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Effectively Marketing a Tax Practice: A Case Study - What do H&R Block of Jackson Hewitt and Liberty Tax Service Have in Common?

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Abstract

There are many tax return preparation offices in every town. Any tax return preparer who wishes to attract the best clients' needs to consider several important factors. First, it is crucial to have a true strategy behind the office's marketing strategy. Second, tax return preparer needs to carefully evaluate the need to distinguish himself or herself from the next office down the block. Finally, tax return preparer needs to evaluate after-service satisfaction of clients and adjust the services provided in accordance with the responses. This paper will discuss various marketing techniques and will evaluate a real-life example of customer satisfaction based on a Volunteer Income Tax Assistance office exit satisfaction survey.

Keywords

Tax return preparation office, marketing strategies, tax planning and compliance, VITA

Introduction

Tax planning and tax return preparation offices are relatively numerous. Thinking about a town each one of us lives in, we could probably name a couple of tax preparation places that are around us quite easily. Yet, some of these businesses are just seasonal and only open during the tax preparation busy season. Others are open year-around and provide several lucrative tax services such as tax planning. So what makes H&R Block and Liberty Tax Service different from Jane Smith, CPA? This paper will discuss the various marketing techniques used by tax preparation offices. In particular, this research develops and tests customer reactions to various marketing techniques as an instrument that predicts the level of satisfaction that a tax return preparation customer has in her tax return preparer. The paper reviews and refines the proper marketing techniques that should be used by a successful tax return preparation office.

Background

Tax business marketing articles devote considerable attention to customer satisfaction. Most of such articles see a direct relationship between the effective marketing techniques and customer satisfaction (Vuletich 2009). After all, if the tax return is prepared in a way that leaves the taxpayer completely content, he or she will not only come back to the same tax return preparer next year, but also will definitely share the experience with other future potential clients. However, relatively little research tries to establish a connection between the types of services provided by a tax business, client satisfaction and likelihood of client referral to others for future business. Such analysis contributes to the marketing and management literatures by exploring the considering this important relationship.

As always, tax return preparers are ultimately responsible for whatever marketing strategies they engage in as long as the message that is conveyed to the consumer does not: (1) contain material misrepresentation of fact or law, or omit a fact necessary to make the statement

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considered as a whole not materially misleading and (2) likely to create an unjustified expectation about the results that a tax return preparer can deliver (Vuletich 2009). It is also one common practice to refer to oneself as a “specialist” or “expert.” Generally, tax return preparers are allowed to use such terms as long as tax return preparers has been certified as such by a reputable organization (Vuletich 2009). Either way, any terms used to imply tax return preparer’s level of expertise has to be a verifiable fact that does not mislead the public (Vuletich 2009).

When marketing themselves, tax return preparers often face the challenge of distinguishing themselves from others. Since there are so many tax practices around, tax return preparers whether they are attorneys, CPAs or registered agents, have to market themselves in a unique way. For example, H&R Block has focus on getting taxpayers enthusiastic about the tax season by focusing on do-it-yourself and tax payer himself: “Refund Season: Get Your Millions Back, America” (Rodriguez 2015). H&R Block has most of its revenue derived from selling software preparation packages. As the result, H&R Block’s tax services revenue rose 16.5% to \$2.5 billion from \$2.2 billion during the quarter ending April 30, 2014, which includes most of the tax season for tax year 2013 (Rodriguez 2015).

Liberty Tax Service, on the contrary, focuses on the service they provide to the taxpayer. With the slogan “It’s Time to Change Your Tax Preparer,” Liberty Tax has tried to avoid hidden fees such as sitting fee and free tax advice. With its eSmartTax, Liberty Tax has found a niche that makes them unique by focusing on tax planning so that tax payer who was missed the same deductions over and over again can finally get a comprehensive advice and amend prior year returns (O’Gorman 2010).

In order to develop a unique image for any given tax return preparer, the experts suggest focusing on words that imply emotions and focus on what is prominent locally (Vuletich 2009). Moreover, when developing an image for a tax practice, tax return preparers need to consider what type of client they would like to attract. For example, if tax return preparer uses words that imply strong and aggressive meanings for their image, they are likely to attract clients that will desire large refunds at all costs. Such taxpayers are also more likely to file a complaint against the tax return preparer if they do not get the desired result (Vuletich 2009). It is important to remember that angry and vindictive clients are far less likely to be satisfied with the tax return preparer’s services than others and will most likely fail to refer the tax return preparer to other clients (Vuletich 2009).

