply too busy to respond.

InterAction automates the process of revealing the strategic relationships that can help a firm win new business. For instance, InterAction's Who Knows Whom™ functionality automatically reveals who within the firm has a relationship with a particular contact. And the engagement strength scoring available with InterAction IQ enables you to gain a relative understanding of the strength of engagement the person has with each connection. And if no direct relationship exists, InterAction can help you uncover intermediary contacts that might have a relationship with a selected prospect – say another firm contact that used to work with the prospect, or someone who sits on the same charitable board with the prospect.

In order to increase the firm's focus on turning relationships into new business opportunities, InterAction Business Edge gives you the ability to track and manage all of your business development efforts, in addition to complete visibility into business development activities and results across the firm. By revealing strategic relationships automatically and instantaneously, InterAction removes one of the most frustrating barriers a professional has to leveraging the firm's internal network to win new business.



InterAction Business Edge gives you a real-time view of the opportunities in your pipeline and helps you identify the relationships you need to win your opportunities.

4 Eliminating Missed Opportunities

Missed opportunities have costly consequences when a firm does not have the proper Relationship Intelligence infrastructure in place. For example, a firm that is now an InterAction customer had been competing against three other firms for a lucrative client engagement. Each firm was on equal footing relative to capabilities and cost. Ultimately, the prospect decided to go with one of the firm's competitors.



Had this relationship been known, the colleague could have leveraged his relationship on behalf of the firm, which could likely have resulted in a different outcome.

A number of weeks later, the lead professional who had been pursuing this prospect engagement had a chance conversation with a colleague at his firm who had not been involved in the prospect opportunity. The colleague revealed that his brother-in-law sat on the board of the prospect company.

In the professional services marketplace, personal relationships often make the difference between winning and losing.

InterAction helps eliminate missed opportunities by revealing the strategic relationships that can make the difference between success and failure.

5 Avoiding Embarrassing Losses



More any other industry, the professional services sector relies upon image, trust, competence and confidence. Mishaps and errors that might go unnoticed in the mainstream business world can have devastating effects in professional services.

The ways in which a firm can inadvertently alienate clients or prospective clients are numerous. Following are a few real-world examples:

- Consulting Firm A, with multiple offices throughout Europe is competing for a lucrative engagement. Unbeknownst to Firm A, one of its subsidiaries, Consulting Firm B, is also competing on the same engagement. Pitch sessions are coordinated and Firm A and Firm B are coincidentally scheduled back to back. It is only when professionals from Firm A and Firm B bump into each other at the prospect's offices that they realise they are competing for the same business. When the prospect learns that the firm is essentially competing against itself – the engagement is awarded to another firm. The prospect cited the firm's lack of knowledge of what its various offices were doing as the primary reason for choosing the competitor.
- Private Equity Firm C holds an annual conference at a luxurious five-star venue to which high-stakes investors are invited to meet representatives from the firm's portfolio companies. Invitations must be sent out. Firm contacts are stored in a variety of locations, from individual contact managers, to portfolio management systems to firm marketing databases. Compiling the invitation list entails manually integrating lists from these myriad systems, eliminating duplicates, and reconciling inconsistent data. The process is unnecessarily complex and prone to human error. When the invitation list is finally compiled, some of the firm's most prominent investors are inadvertently omitted. Invitations to several other investors were sent out with incorrect name and address information. These errors, in some cases, caused irreparable damage to client relationships.
- An accounting firm sends out notifications to clients advising them of changes in personal tax laws or changes post budget. The firm inadvertently sent some letters to deceased clients. This puts the professionals in an extremely uncomfortable and embarrassing position, not to mention the pain and discomfort caused to the family members of the deceased clients.

In each of these examples, the firm's inability to properly track and manage firm interactions with clients and prospects led to embarrassing mishaps that impacted the firm's image and relationships.

By providing a centralised system for managing client services and marketing activities, InterAction drastically reduces the likelihood of these costly problems. Centralised list, event and campaign management simplifies tracking and managing communications with contacts. A variety of data security and data quality mechanisms help ensure the data used to communicate with clients is accurate and reliable. And the availability of a 360-degree view of the relationship ensures that all firm members have access to all relevant data prior to contacting clients.

6 Reducing Losses Associated with Employee Turnover

When key professionals leave the firm, they take with them a vast resource of knowledge about people, companies, relationships, experience and expertise.



