

## EVALUATION OF FINANCIAL STATEMENTS IN STRATEGIC MARKETING OF LEGAL SERVICES



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**Abstract.** Paste in today's business environment, an enterprise cannot function effectively without developing and implementing a development strategy that defines the direction of the company's activity, formulates the mission and goals, ensures the efficient use of available resources. The development strategy is ensured by the marketing strategy and is an effective tool for achieving the set goals in conditions of environmental instability. Legal business is a highly competitive and highly professional field, the main indicator of success is professional reputation, a large client base, the number of successful projects and high qualification of staff. Informatization of the society, intensification of competition and growth of consumer demands forms new rules of development of modern concept of marketing in accordance with the purpose and tasks of the enterprise. In this case, financial statements are an important source of information for evaluating the indicators of the financial condition and performance of the enterprise, its liquidity, solvency, financial stability, profitability and business activity. Assessment of the structure and dynamics of available assets, equity and liabilities, cash flows and the order of formation of financial results of a law firm allows to comprehensively assess the potential of the company in the formulation and justification of marketing strategies. Based on the calculations, decisions are made on the readiness of alternative strategies. The most optimal variant of marketing policy is chosen. The potential for promoting and developing new activities is evaluated.

Successful implementation of the law firm's marketing strategy requires taking into account current trends in the legal services market and the expectations of its participants. Yes, it is established that the most popular in the coming years will be such types of law firms, such as multi service and boutique. The legal services market partners still ignore competition from consulting firms, but over time, these entities will also need to be taken into account under the influence of cross-industry integration processes.

**Keywords:** *marketing strategy, financial reporting, valuation, law firm.*

## Introduction

In the current conditions of economic and political instability, in the context of European integration processes, globalization and market economy, the issue of improving the mechanisms of enterprise management that ensure its efficient, dynamic and competitive functioning is becoming increasingly important. One of the options that addresses this problem is to use marketing as a tool to influence the external and internal environment of the enterprise. In doing so, evaluating the financial statements to determine the financial position of the company plays an extremely important role.

According to the well-known scientist, the founder of modern marketing Philip Kotler, marketing is a type of human activity that is aimed at meeting the needs through exchange (Armstrong, Kotler, 2001, p. 46). It is a certain social process by which companies and individuals exchange value created to meet their needs. In this way, companies create value for consumers (in the form of a product or service) and develop relationships with them in order to obtain value for money.

The legal services market is constantly changing, so marketing research is extremely important. There is an industrial reversal where it is important to look at the world through the eyes of customers and change the purely legal spectrum into a comprehensive economic one, taking into account their needs and potential opportunities. In order to gain competitive advantage for a law firm, it is strategically important to consider clients' legal issues as business cases with some legal component. Thus, lawyers find themselves in the same arena with auditors, anti-crisis managers, marketers, management consultants, business coaches and other coaches. This is what has been happening in developed countries over the last decade and is gradually coming to Ukraine. As a result, everyone will work in one big service market, where in the future there will be no solely lawyer's monopolies, but there will be multifunctional companies, someone will evolve and do the job better, and someone will not adapt to the new conditions and disappear. That is why the evaluation of financial statements and the calculation of key indicators play a special role in the development of marketing strategies.

**Analysis of recent research and publications.** Significant contribution to the study of the effectiveness of the company's marketing activities, the development and implementation of marketing strategies have made well-known scientists and practitioners, in particular: G. Armstrong, and F. Kotler (2001), G. Bagiev, V. Tarasevich, and H. Ann (2001), L. Balabanova and N. Gurzhiy (2014), M. Korzh (2019), R. Logosha, and O. Fieldova (2018), O. Onishchenko (2018), P. Dahlström, and D. Edelman (2013), O. Zorina, and V. Fadeenko (2018) and others. Studies of domestic and foreign experts have shown a sufficiently deep study of issues related to the marketing activities of the company and its strategy of providing. However, it is necessary to deepen the research, taking into account the specifics of the activity of service companies, in particular law firms for which there is an extremely high level of competition, and give greater importance to assessing the financial position of the company on the basis of financial statements, which determined the relevance of the research topic.

