

October 2020

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# Perceptions of Audit Firms

Client Perception Programme





## Our values and integrity

Our purpose is to help you grow your business. We aim to provide you with the best data and analysis to help you make the right decisions for your firm.

To that end, Source Global Research is completely independent of any professional services firm we work with or comment on. The views about each firm expressed in this report come from senior end-users of professional services; your clients and prospects, in other words. All analysis is our own—as experts in interpreting client data, our aim is to help you make sense of it and bring the important messages to your attention quickly.

It is not possible to influence our rankings either by subscribing our research or by paying us money—it never has been and it never will be.



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# How we can help your firm to deal with what's happening now and prepare for what comes next

Even before COVID-19, the professional services industry was entering a period of change the likes of which it had never experienced. But the pace of that change is now being accelerated, as firms respond to the crisis and reimagine their future in a changed world. We're working side by side with them, using our experience, data, and deep sector knowledge to help them create effective strategies for extraordinary times.



## Real-time forecasting

Since mid-March, we've been supplementing our unique model of the global professional services sector with data collected from hundreds of consulting firms around the world. Our weekly updates have become the industry's satnav, providing up-to-date estimates of the likely impact of the crisis by region, sector, and service, which change as the market changes, helping consulting firms to adjust their strategy accordingly. But this publicly available data is for the market as a whole, and every firm faces a unique set of challenges. As you plan for the next 12-18 months, we can provide forecast data that's tailored to your business.



## Immediate market feedback

One of the biggest challenges facing consulting firms is uncertainty: How has client behaviour changed as a result of the crisis? Whether we're leveraging our own research carried out over the previous few weeks, or undertaking custom research around your services and markets, we can provide you with quantitative and qualitative feedback very quickly, enabling you to take quick and informed decisions.



## Client-led propositions

Past crises have shown that the speed with which a consulting firm adapts its services will determine its resilience—and that's truer than ever in the current environment, when clients' expectations around what's possible have radically shifted. They're looking to consulting firms to deliver better, faster solutions—and consulting firms will need to respond by being more precise about where they can add tangible value and more compelling in the way they articulate this. We've worked with many firms over the last decade helping them test their ideas with clients.

## About us



**We're nerds:** We take a data-driven approach to helping firms take investment decisions. Since we started, we've invested millions in sophisticated, proprietary research techniques that give us unique insights into current and future trends.



**We're experts:** We've been focusing exclusively on the professional services sector for more than a decade, and we keep our knowledge up to date by interviewing hundreds of senior partners in professional services firms around the world each year.



**We're future-focused:** We undertake the largest regular quantitative surveys of the professional services sector anywhere in the world, and we're constantly talking to professional services firms' clients in order to understand how changes in their behaviour will reshape the industry in the future.



**We're independent:** Our analysis and recommendations are derived from our data and experience. We don't recommend firms to clients, and we will never tell you what you want to hear just because you've paid us.



**We're obsessed with value:** Our information and insights have underpinned some of the most strategic investment decisions made by professional services firms. That's because we know that, if we're going to have an impact, how we communicate is as important as what we communicate.



**We're easy to work with:** We'll work with you as you want, whether that's providing you with off-the-shelf data or multi-country custom research. Because we want our work to add value, we charge for what you need. We don't run a meter and we don't have complicated licensing that limits who can read our material.



## How to use this Client Perception Study

It's very important to be clear about what our Client Perception Studies are, and are not:

What they're not are exhaustive studies of clients' opinions about specific firms that remain statistically robust when filtered to provide detailed data about views at a very granular level of the market. So if, for instance, you want statistically robust data about what clients in the pharma & biotech sector in the UK think about BDO's data analysis capabilities, you won't find it in these reports. We do profile individual firms in our reports to the extent we can, but our Client Perception Studies are not designed to replace the sort of in-depth client research that many firms carry out (and often ask us to carry out for them).