The absence of these professionals can cause a knowledge vacuum that can have a myriad of consequences, from lapses in service, to the loss of clients.

By providing a centralised knowledge base of Relationship Intelligence that survives the tenure of individual employees, InterAction helps eliminate the substantial risks associated with employee turnover, as one InterAction customer quickly learned following the untimely death of one of the firm's partners:

"You can't always predict every way in which you'll need a CRM system. One of our partners died recently. Amidst that tragedy we were fortunate that information about his clients was in InterAction. Not just contact information, but detailed activities, notes from conversations, information relating to work that was being planned. All of this was there after he wasn't. This allowed us to take appropriate action with those clients. This was just one more layer of proof that InterAction is essential to our practice."

OFF-BOARDING

Succession planning is important to the accountancy sector in this regard. InterAction can show you very quickly the risk of certain staff members leaving the firm and the impact on clients and relationships, allowing you to be forwarned and forarmed, therefore, proactive.

InterAction helps eliminate the substantial risks associated with employee turnover

7 Eliminating Inefficiencies Caused by Bad Data

Firms are reliant upon the quality of their data in almost every facet of their operations. Indeed, the issue of data quality is emerging as one of the greatest challenges to confront the CRM industry. And the challenge is huge. According to a leading industry analyst, customer data degrades at a rate of 2% per month, which translates to almost a quarter of the entire customer database annually.



Inaccurate and low-quality data costs businesses billions of pounds each year in bad mailings and staff overhead alone.

Here are a few real-world examples of how poor data quality negatively impacts firms:

- **Damage to Firm Image and Client Confidence**

Miscommunications with clients and prospects as a result of poor data quality can irreparably damage strategic relationships. When clients or prospects are inadvertently omitted from important firm events, when they receive duplicate copies of the same communication or when their contact information is incorrect, the relationship suffers.

- **Reduced Marketing Capacity**

Without a centralised system to manage contacts and ensure their accuracy, each marketing project is delayed in order to consolidate and cleanse the marketing list. This results in a lower overall capacity to engage in client development activities. One LexisNexis customer describes their challenges prior to implementing InterAction: "It was horrendous. The professionals and secretaries had to confirm their mailing list for completeness and accuracy. These mailings were often restricted to a thousand pieces or less because of the huge efforts involved. Sometimes the process would tie up our mailroom, as well as a few secretaries, for days; defeating the contemporaneous aspects of the information." This customer reports that with InterAction, "now a single secretary can send out mailings consisting of 3,000 emails to targeted industries in a matter of 10 to 15 minutes."

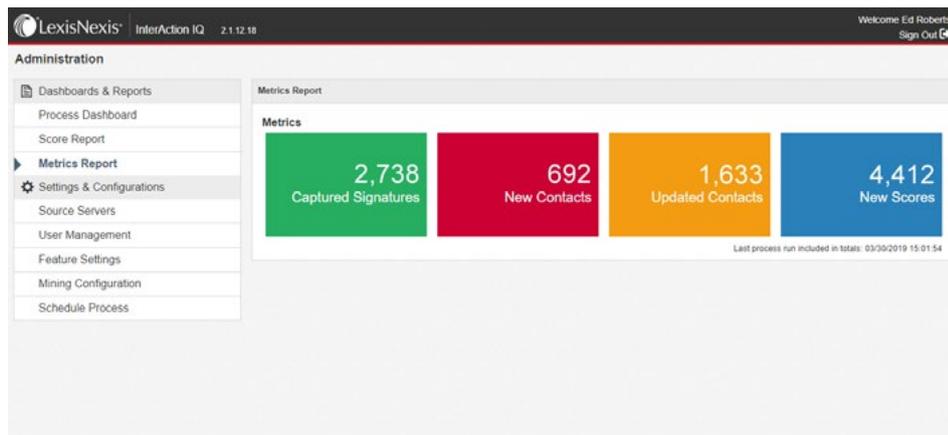
- **Reduced Marketing Programs Impact**

Not only does poor data quality reduce a firm's capacity to communicate with clients and prospects, it also reduces the impact of those efforts. Returned mailers, email bounce-backs and low event attendance are just a few of the consequences resulting from poor data quality. According to one customer, prior to InterAction, their return rate on external communications approached 20%. Since implementing the system, the return rate is virtually non-existent, "With a mailing of over 5000 units, if we get a dozen back it would be a lot. The accuracy is almost 100%."

