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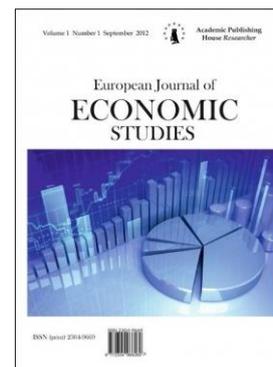
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A Marketing Study into Consumer Needs for Consulting Services

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Abstract

Any service ought to be analyzed, first and foremost, in terms of its usefulness to consumers and its ability to meet their needs. An effective way of studying consumer needs is to conduct marketing research. This marketing study, which factored in the specificity of the issue in question and the characteristics of accounting consulting services and their consumers, was conducted in 3 stages. Its findings reveal that the need for accounting and taxation consulting services does exist today, and that the way it is currently being met needs improvement.

Keywords: marketing research, consumer behavior, consumer preferences, accounting consulting, taxation consulting, services marketing.

Introduction

Any service ought to be analyzed, first and foremost, in terms of its usefulness to consumers and its ability to meet their needs. An effective way of studying consumer needs is to conduct marketing research. This marketing study, which took account of the specificity of the issue in question and the characteristics of accounting consulting services and their consumers, was conducted in 3 stages [1-10].

The first stage involved an analysis of information on firms' clients with a view to assessing, across groups of clients, the degree to which they are in need of consulting services related to accounting. The study employed ABC analysis to identify three groups of clients based on the degree to which they impact sales volume.

Group A (around 20 % of clients whose combined sales volume accounts for 80% of the firm's total turnover) included: municipal public utility companies (40 % of the total number within the group), large commercial trading firms (27 %), large production enterprises (10 %), and local self-governing authorities (6 %).

Group B (around 30 % of clients) was comprised of large and medium trading firms (52 %), hotels and companies within the service sector (24 %), and state institutions (16 %).

Group C (around 50 % of clients) included state institutions (38 %), medium and small retail businesses (25 %), and companies within the service sector (15 %).

Next, the author analyzed data related to the degree to which the clients are satisfied with the service.

The analysis revealed that clients in Group A are the ones who most often experience technical problems with using software and with keeping track of particular transactions within the automated system. Around 30% of the clients evinced the need for consulting on changes in legislation. The overall assessment score for the quality of services across this group was 4.5.

Clients in Group B predominantly tend to have problems with calculating taxes and with putting together reports. Among the additional services noted by them are consulting in the area of taxation and elucidating legislation related to it. The overall assessment score for the quality of services across the group was 4.1.

Clients in Group C noted having problems with putting together tax reports and interpreting changes in legislation. Here the service quality assessment score was 4.8.

The second stage involved conducting an exploratory qualitative investigation with a view to putting together an instrumentarium for the study's subsequent stage based on the issue under study.

The stage had the following objectives:

- put together working hypotheses with respect to the degree consulting services related to accounting and tax reporting are in demand at the moment;
- identify the most pressing issues faced by today's accountants in their practice;
- find out the reasons for which potential clients enlist, or fail to enlist, the services of a third-party consultant;
- determine who at the company makes decisions in terms of enlisting the services of a third-party consultant;
- determine some of the possible forms of service provision at a consulting firm.

From the general population of entities, the author picked 5 commercial companies based on their line of business and size, as well as their availability for an interview. The author then conducted an in-depth interview with accountants at small and large retail businesses, companies within the service sector, production enterprises, and construction companies.

The study produced the following findings.

The most pressing issue faced by today's accountants in their practice is that of optimizing taxation as per current legislation and dealing with the tax-related consequences of particular transactions and deals. Also, some of the respondents noted they tend to have some difficulties in preparing accounting and tax reports, keeping track of new business transactions, and reflecting them in the automated system.

The frequency of the emergence of problems in book keeping and tax reporting depends primarily on:

- the specificity of the company's business activity and its reporting policy;
- the degree to which the configuration of the installed software package matches the company's reporting objectives;
- the number of business transactions per month;
- the frequency of changes in legislation.

According to the respondents, the need for consulting on issues related to accounting normally arises under the following circumstances (arranged in order of popularity, the most popular answer appearing at the top of the list):

- when there are changes in legislation;
- during periods when the company's quarterly accounting reports and annual statement are prepared;
- when the company's scope of activity is expanded; when the company is reorganized; when the company is shut down;
- when there is a need to work out and automate the company's accounting policy and schedule for document flow (if it is a new company).