What they are designed to do is provide a snapshot of views within the audit market at a point in time. What they lack in detail about individual firms they make up for in three important ways:

- **A multi-firm view.** Our reports enable audit firms to see how they stack up against their competitors in the minds of clients.
- **A view from prospects,** not just existing clients. We include the views of people who aren't current active clients of the firm they're telling us about, enabling us to understand what we tend to think of as a firm's brand pipeline, and to compare the views of prospective and active clients. In doing this, we're able to assess the extent to which clients' expectations of a firm are met in reality, and how well a firm's marketing and delivery capabilities are aligned.
- **Independence and expertise.** The trouble with conducting your own client research is that clients are often reluctant to express negative views about firms (and people) with whom they've worked closely. They have no such concerns when they're telling us. Added to which, we're able to bring the expertise we've gained over years of analysing the professional services market to bear, helping to interpret the results within the context of the wider market and the strategic priorities of audit firms.

It's important to remember that this is a study of client perceptions; a summarised view of what we're hearing from the market. It's not Source's view, nor is it a comment on market share or a recommendation to clients about which firms to buy from. The audience of these reports is very much the firms featured in them, and those interested in the strength of the competition in any given market.



## Methodology

### *Who did we talk to?*

We have 250 responses from our survey of CEOs, CFOs, and senior financial executives in the US and UK in July to August 2020, all of whom have been responsible for selecting external auditors or have worked with external auditors during the audit process. We ask all respondents about their current auditor and two other firms they're familiar with, giving us 750 responses about different firms. They represent a wide range of industries and 96% work in organisations that generate more than \$500m in revenue. We asked them not just about the Big Four, but also about mid-tier accounting firms.

For more information about the people we surveyed, please see the extended methodology section at the back of this report.

### *The difference between direct clients and prospects*

We talk about two types of clients in this report: direct clients and prospects.

Direct clients are clients who currently use a particular firm as their external auditor.

Prospects are clients who feel qualified to share an opinion about a firm but aren't among the firm's direct clients. They may have had exposure to advisory work the firm has done, used the firm previously as their external auditor, or they may have simply formed an impression based on reading a firm's thought leadership or being exposed to its marketing in some other form.

The differences between the opinions of these two types of clients tell us a lot about the differences between expectation (prospects) and reality (direct clients). But it also tells us something about the differences between a firm's marketing and what it actually delivers.

## Discover more online

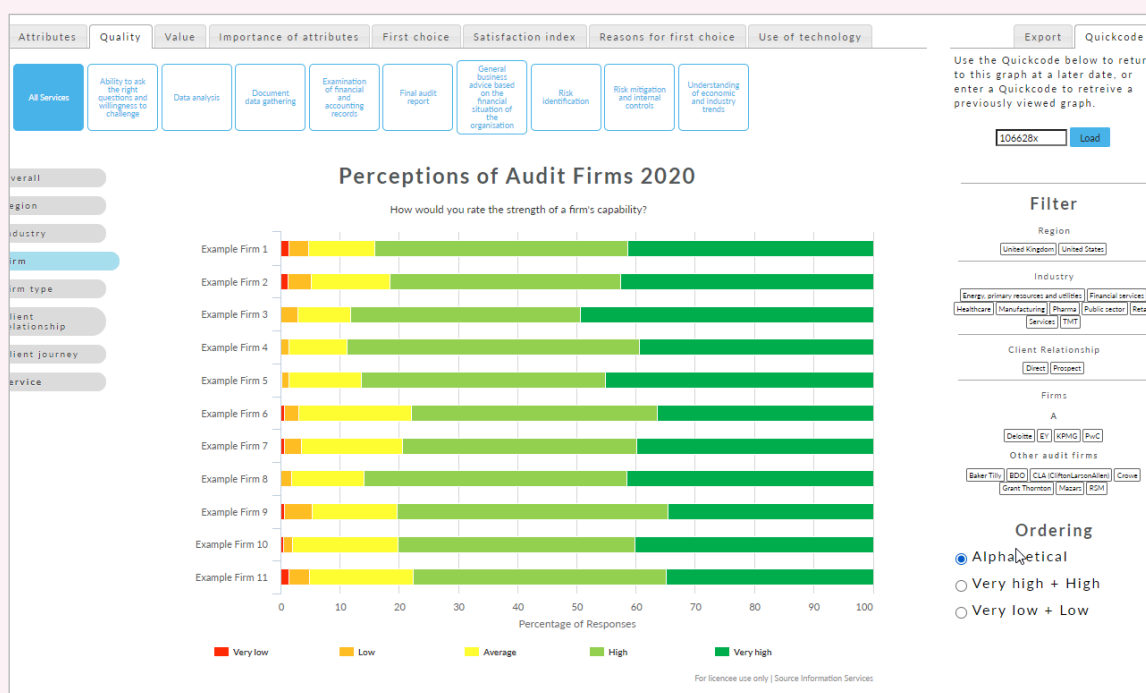
The data contained and referred to within this report is also available online, where it can be sorted and filtered according to your preferences. In fact, some of the charts contained in the report link directly through to the online database. Note that wherever you see a quick code next to the title of a chart, that code can be entered into the search function of the database to reproduce exactly the same chart.