Research Methods

William Paterson University established Volunteer Income Tax Assistance Program (VITA) in the early 1980’s. The purpose of our VITA program is to offer free tax help to anyone in WPU community who is unable to prepare his or her own income tax returns. Specifically, our VITA office offers help to low and moderate-income taxpayers, whose total income is below \$49,000. In the last few years, we averaged about 160 returns per year. The service is advertised to WPU students and local community. At our site, tax returns are prepared by student-volunteers on

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Proseries software and are reviewed by a full time faculty at the Accounting and Law Department. The office does not prepare amended returns or any overly complicated returns that involve filing Schedules K-1s.

During the spring of 2014 semester, a survey was administered to test the satisfaction of our VITA taxpayer customers. Prior to the service, substantial changes were made to the way our office was run. The hours when student-volunteers were present were diminished from hours five days a week to only two days a week, with no weekends or evening hours. Moreover, the services offered at the office were reduced as well. The office no longer accepted complicated Schedule C and D returns. Finally, student- volunteers were no longer allowed to offer extra copies of the return for the customers. Taxpayers only received a filing copy of the return and a copy for their records. Yet, our services were to remain of high quality, undergoing two levels of review prior to filing. During the 2011-2014 tax years, there are no known errors or needs to amend the returns due to student errors.

Prior to administration of the survey, the following predictions were made: (1) as to the overall satisfaction, 10% of the tax payers would be extremely satisfied, 20% would be very satisfied, 30% would be satisfied and 40% would be dissatisfied; (2) as to the willingness of the our site customers to refer our VITA office to others, 30% would not be willing to refer our site to others, 20% would be 50% likely to refer us to others and 50% would be most likely willing to refer our services to other future tax payers.

It was our prediction that even with very limited services provided and very general and limited advertising; our participating taxpayers would still be at least 60% satisfied overall with our service and at least 50% likely to refer the site to others, resulting in increased number of returns in the next years.

Results and Discussion

The survey consisted of eight short questions. Each participant was asked the following, where the responses offered various degrees of agreement or disagreement:

- (1) How satisfied were you with services provided at WPU VITA office?
- (2) How convenient is our office location?
- (3) How well do our student-volunteers understand your needs?
- (4) If you used other VITA sites, was the quality of our service worse, the same or better?
- (5) Overall, how responsive have our student-volunteers we been to your questions or concerns about your return?
- (6) Overall, were you satisfied with student-volunteers?
- (7) How well did our student volunteers answer questions or solved your issues?
- (8) From 0 to 10, how likely is it that you would recommend our VITA site to others?

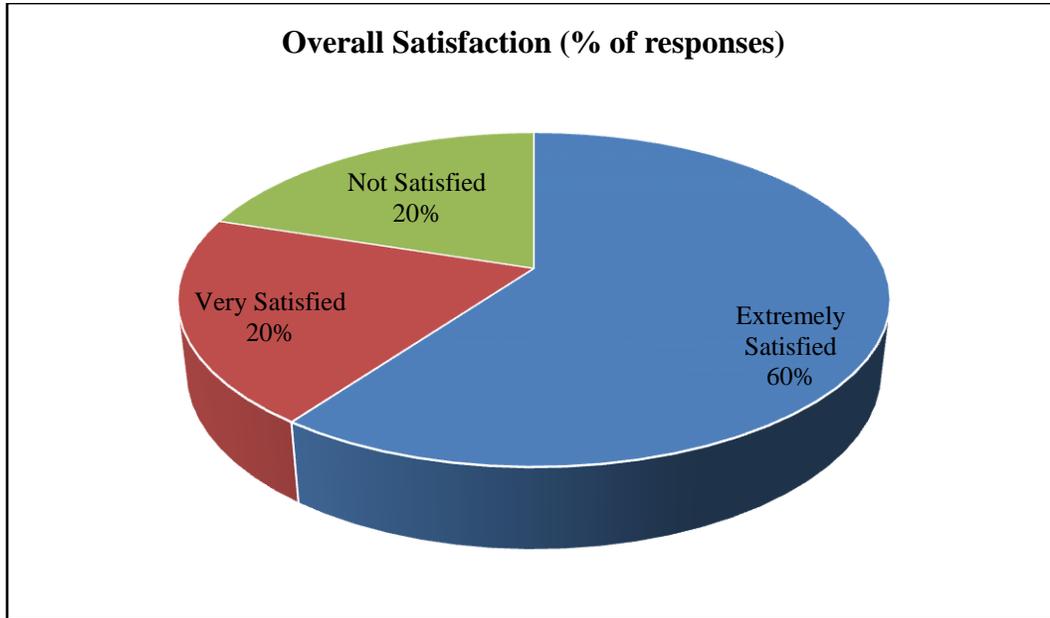
The results of the survey supported both of the predictions made above.