**Research methodology.** The performed investigations are based on the application of a systematic approach, deductive method,

comparison, abstraction, grouping, methods of economic analysis, generalization. The object of research is the shipbuilding industry. The subject is a set of theoretical and practical aspects of container shipbuilding in the world.

### **Statement of purpose of the article.**

The purpose of the article is to determine the importance of evaluating the financial statements and the peculiarities of the formation of the company's marketing strategy in the field of legal services, taking into account current conditions and global trends.

**Research results.** Marketing is defined by the American Marketing Association as an activity, a set of tools and processes for creating, delivering, and exchanging offers that are relevant to meeting the needs of consumers, customers, partners, and society at large. The term evolved from its original meaning, which literally translated as a market for goods for sale. From the point of view of the logistic marketing process, marketing is a set of processes that are interconnected and interdependent with other functions of the business, aimed at achieving interest and meeting customer needs (Morgan ed. et. al., 2002).

In addition, the Chartered Institute of Marketing defines marketing as a management process responsible for identifying, anticipating and satisfying customer requirements with benefits. A similar concept is value based marketing, which defines the role of marketing to promote shareholder value, which is combined with the primary objective of financial management in an enterprise. In this context, marketing can be defined as a management process that seeks to maximize return to shareholders the development of relationships with valuable customers and create a competitive advantage (Kovova et.al. (2018).

Marketing (maket - market, sales, business; maket getting - market conquest) is an activity that is related to the study of consumers and other market factors, as well as the development and implementation of appropriate measures that contribute to the achievement of the market goals of the enterprise.

According to the authors Petrun Yu., Petrun V. (2016, p.19), marketing can be talked about in various aspects. Marketing may be considered:

- as a management function (among other similar functions can be called, for example, the management of finances, personnel, technological processes, etc.);
- modern business philosophy, modern entrepreneurial style or, to put it more broadly, managerial thinking and activity;
- type of business activity. In this case, we are talking about marketing services (market research, advertising, consulting and others), which become an independent business sphere and are the object of sale and purchase in the market;
- a certain area of knowledge, whose representatives reveal the patterns (principles) of consumer behavior as subjects of the market.

In each of these aspects, there is a certain view of the problem of marketing, which in the aggregate gives a more complete idea of its importance.

Marketing practices have generally been seen as a creative industry in the past that included advertising, distribution and sales. However, since the study of marketing is widely used in the social sciences, psychology, sociology, mathematics, economics, anthropology and neurology, the profession is now widely recognized as a separate science,

emphasizing the importance of marketing activities for any enterprise in the current environment.

Developing and implementing a successful marketing strategy in today's environment must take into account the impact of information technology. Undoubtedly, technologies have led to a sharp increase in digitalization, today everyone is concerned about the latest trends - customer personalization. All the world's leaders are collecting and analyzing databases (big data) about behavior and activity - all just to develop a proposal for each individual client. In the near future, everything that can be automated is automated with the help of data and technology. But automation alone does not solve anything - it is always important shifts in consciousness that are primary.

Robots can perform many functions, but they will not replace things that are not yet controlled by machines: trust, empathy, support, inspiration and motivation, intuition and paradoxical thinking, the ability to find common ground with other people and understand their needs, agree, make decisions. These behavior skills will always be in demand. There is no need to concentrate on what's trending (bots), what's trendy (blockchain) and what will change tomorrow. It is necessary to invest in the timely benefits that are important to clients today and that they will need in 20 years, when the market will become the main person. That is why it is so important now to fill the legal product with your personality, so unique that characterizes your way of thinking. Knowledge is more important than profit, and imagination is more important than knowledge. Creative ideas are the main currency of the future (Semenova, 2014).