## How to access the data

To access the data, you can either go to the page where you downloaded this report and click on the 'Explore the data' button, or alternatively, you can [visit our website here](#) and log in using the same credentials you use to download the report.

## What can I do with the data?

From here, you will be able to filter all the data in this report on each of the key areas: attributes, importance of attributes, quality, first choice, reasons for first choice, satisfaction index, value, and use of technology.



When you log on, you'll notice that in some areas there's data that's in a faded grey colour. This is where we have data, but it's not a big enough sample to include in a ranking in this report. If you have any questions about any of the data, please [contact us here](#).



## What clients are telling us

### Clients and journalists see the value of audit differently

Journalists have filled many inches in newspapers in the last few years with tales of audit failure. Often, the implicit tone is that the industry is a gravy train: Audit firms, cosy with their clients, are paid huge sums of money to deliver poor audits, while regulatory bodies that are supposed to oversee their activities are ex-partner chums who hand out little worse than a slap on the wrist for bad behaviour. There are frequent public calls for the industry to be reformed, and even broken up.

With this narrative, it may come as some surprise to hear that many audit clients appear to disagree with this diagnosis. In fact, 46% of them say that audit firms add more value than they charge in fees. It may also be a surprise because audit is typically non-discretionary, and many of the benefits of an audit accrue to outside investors rather than the direct client within the company paying for the audit. It's also seen by many as quite commodified, with an expectation that one audit is going to look largely like another.

**Figure 1**

*What was the approximate value added by a firm on the last audit you worked with them on? If you haven't worked with them, what would you expect the value to be?*



- Less than the amount we paid
- Around the same as the amount we paid
- Twice the amount we paid
- Five times the amount we paid
- Ten times or more the amount we paid

Despite this, it's still worth emphasising that most clients see audit as either a transaction (the value added and the fees charged are the same), or, in a small minority of cases, value destroying (8%). And it's reasonable to assume that most audit firms would want clients to think that an audit adds value.

So what can audit firms do? Our data suggests that firms should also talk about what they're doing to make the audit process easier for clients, and how they're making it better through technology. When we look at the relationship between clients' ratings of value and different attributes of what it's like to work with a firm, we see the strongest



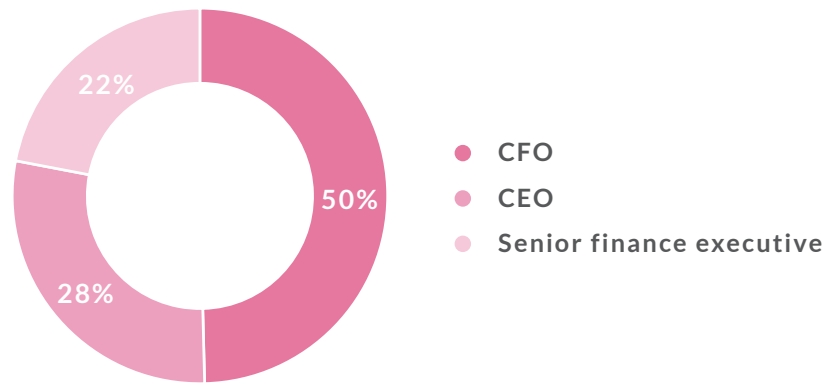


## Methodology in full

Who did we talk to?

