



CAPSTONE MARKETING

Ready ... Aim ... Fire ... a Few Clients

Sample Termination and Raise the Fee
Letters



The feedback I received from clients and others within the accounting profession was that this past tax season was one of the most challenging tax seasons ever. Now that the dust has cleared – and you’ve hopefully taken a vacation – it’s time to get serious about firing clients.

Bad or “D” clients have an impact on your profits, productivity, and staff retention. These are the clients who want the most attention while paying as little as possible. Typical D Clients:

- Can’t attract and retain quality staff
- Have a weak upper management team
- Demonstrate low commitment to technology
- Have unreasonable expectations
- Show little willingness to follow advice
- Have poor teamwork and commitment
- Pay late
- Abuse your people
- Are poor record keepers
- Always need their work yesterday
- Continually put your firm at risk

Your accounting firm – like every accounting firm – has D clients that should be removed from your client list. Here is how to do it.

Evaluate Your Client Base

Develop criteria to identify A-B-C-D clients. Criteria to consider include:

- Annual revenue
- Payment history
- Growth potential
- Referral history and potential
- Profitability/realization
- Job risk/complexity
- Timing of the work
- Satisfaction/enjoyment working with the client

A helpful resource for PCPS members is the [Client Evaluation Tool](#), part of the Trusted Advisor Toolbox. Set a deadline for each partner to rate their clients using the agreed upon criteria. Meet as a partner group to review the ratings and determine action steps.

Determine Action Steps

The decision to fire a client is not black and white. All D clients need not necessarily be fired. Figure out how to move them up the ratings ladder. You also want to figure out how to turn C clients into B clients, and B clients into A clients. This can be done by:

- Changing the scope of the work.
- Changing the engagement team members.
- Changing the timing of the work.
- Raising the fee.

How you communicate with your clients is important. To notify individual or smaller clients about an increase in fee or termination a letter is sufficient. For sample letters [click here](#). Give these clients a few months to hire another firm. It's helpful for you to identify other accounting firms to recommend.

For most other client communications face-to-face meetings are best. The bottom line is your desire to grow your firm in a smart, focused manner. You need to spend your time on the clients that you can serve in an efficient, profitable way. This requires you to change the client relationship or fire the clients that don't fit the bill (pun intended).

Final Thoughts:

Identify the champion. As with any firm-wide effort you need the champion – the person who will follow through and make everyone accountable. To evaluate your client base and then rationalize why every client should remain with the firm is a waste of your time.

Get your partners on board. Make your case for why firing clients – or setting minimum fee levels – is important for your firm. At a partner meeting present how the process works and seek their feedback.

Consider implementing this process in stages, e.g., corporate clients, nonprofit clients, individuals. The key is to get started.

Evaluate your client base every year. Firms that regularly fire – or transition out – their D clients improve their profitability, efficiency and morale. This process also gives you more time to spend on your best clients and practice development.

Sample Client Termination Letter

[Insert date]

Client Name
Company
Address
City, State, Zip

Dear :

Over the years [insert firm name] has enjoyed tremendous growth and success. Our goal has always been to provide our clients with the best service possible. This requires investments in people, training, and technology, which continue to increase each year.

To ensure our firm's future growth and the proper use of firm resources we recently evaluated our client base to determine those clients that we could continue to serve efficiently and profitably. Unfortunately, [insert name of client] does not meet the criteria established. In order to communicate this information with you quickly we are sending this letter so that you can find a new CPA firm prior to January 1, [insert year].

We have enjoyed working with you. Please accept our best wishes for the future. Of course, we are available to answer any questions you may have regarding this letter.

Sincerely,

[Insert name of engagement partner]

Sample Raise the Fee Letter

[Insert date]

Client Name
Company
Address
City, State, Zip

Dear :

At [insert firm name] we value the relationships we have with our clients. Our goal is to provide you with the best service possible. This involves not only being available, attentive and responsive to your needs, but also providing talented, experienced professionals to work with you.

Ensuring that you continue to receive the level of service you have come to expect from us requires that we continue to invest in our people, training and technology. We also need to ensure the proper use of firm resources. We recently evaluated our client base and established minimum fee standards. It is with this in mind that we must alert you of the need to increase your annual fee to [insert firm name]'s \$[insert amount] minimum.

In order to communicate this information with you quickly we are sending this letter. Of course, we are available to answer any questions you may have. *If we don't hear from you by [insert date], then we will conclude that you agree with your new fee.*

Thank you for the continued trust you place in us. We appreciate having you as a client and look forward to continuing our relationship with you.

Sincerely,

[Insert name of engagement partner]

Jean Caragher
Capstone Marketing



Jean Marie Caragher is an award-winning, recognized industry expert, author, speaker and advocate with nearly 30 years accounting marketing experience. Accounting marketing is her passion. Her tenacious approach with her CPA firm clients is based upon her experiences as a CPA firm marketing director, a CPA association executive director, and her 17 years of consulting experience since forming Capstone Marketing. Jean is a founder of the Association for Accounting Marketing (AAM), AAM past president, AAM past Volunteer of the Year recipient, inaugural AAM Hall of Fame inductee and multiple AAM-MAA award winner.

Capstone Marketing provides a variety of services to CPA firms including Brand SurgerySM, Marketing Plan Development and Implementation, Inbound Marketing, Retreat Facilitation, Training, and Marketing Director Recruiting.

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