It was also revealed that decisions as to enlisting the services of third-party accounting consultants are made by the head of the organization inclusive of the opinions and recommendations of the chief accountant.

As regards the possible form of service provision at a consulting firm, the respondents suggested subscription-based (quarterly/annual) and one-time servicing (i.e., on an as-needed basis). Preferences in favor of one of these forms depend on:

- the frequency of the emergence of problems in book keeping and tax reporting and the degree of their complexity;
- the company's financial and labor resources;
- the company's objectives and goals.

The third stage involved gathering and analyzing information on consumers of services related to accounting and taxation consulting and their preferences – through interviewing the respondents in person.

The main hypothesis formulated during the course of this stage is that companies within the city of Astrakhan do have a need for the services of third-party accounting and taxation consultants.

The focus of this stage was on companies within Astrakhan whose major characteristics (their location in Astrakhan and their size and form of proprietorship) were selected in such a way as to match the characteristics of consumers of accounting consulting services.

The study explored the degree to which these companies are in need of consulting services related to accounting and tax reporting and the preferences of their executives and top managers in respect of these services.

The aim of the investigation was to determine the degree to which clients are in need of consulting services related to accounting and tax reporting and identify the key preferences in this market across groups of consumers.

The aims of the study:

- describe the profile of clients;
- determine their preferences in respect of accounting and taxation consulting, as well as the forms of service provision;
- identify the degree to which one is satisfied with the service at the moment;
- identify the criteria for the choice of third-party consultant.

In determining the size of the sample, the author compiled the study's sampling frame from data on companies and sole entrepreneurs within the city of Astrakhan provided by the local statistics office.

To ensure the results of the survey in the sample population could be applied to the general population, the author used multistage sampling with quotas. Form of proprietorship and company size were used as the primary parameters for selecting the survey's respondents.

Quotas for the sample population were set based on percentage ratios within each attribute which were characteristic of the general population (data on percentage ratios were provided by the State Committee for Statistics of Astrakhan Oblast).

The sample's size was 150 organizations, out of which: 40% were sole entrepreneurs and 60% were commercial firms.

The study was conducted via the method of oral questioning in a conversation with an executive officer or a deputy executive officer. This method was used due to the specificity of the study's subject and object and implied surveying respondents using a pre-scripted questionnaire.

The survey produced the following results.

36% of respondents were found to have used the services of an accounting consultant in 2015.

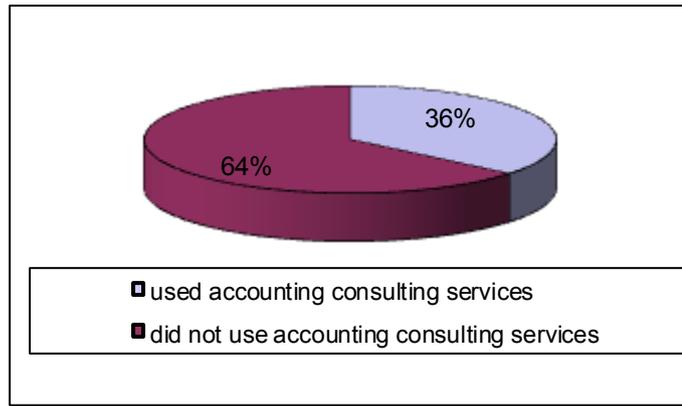


Figure 1. The ratio of respondents who did and did not use the services of accounting consultants in 2015.

Out of these, 4 % enlisted the services of a natural person or a sole entrepreneur, 10 % used those of a consulting firm, 22% attended training workshops for accountants, 45 % obtained consultation via the *Garant/Konsultant Plyus* legal system, and 24 % went to an audit firm.

The primary reasons as to why most of the respondents did not go for a third-party consultant were the availability of the company’s own accounting personnel (43 %) and the lack of spare resources (34 %). Figure 2 features the distribution of answers.