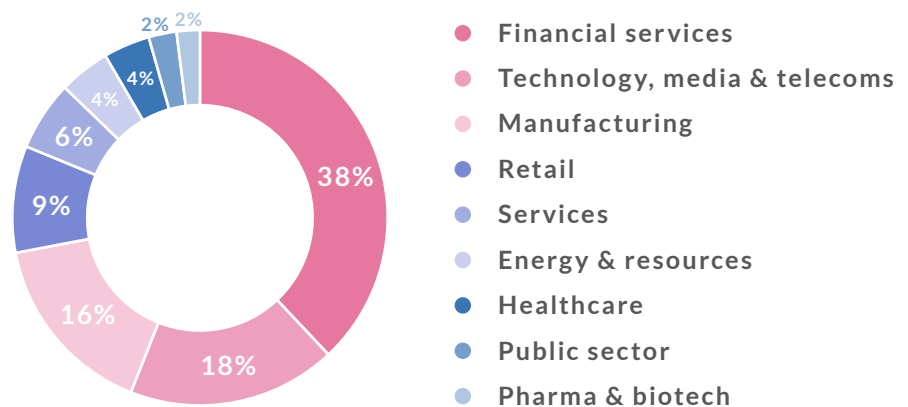
**Figure 27**

*Respondents' role*



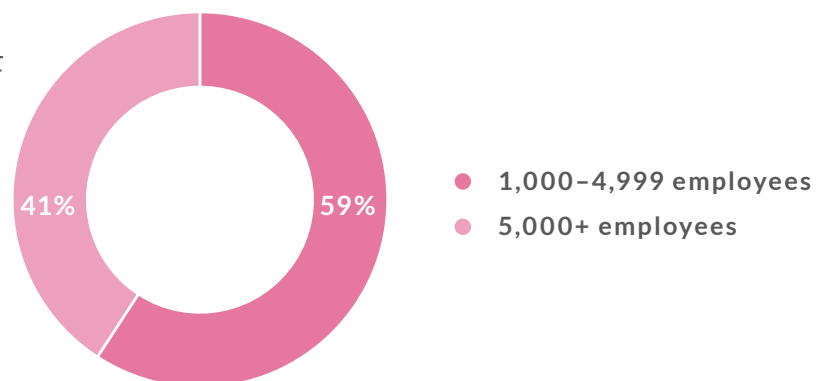
**Figure 28**

*Respondents by sector*



**Figure 29**

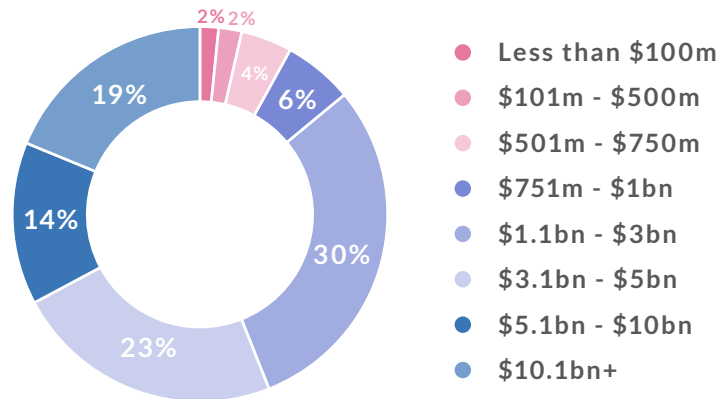
*Respondents by organisation's headcount*