Moreover, according to the results, overall satisfaction directly controls the likelihood of referral to

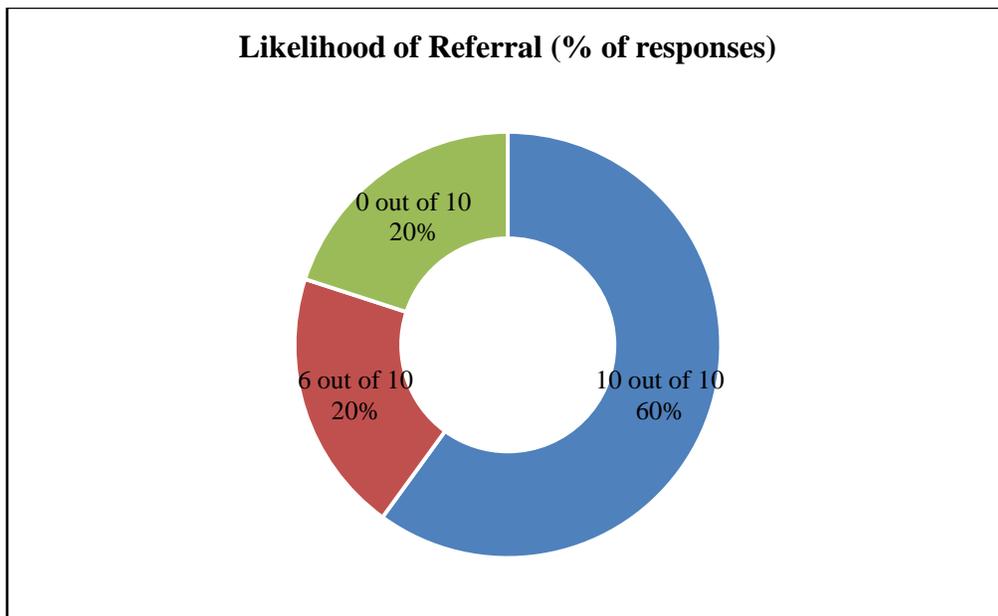
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others and to the satisfaction with the service provided by the student volunteers (Questions 1, 6, and 8).

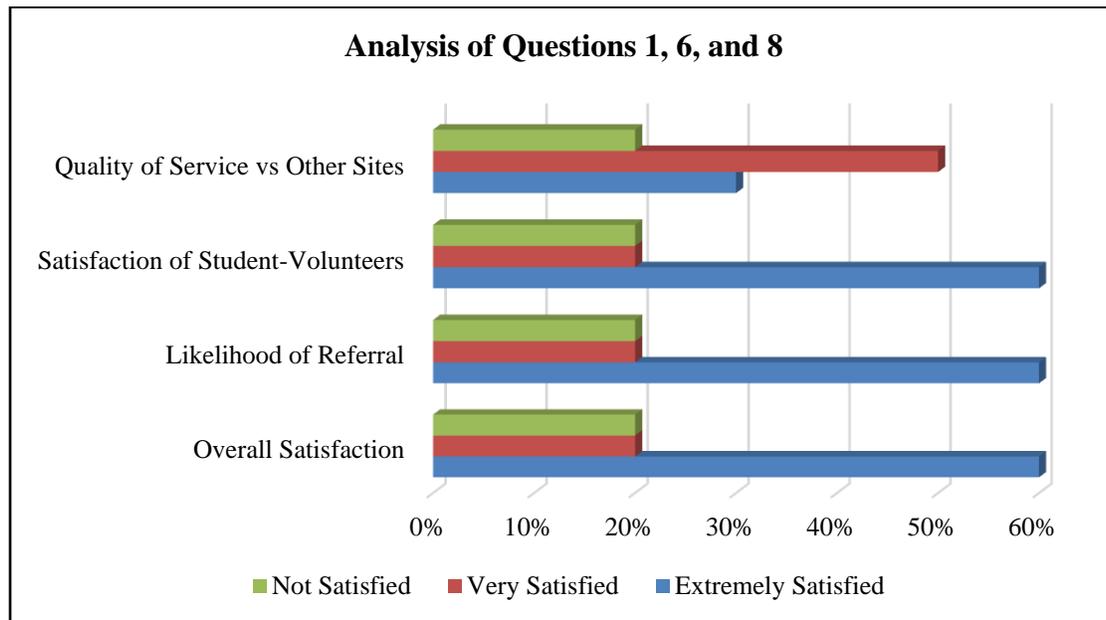
Question 1 - Overall Satisfaction



The survey was conducted using SurveyMonkey. The results were analyzed using DataCracker.



Moreover, according to the results, overall satisfaction directly controls the likelihood of referral to others and to the satisfaction with the service provided by the student volunteers (Questions 1, 6, and 8).



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