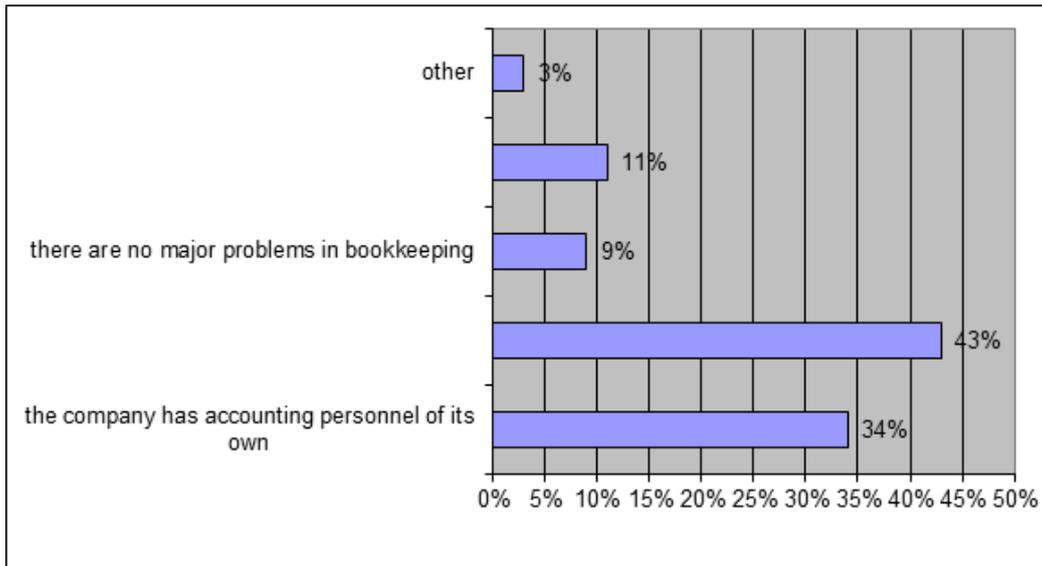


Figure 2. The reasons behind the reluctance of companies to hire third-party accounting and taxation consultants

The most sought-after services based on the number of respondent answers were: consulting on issues related to changes in legislation (41 %), consulting on issues related to calculating taxes and optimizing taxation (34 %), consulting on issues related to reflecting various business transactions in the ledger (16 %), keeping track of business operations in the automated system (20 %), and preparing accounting and tax reports (9 %). Figure 3 illustrates the distribution of respondent answers.

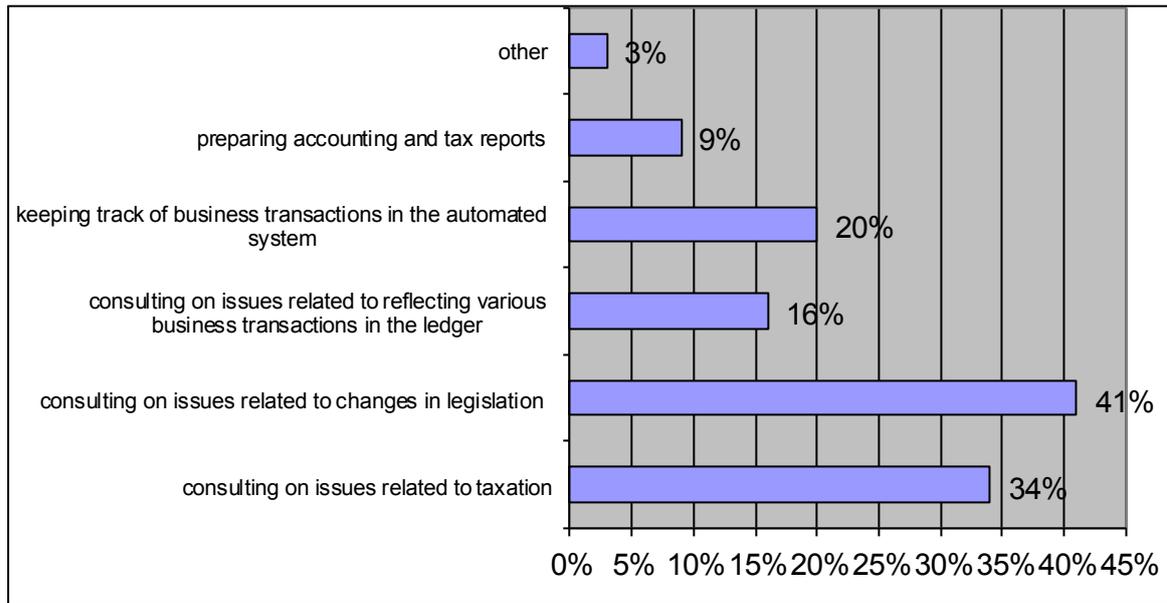


Figure 3. The accounting consulting services used by the respondents

In order to assess the degree to which the consumers of consulting services were satisfied with the quality of those services, the respondents were asked to rate 5 key indicators on a scale of 1-5. As a result, 85 % of respondents gave scores of 4-5 in regards to “complying with information confidentiality requirements”, 73 % to “effectiveness”, 68 % to “providing additional services”, 62 % to “being competent”, and 43 % to “being prompt”. The survey identified several indicators that need improvement.