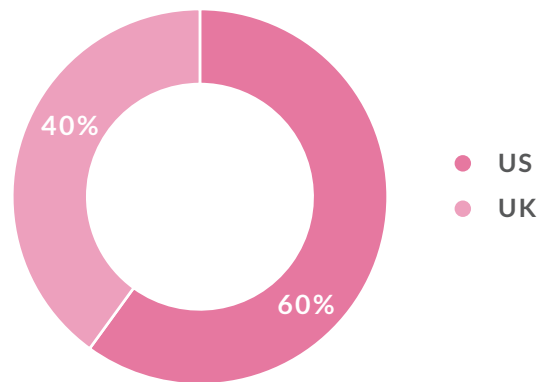
**Figure 30**

*Respondents by revenue*



**Figure 31**

*Respondents by region*



**Figure 32**

*Respondents by current auditor*

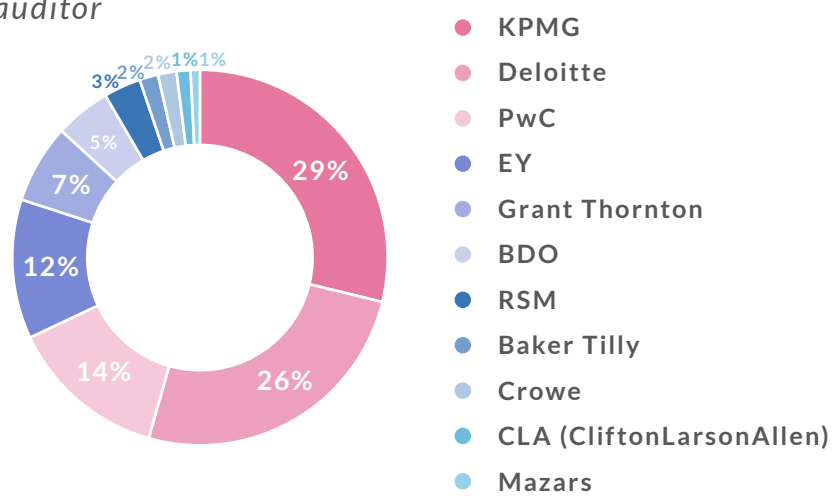




Figure 33

*Respondents by length of relationship with current auditor*

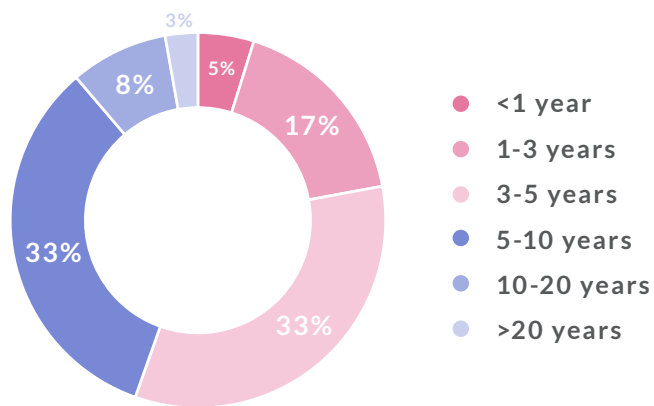
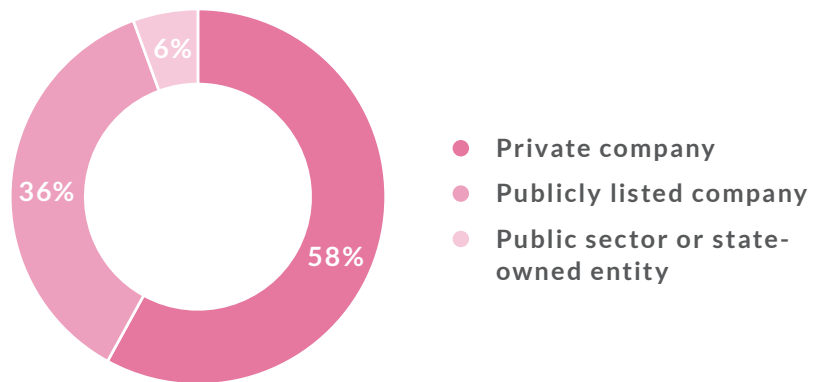