Many CRM providers do not address data quality in their products, instead leaving it up to their customers to institute processes to ensure the cleanliness of the CRM database.

While those processes and rules are important, LexisNexis has taken a leading position in the area incorporating functionality and data quality best practices that help ensure the success of the CRM implementation by reducing the cost and effort associated with delivering high-quality, meaningful Relationship Intelligence to professionals.

And improving data quality can be relatively simple. The signature capture functionality in InterAction IQ will clean and update your InterAction data using one of the most accurate sources of contact information available—the signature blocks of emails passing through your firm’s Exchange server. Combined with our world-class data quality tools, signature capture can help you simplify the process for ensuring clean contact data.



The InterAction IQ Metrics Report shows the significant impact of signature capture and engagement level scoring.

Beyond any other CRM solution on the market, InterAction does more to ensure a successful implementation by making it easier and more cost effective to maintain a clean and accurate database.

8 InterAction Works the Way Your Firm Works

One common concern for firms is the ability to support professionals who need access to information across the globe. Today’s busy professionals want to work at any time from any location in the world. InterAction provides the functionality today’s mobile professionals require. InterAction Mobility gives you access to all the relationship details you utilise every day at your desk from virtually anywhere in the world.



Another common concern among firms considering CRM is how the solution will work within their existing IT environment.

InterAction can be integrated with your current IT system. If you do not want to roll out a new user interface to users, InterAction can be seamlessly integrated with many of the systems and user interfaces that you already use.

As a result, professionals can enjoy the benefits of using InterAction – often times, without even knowing that they are using it.

Many clients spend all their workday working in Microsoft® Office applications and are averse to having to learn and use another user interface in connection with their CRM implementation. InterAction allows these professionals to remain in Outlook®, Word or Excel® as they contribute and leverage valuable Relationship Intelligence data.

Security, Privacy and Confidentiality

While the benefits that InterAction provides Firms are substantial, some firms are apprehensive about implementing a CRM solution due to concerns about data security and confidentiality.

Consultants, lawyers, accountants, financial and other professionals have fiduciary relationships with their clients and often work on highly sensitive, confidential engagements. Therefore a system like InterAction that promotes sharing of information can create a sense of discomfort with respect to certain contacts or engagements, or specific data relating to those clients or engagements.

Accordingly, InterAction supports the philosophy that only information that can and should be shared, will be shared. For example, a professional may wish that the existence of a particular contact be kept completely confidential. InterAction accommodates this need by allowing private contacts to remain private, so that other members of the firm cannot access their information.

In the vast majority of instances, the concern is less about revealing the existence of the contact, and more focused on specific information about the contact. For instance, a consultant may not mind sharing a client's business contact information, but she does not want others in the firm to be able to access the client's home and cell phone numbers. Or, a professional has added notes to InterAction that contain highly sensitive financial information that should not be shared with anyone outside the project team working on a deal. Or the contact might be a public figure, and the professional does not want his colleagues to know that he has a relationship with the contact.

In each of these scenarios, there are only certain facets of information about the contact that are not appropriately shared with other firm members. In all of these scenarios InterAction accommodates, allowing the professional to decide which information is appropriate to share with others, and to what extent. So, whether a professional wants to keep certain contacts completely private, share only portions of what he knows about a contact, or share all information freely – InterAction can accommodate all scenarios.

GDPR

InterAction can be an important tool for managing your GDPR compliance, from assisting suppression, handling consent and right to be forgotten, the data minder area also allows us to look at contact health supporting a full data management strategy.

Conclusion

Investing in a solution can be one of the most important strategic decisions made by a firm to advance its client relationship management strategy. While initiatives to increase knowledge of customers and clients are extremely popular throughout the business community, not all companies are alike, and not all solutions are alike. Professional services organisations operate with a unique business model that is fundamentally different from that of traditional, product-based corporations. InterAction is the leading solution tailored to address the unique needs of firms. InterAction strikes the delicate balance between delivering a wide range of benefits to professionals, marketing teams and the administrative staff, while still accommodating the unique cultural requirements of firms for security and professional acceptance.

LEARN MORE

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