In order to establish some of the key, viable dimensions of consulting activity in the way of accounting and tax reporting, the author asked the respondents to name the services they would like to use. The following were identified as the most topical areas:

- automating particular areas of or the whole of accounting (36 %);
- elucidating legislation related to accounting and taxation (31 %);
- remediating technological errors in accounting and tax reporting software (27 %);
- optimizing taxation (23 %);
- examining particular transactions and deals for possible tax consequences (21 %);
- setting up and conducting one’s bookkeeping (14 %);
- conducting analysis of one’s financial/business activity (12 %);
- providing legal support in dealing with tax authorities (5 %).

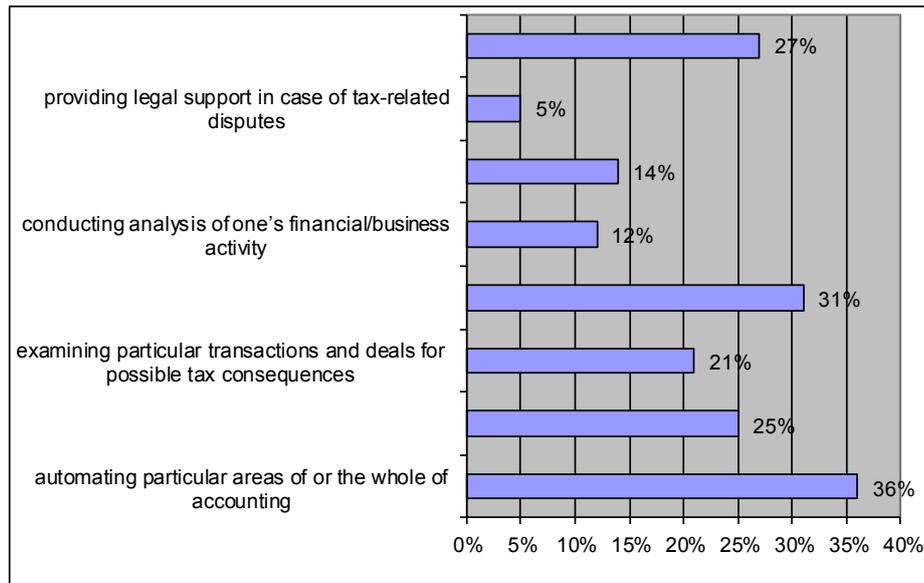


Figure 4. The services the respondents would like to use

When asked about the most acceptable form of servicing, 53 % of respondents chose one-time consulting, i.e. on an as-needed basis, while 23 % opted for subscription-based servicing. However, as an alternative to these forms of consulting, 36 % of respondents mentioned attending training workshops and conferences.

As regards the crucial factors in the choice of third-party consultant, respondent answers lined up as follows (arranged in order of popularity, the most popular answer appearing at the top of the list):

- positive reviews and recommendations;
- personal connections;
- prices;
- provision of additional services;
- experience operating in the market;
- friendly and dedicated personnel;
- high numbers of clientele.

The study also revealed that the most widely used bookkeeping automation software at the moment is 1C. This was attested to by 66% of respondents. 19% said it is PP BEST, while 3% went with PP Parus, and 10% said they use a software package of their own design.

To conduct a deeper analysis of consumers of the service and identify the most promising segments, the author performed an analysis of the survey data across the various groups of respondents. The following division attributes were used:

- form of proprietorship (commercial organization vs sole entrepreneur);
- experience using/not using the services and plans to use them;
- number of business operations per month (1-500, over 501).

The distribution of answers across the groups of respondents is illustrated in Table 1.

Table 1: The distribution of answers across the respondent groups

Number of transactions	Commercial organizations		Sole entrepreneurs	
	Used consulting services and plan on using them	Did not use consulting services but plan on using them	Used consulting services and plan on using them	Did not use consulting services but plan on using them
1-500 operations per month	5	7	9	21

Over 501 operations per month	16	6	3	13
Total	21	13	12	34

Thus, based on an analysis of the data appearing in the table, the most in-demand services for commercial organizations are:

- elucidating legislation related to accounting and taxation (36 %);
- remediating technological errors in accounting and tax reporting software (29 %);
- automating particular areas of or the whole of accounting (25 %);
- consulting on issues related to optimizing taxation (25 %);
- examining particular transactions and deals for possible tax consequences (15 %) (Figure 5).

