

URL: <https://stvp.stanford.edu/blog/videos/sourcing-clientele>

Teresa Briggs, Partner at Deloitte in Silicon Valley, discusses why and when an entrepreneur would first seek the financial services of a company like Deloitte. She walks us through the global organization's local client-hunting process. The region's most prominent venture capitalists, bankers, and law firms are tapped for referrals, and they lead the way to about 200 companies from their portfolios. Deloitte loses money on audits on pre-public companies with the hopes of getting a return on their investment when the company goes public. The financial firm also self-refers clients through interior channels as well.



Transcript

Yes, great question.. So the question is, when do entrepreneurs first work with a company like Deloitte? And you also mentioned that I said 65% to 70% of our revenue is from consulting or consultative services.. The balance is from audit related like tax and audit, stuff like that.. So we have 200 companies that are portfolio companies of venture capital firms.. We're pretty selective in the firms we follow so we like to follow smart money.. So we first pick the venture capitalist we want to be affiliated with.. And then we target their portfolio companies.. So we have 200 of those and they're in every stage.. It's funny, you wouldn't think this, but one of our clients right now is at the printers preparing their S1 for their public offering.. And they are actually going to enter this market and try to do an IPO..

So cross your fingers.. It's OpenTable.. You guys know OpenTable.com? So they're actually going to try and weather this market.. So every stage from very early start-up, when they first feel like they need some financial statements that are certified, to a pre-public company in the latest stage, possible like an OpenTable.. Now there's a lot of churn in that portfolio right now that you might imagine.. So some of our clients they're shutting their doors or they're cutting back their funding so they're cutting back their cost.. And so some of the companies are saying, "Well maybe we can do an audit every other year and then do two years at a time to save some money." We make a big investment in those portfolio companies.. We do those audits for very, very low, low fees.. We lose money on those audits for not the entire time that they're pre-public but it depends how long.. So if the length of time to get into the public markets continues to extend we lose money almost that entire time..

And then we make our money when the company goes public and then it becomes a public company.. And public companies they just have greater needs and their fees are higher.. So that's our strategy and it's another question around, do you weather through the down economy with a portfolio like that? And that's another thing we're not wavering from because we know that the market is going to turn.. And we want to be there when the market turns with that portfolio of companies that will hit the public market at some point.. We just don't know when.. Audience 8: So client acquisition is basically through these relationships you guys have.. Teresa Briggs: Yeah.. It's really through the whole ecosystem.. So we get leads from the VCs themselves that we have relationships with.. We get leads from law firms..

We get leads from bankers.. So Silicon Valley Bank is a really great market partner for us.. And it comes from all over.. And then we do the same thing.. We cross-refer each other all over the place.. Audience 9: So there's this cross referral in the Valley.. Is there a cross referral within the firm? So you've all these different practices that do different things, does a client move from one group to the next group as their needs change? Teresa Briggs: Yeah, they sure do.. We have debates all the time in our firm around should the client be an audit client or should they be a consulting client? Because in the regulatory environment we're in now, you can't really do both.. So yes, sometimes an audit client will become a consulting client, or a consulting client will become an audit client.. And that's a business decision that we sit down with a client and talk about in terms of what it is that they need at the time..

Another way we cross collaborate is across borders.. So we have some interesting things going on right now with China.. There are some Chinese solar companies in particular that are setting up operations in the Bay Area.. And so they're audit clients of our China firm and so they're referring work to us as their clients move into the Bay Area and set up operations here.. So it works across borders too...