

## Local Assets

From Pricing to Personal Attention, Small Firms Find Ways to Compete With National Companies  
By Emmet Pierce

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San Diego— In the San Diego region, locally based accounting firms face challenges from international and national companies that are seeking to increase their presence here.

“There have been a lot of national firms that have been attracted to San Diego because it is a business center,” said Bob Lofgren, a founding partner of Lavine, Lofgren Morris & Engelberg LLP in La Jolla. “Oftentimes, because they want to get to a certain size from a marketing standpoint, they will acquire local firms.”

While larger firms can bring in specialists with deep knowledge of tax, auditing, or business advisory services, local companies have their own advantages, he explained.

“One of the advantages we have is you get a lot of personal attention from partners in a local firm,” Lofgren said. “That provides a basis for recognizing tax opportunities and savings.”

Lofgren says his company’s hourly rates are half what some of the largest firms charge. That enables his firm to invest more of its time with clients.

Seeking accounting services from a local company that has a broad focus may benefit clients more than using a large firm, whose experts tend to specialize, Lofgren said. His company’s business model calls for offering a service that considers the client’s entire operation.

### **A Stronger Bond**

“I worked at a national firm for 12 years,” Lofgren said. “I worked for Deloitte. You have a different perspective of clients. Their relationship with you (small firm) develops into a stronger bond. We are more flexible and responsive.”

Lofgren said he doesn’t believe larger firms can offer clients any advantages when it comes to use of technology.

“The (software) programs we use are similar to the big firms,” he said. “Technologically, I don’t see much difference.”

When it comes to recruitment, accounting students look at lifestyle issues as well as pay and opportunities for advancing in a large corporate setting, he said. “We don’t work near as many hours as some of the international firms that burn people out.”

He maintains that locally based firms can give graduates more opportunities to learn all aspects of the accounting business.

At Levitzacks, Certified Public Accountants in San Diego, president Victor Ramsauer said the focus is on hands-on, personalized services.

“Our clients are primarily closely held companies,” he said. “We provide a comprehensive approach to dealing with their particular situation and goals. If a client has a problem or an opportunity, we are able to move very quickly. One of the criticisms I hear with the larger firms is you can’t get a timely answer. We try to get back to our clients in no later than 24 hours.”



Perry Wright

Russell Parkman, lead professor for graduate accounting at National University, said many of his students are embarking on second careers. He thinks they are more likely to be hired by locally based firms than international and national companies that are looking for younger graduates. Because of that, he says his students are concerned about their prospects if more large firms develop a presence in the San Diego market.

“They worry that their hope to work at smaller and regional firms in San Diego will disappear,” he said.

### Plenty of Clients

Deloitte is one of the “Big Four” international accounting firms. The others are EY, Ernst & Young, PricewaterhouseCoopers, and KPMG. Ken Weixel, Deloitte LLP’s managing partner in San Diego, recalled that there were eight large international firms in 1980. Mergers have consolidated operations, but he doesn’t foresee the eventual absorption of numerous San Diego-based companies. He says there is adequate business for everyone.

Local firms, “do great work and there is a role for them to play in serving the needs of accounting, auditing, and tax,” he said.

Some businesses choose large accounting firms because of their depth of knowledge, Weixel said. When accountants become experts in various fields, “they become very valuable to our clients. It would be the same situation as why you might want to go to a doctor that does 20 knee replacement surgeries a month rather than one that does one or two.”



Lee Duran

Choosing a very large accounting firm typically costs businesses more, he added. As a result, there is a market for everybody.

That doesn’t mean that the largest accounting firms never compete for the business of locally based companies, however. There are times when reducing prices to attract business from an up-and-coming company makes sense.

### Crossover Competition

Sometimes, larger accounting firms offer startup firms a price break in order to earn future business as they grow.

“At Deloitte, we are focusing on life sciences in San Diego,” Weixel said. “We will do work for a smaller developing company for a discount early in their development with the hopes that they are successful down the road. There is a bit of a crossover there. If you find a firm that is willing to make an investment in them, they get a Big Four firm earlier in their lifecycle.”

At national accounting firm BDO USA LLP, Greater San Diego Office

Manager Lee Duran said the company is reaping the benefits of a merger with the CEA LLP accounting firm in Carlsbad in late 2015. BDO acquired 31 new people, bringing local personnel to about 100 persons.

“BDO has a great middle market focus,” he said. “We needed a little more bandwidth in the tax area. The Carlsbad team was a good fit. It is adding onto our client base.”

The Carlsbad crew has had little trouble adjusting to life at BDO, he said.



**Nikhil Varaiya**

“It has been seven months now,” Duran said. “We haven’t really lost anybody. Right now, we are two separate offices. We will be coming together in January 2017.”

Not all mergers result in happy marriages of operations, said Nikhil Varaiya, a professor in the Finance Department at San Diego State University. It can be difficult to integrate a smaller company into a larger one, he explained. Often, there is a clash of cultures.

“What often happens is a lot of the employees may leave because they are unhappy working with a larger organization,” he said.

If larger firms are pressuring locally based companies, Perry Wright, managing partner at Considine & Considine in San Diego, has yet to notice. He said his company’s business model is based on building trust with clients.

“There is a lot of business to go around,” he said. “Tax and accounting services are very personal relationships. People trust and want to work with local people. I think we have a pretty good niche. We’re not losing clients to bigger firms.”