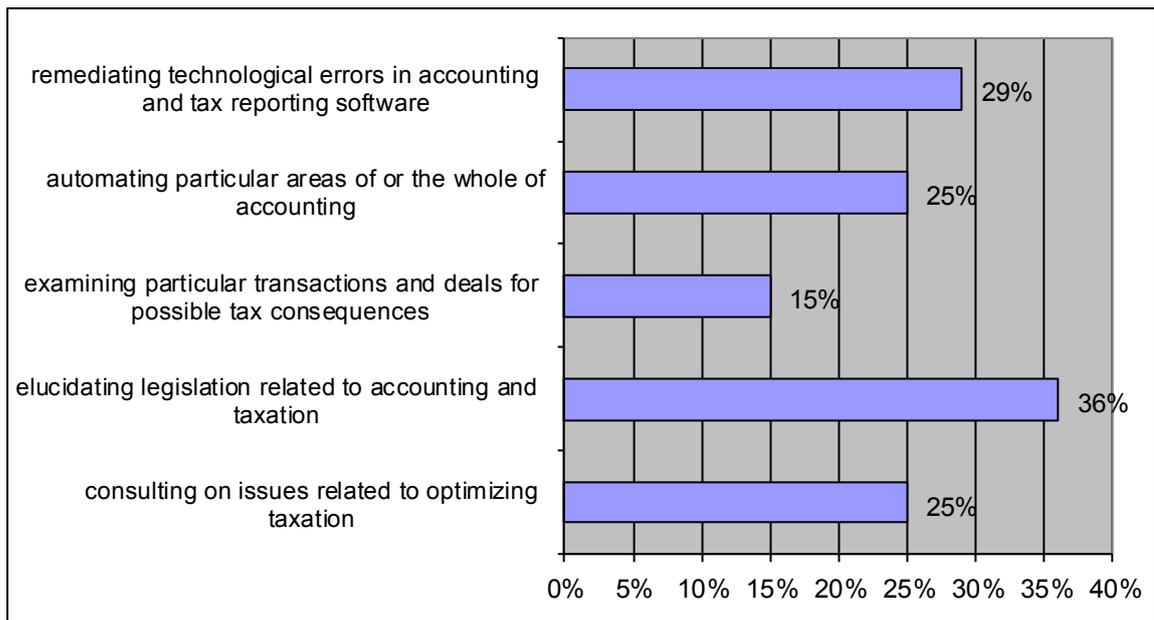


Figure 5. The most in-demand services related to accounting and tax consulting among commercial organizations.

Sole proprietors found the following services to be the most in-demand:

- elucidating legislation related to accounting and taxation (42 %);
- setting up and conducting one’s bookkeeping (28 %);
- automating particular areas of or the whole of accounting (27 %);
- consulting on issues related to optimizing taxation (25 %);
- conducting analysis of one’s financial/business activity (12 %);
- providing legal support in dealing with tax authorities (5 %) (Figure 6).