Strategic marketing in the legal field has a number of features and difficulties in assessing the effectiveness of its implementation. Namely: problems in determining the profitability of your marketing campaigns; difficulties in determining the cumulative effect of marketing investments, due to the need to take into account not only current but also future acquisitions, as well as future costs of clients for servicing; in most cases, systems and forms of remuneration in companies are an obstacle to assessing the effectiveness of marketing activities in terms of the profitability of marketing investments; the inability to predict customer behavior in a

sufficiently rapid change in the market, which requires marketing decision-makers to make prompt decisions in accordance with changing customer priorities; Calculating your return on marketing investment makes it difficult to use two or more channels to communicate with your customers at the same time.

Diagnosis of financial and economic activity of the enterprise is a necessary stage for the development of plans and forecasts of the functioning of enterprises, determining the strategy of its development, which is important for the construction of marketing strategy. Lenders and investors analyze the financial position of businesses in order to minimize their risks on loans and deposits, as well as for the necessary differentiation of interest rates. As a result of the financial analysis, the manager receives a number of basic, most informative parameters that give an objective and accurate picture of the financial condition of the company. In the course of the analysis, the manager may set different goals: analysis of the current financial status or assessment of the financial perspective of the company.

General analysis of the financial position and results of the enterprise involves the evaluation of financial statements, their dynamics, features of the formation of financial results, as well as indicators of profitability and economic efficiency of the enterprise. Thus, the economic analysis is to study and evaluate the indicators of liquidity, solvency, financial potential, business activity, profitability, determination of their dynamics.

All indicators for assessing financial position are calculated on the basis of the information presented in the financial statements: Balance Sheet (Statement of Financial Position), Statement of Financial Results (Statement of Income), Statement of Cash Flows, Equity Statement, Notes to the Annual Financial Statements reporting. The financial reporting forms can be prepared in accordance with the National Accounting and Financial Reporting Standards (for example, in Ukraine National Accounting Standard 1 "General Financial Reporting Requirements (2013) or the International Financial Reporting Standards (IFRS).

Balance sheet (statement of financial position) is a statement of financial position of an enterprise that reflects on a particular date its assets, liabilities and equity. Income Statement (statement of comprehensive

income), and by International Financial Reporting Standards Income Statement is a statement of income, expenses, financial results and cumulative income for the period. The statement of cash flows reflects information about the cash inflows and disposals of an entity during the reporting period as a result of operating, investing and financing activities. The equity statement reflects changes in the equity of the enterprise during the reporting period and is useful for assessing the sources of its financial soundness. The notes to the financial statements contain a set of indicators and explanations that provide detail and validity of the items of financial statements, as well as other information, disclosure of which is provided by the relevant national accounting standards (standards) or international financial reporting standards: Ukraine National Accounting Standard 1 "General Financial Reporting Requirements (2013) or the International Financial Reporting Standards (IFRS).

In general, financial reporting as an object of analysis involves providing information to evaluate the resources of the enterprise, their structure, economic results, efficiency of use of their own and attracted funds, which is the basis for the development and implementation of appropriate marketing strategies.

The marketing of a law firm should take into account such a feature that it is impossible to fully evaluate the quality of the service objectively, as well as to give it a 100% guarantee. And good marketing, which, incidentally, does not require extraordinary investments, can convince a potential customer that he needs the company's services and that it is this company that manages his problem.

The value of a law firm as a consultant must go beyond purely legal matters. It is necessary to speak the same language with both client clients and fellow lawyers from other jurisdictions.

It is also important that the firm's business processes strike a balance between quality of service and result. The quality criteria for a law firm are:

- achieving results,
- maximum speed,
- transparent price,
- the comfort of cooperation.

At the same time, it is important to pay particular attention to the confidentiality and security of cooperation with clients.