Figure 34

*Respondents by type of organisation*





### Which firms are included in this report?

	Did we ask about this firm in the UK?	Did we ask about this firm in the US?	Detailed profile available?
Baker Tilly	X	✓	✓
BDO	✓	✓	✓
CLA (CliftonLarsonAllen)	X	✓	✓
Crowe	✓	✓	✓
Deloitte	✓	✓	✓
EY	✓	✓	✓
Grant Thornton	✓	✓	✓
KPMG	✓	✓	✓
Mazars	✓	✓	✓
PwC	✓	✓	✓
RSM	✓	✓	✓

### How do we rank firms in this report?

In this report, we reveal the top-ranked firms in four areas: first choice, satisfaction index score, quality, and value. We look at the top-ranked firms overall, but where we can, we also split the data to look at perceptions in each audit task and by client type. We have data by sector and region (that is, looking at how views of respondents in different sectors and different countries vary) available online. In breaking down the data to this level our sample sizes can become quite small, so where it isn't big enough for us to be confident, we grey out the data in question. To explore the data further, please visit our [online portal](#), where you'll be able to see all the data we have in one place. If you have further questions, please contact [info@sourceglobalresearch.com](mailto:info@sourceglobalresearch.com).

**First choice:** We base our rating on the proportion of people who tell us that a particular firm would be their first choice for audit services, if all other things were equal.

**Satisfaction index:** We base our rating on the proportion of direct clients of a firm who say that the firm is also their first choice, all else being equal.

**Quality:** We base our rating on the sum of the proportion of people who describe quality as either "high" or "very high". Where that produces an equal result between two firms, we take into account the share who have described quality as "very high" to determine the order in which they are ranked.

**Value:** We base our rating on the sum of the proportion of people who describe firms as adding value equivalent to "twice the amount we paid", "five times the amount we paid", or "ten times or more the amount we paid" in fees. Where that produces an equal result between two firms, we take into account the share who have described value as "ten times or more the amount we paid" to determine the order in which they are ranked.



## About the author

### *Martin White*

Martin is a Senior Analyst at Source in our Client & Brand Insights team. He is an experienced writer and analyst specialising in client perceptions and helping professional services firms to understand how they are perceived in the market. Prior to joining Source, Martin spent more than 11 years as an economic and financial consultant in a variety of roles at FTI Consulting and LECCG.

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## Programme schedule for 2020

Reports 2020	Market Data & Analysis	Client & Brand Insights	Emerging Trends
January			
February	Forecasts for 2020 UK	UK	
March	GCC Benelux	GCC Nordics	The Future of Account Management
April	Nordics	Germany	
May	DACH France Southern Europe US	US France	
June	Eastern Europe & Russia Canada Australia India South America Japan South East Asia China	Financial Services Technology, Media & Telecoms	Sustainable Futures: Building Resilient Businesses
July	Mexico Africa	Energy & Resources Healthcare	
August	Global Risk & Cybersecurity Services	Perceptions of Risk Firms Perceptions of Tax Firms	
September	Financial Services	Perceptions of Audit Firms	Sustainable Futures: A Climate Transformed
October	Energy & Resources Healthcare & Pharma Global Tax Advisory		
November	Technology, Media & Telecoms Planning for Growth in 2021		The Consultant of Tomorrow
December			

Please note that with the purchase of all country Market Data & Analysis reports in 2020, you will also gain access to monthly updates regarding the impact COVID-19 is having on the consulting industry more widely.

### White Space

A powerful research tool that allows subscribers to keep up to date with the latest content being produced and maximise their return on investment. A series of reports that analyse the quality and effectiveness of thought leadership are published throughout the year.

## Our custom work

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We provide advice and custom research services to the world's most successful professional services firms, helping them to identify, and develop strategic responses to, their most pressing opportunities and challenges.

Among other things, our work includes:

- Deep market and competitor analysis
- Acquisition strategy
- Proposition strategy and development
- Brand and client sentiment analysis
- Thought leadership and content strategy, development, and review

For more information about any of these, please visit our website or get in touch.

## Source Global Research is a leading provider of information about the market for professional services.

Set up in 2007, Source serves the professional services industry with expert analysis, research, and reporting. We draw not only on our extensive in-house experience but also on the breadth of our relationships with both suppliers and buyers. All of our work is underpinned by our core values of intelligence, integrity, efficiency, and transparency.

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