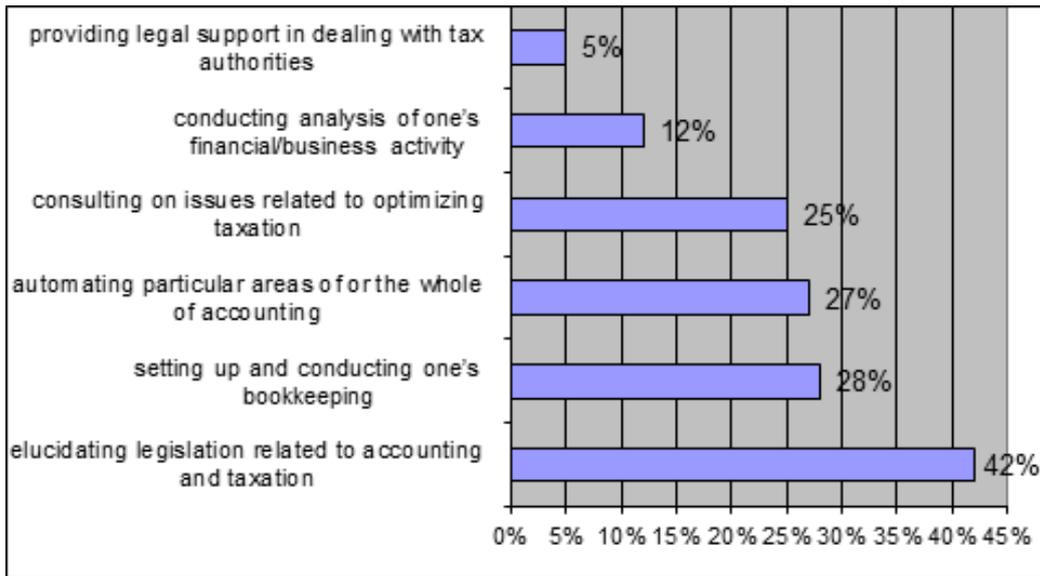


Figure 6. The most in-demand services related to accounting and tax consulting for sole proprietors

When asked about the most preferable form of servicing, commercial organizations opted for subscription-based servicing (31 %) and attending workshops for accountants (26 %), whilst sole entrepreneurs went with one-time consultations (63 %).

As far as the factors governing the choice of third-party consultant, the distribution of answers across the groups of respondents was as illustrated in Figure 7.

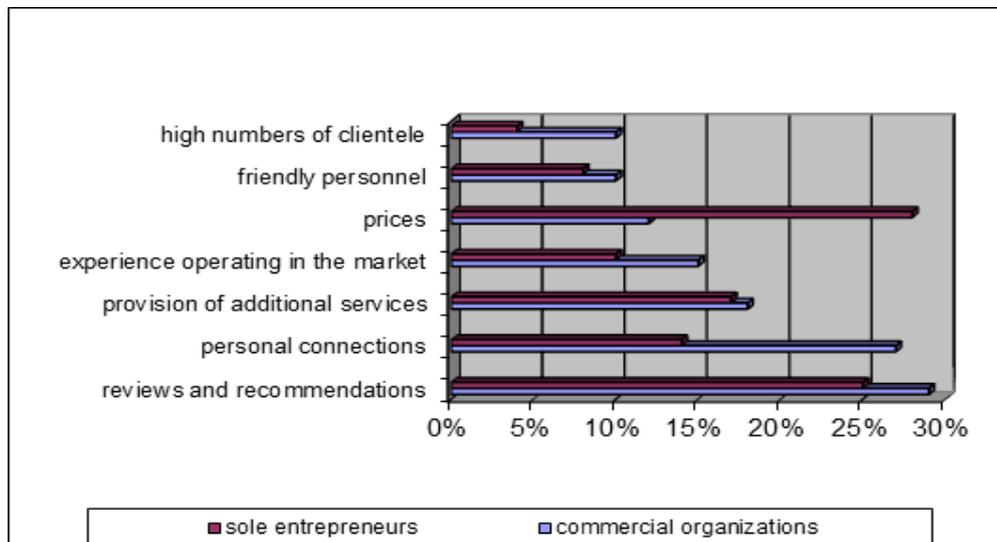


Figure 7. The factors governing the choice of third-party consultant across the groups of respondents

Based on the analysis conducted, we can identify the potential segments of consumers to which it makes sense to orient the service:

- 1) commercial organizations with over 501 business transactions (medium and large companies), a highly solvent segment which may be of interest to the firm in terms of entering agreements for integrated servicing.

2) sole entrepreneurs (small business) with up to 500 business operations per month, a growing and sizeable segment which may be of interest given the increasing volume of accounting consulting services they consume.

The author's analysis of the market and its trends has revealed that the capacity of the market of accounting consulting services is currently estimated at 38million rubles, with its annual growth rate being 35-45 %.The most in-demand services are those related to tax and accounting consulting, as well as those related to auditing. Among the key trends in the market's development are:

- an increase in interest in additional services and integrated servicing;
- the formation of demand for the outsourcing of accounting through small business companies with a few staff members, with no permanent office, and with a low document flow, as well as holdings;
- the growing use of software programs in running the business;
- businesses adopting international standards for accounting;
- constantly changing legislation, an increase in the number of regulations, and, as a consequence, greater likelihood of them being interpreted in different ways.

Conclusion

The author's study of consumers of accounting and tax consulting services has revealed that the need for these services does exist today and that the way it is currently being met needs improvement. The respondents noted the need for additional services provided to them and better service. Complications associated with optimizing taxation, interpreting legislation, and putting together the company's accounting reports, as well as the mismatch between the functionality of software used by the company and its accounting objectives, are paving the way for the operation of such firms. Having said that, in order to properly concentrate one's efforts and avoid wasting one's resources, one may want to focus on the more attractive key segments of the market.

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