There are external and internal competitive advantages (Korzh et al., 2019, p. 185):

a) Exteriors are based on excellent product qualities that become valuable to customers because they reduce their costs or increase their performance. Such an advantage increases the market power of the enterprise, as it can force the market

to agree to a higher selling price than its competitors;

b) Internal means to reduce costs or to establish a more efficient management system than competitors, which allows to reduce the cost and therefore the prices.

In Fig. 1 shows both types of competitive advantages and those enterprise strategies that can be developed on the basis of these types.

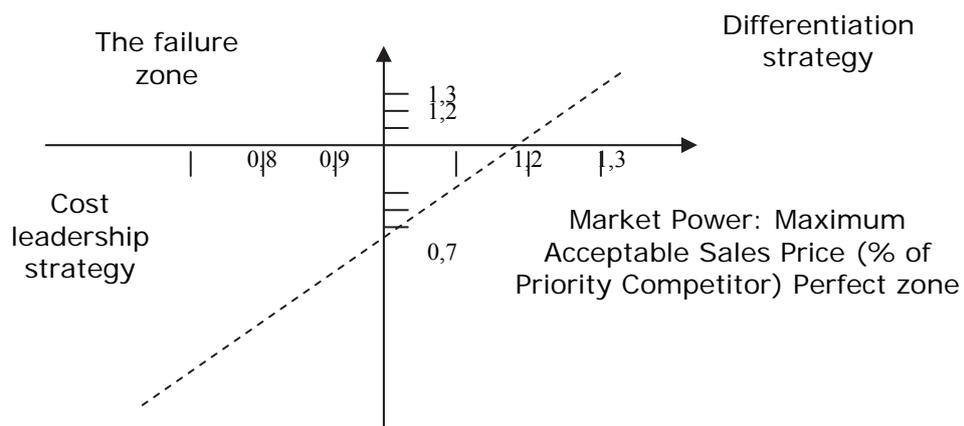


Figure 1. Types of competitive advantage and enterprise strategy Source: compiled on the basis of elaboration (Balabanova, Gurzhiy, 2014; Petrunya, Petrunya, 2016).

Therefore, the process of marketing strategic planning can be divided into the following stages: analysis of the market and own status (situational analysis); definition of marketing goals; development of marketing program (plan). Market analysis contains the following main issues: market capacity; dynamics of market capacity; consumers; competitors. Assessment of own status includes the following main aspects: market share; market share dynamics; competitive opportunities, as well as an assessment of the financial position based on the financial statements. According to the results of the analysis, it is necessary to formulate marketing goals and propose a strategy. Its options may be: a strategy of expanding the market representation; market development strategy; differentiation strategy. Setting marketing goals forms the basis for the development of a program (plan) marketing - the definition of strategic issues at the functional level, or the level of individual components of the marketing complex - product, price, communication, marketing activities of the company.

## Conclusions

Marketing strategy is an engine for the enterprise to promote its goods and services, as well as the organization of internal marketing of the enterprise. The information society, the intensification of competition and consumer demands are creating new requirements for adapting the modern concept of marketing to the needs of the enterprise. In this case, financial statements are an important source of information for assessing the financial condition and performance of the company, involves the study of financial statements, their dynamics, features of the formation of financial results, as well as indicators of profitability and economic efficiency. Based on the calculations, decisions are made on the willingness to implement alternative strategies, choose the best options for marketing policy, promotion and development.

Successful implementation of the marketing strategy in the field of legal services must be borne in mind that the most in demand are multi service and boutique law firms, which will significantly affect the integration of cross-industry processes and increased competition from consulting firms.

In the process of strategic marketing it is necessary to take into account the global transformation of legal practice, the performance of models of distribution of legal services, which has been happening in recent years. Limited resources make all market participants reasonably manage what is. In addition, high competition forces you to change, to improve, to be creative. Legal expertise is becoming less "corporate" and self-contained - and increasingly acquiring the features of ordinary business procedures that help to optimize costs, increase flexibility, empower and leverage.

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