



# The Effect of Pricing Strategies on Client Retention Rates for Small to Medium-sized Auditing Firms

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## ABSTRACT

The study aims to identify which pricing strategies are most effective in retaining clients, with the purpose of providing practical guidance for audit firms in Vietnam to enhance their competitiveness and sustainability. The study used quantitative methods, using survey data collected from 257 experts in 132 small and medium-sized auditing companies (with an annual revenue of less than VND 300 billion) in the Vietnamese auditing industry. Hypotheses were tested using structural equation modeling to analyze the relationships between pricing strategies and client retention rates. The results reveal that Value-based pricing (VBP) and Dynamic pricing (DYP) strategies have a positive and statistically significant impact on client retention, while Cost-plus pricing (CPP) and Competition-based pricing (CBP) do not show significant effects. These findings are significant as they highlight the evolving nature of the Vietnamese audit market, emphasizing the growing importance of value communication and pricing flexibility. The implications suggest that small and medium-sized audit firms in Vietnam should focus on developing more sophisticated, value-oriented pricing strategies to improve client retention and strengthen their market position. This research contributes to both theoretical understanding and practical application in the field of audit pricing in emerging markets.

**Keywords:** Customer Retention, Valuation Strategy, Auditing Firm, Vietnam

**JEL Classifications:** M42; G1; M310

## 1. INTRODUCTION

The audit sector in Vietnam has experienced significant growth and transformation over the past few decades, in parallel with the country's rapid economic development. Since the implementation of the Doi Moi policy in 1986, Vietnam has transformed from a centrally planned economy to a market-oriented economy, which requires the development of a robust auditing industry to support this economic shift (Nguyen and Nguyen, 2012; Huy and Hung, 2022).

The legal framework for auditing activities in Vietnam was established in 1994 with the Government's promulgation of Decree No. 07/CP/1994 on the Regulation on independent auditing in the national economy and the Ministry of Finance's promulgation

of Decision No. 237/TC/QĐ/CĐKT/1994 on the Regulation on auditing and issuance of auditor certificates. These regulations laid the foundation for the audit profession, which has since evolved to meet international standards (Pham et al., 2014). Vietnam Association of Certified Public Accountants (VACPA) was established in 2005, after nearly 20 years of operation, VACPA has actively compiled and updated audit standards, other assurance services, related services and standards of professional ethics in accounting and auditing in accordance with international practices and practices; built many professional products that are widely applied (VACPA, 2023).

By 2023, there are 210 auditing companies operating in Vietnam, including: 03 100% foreign owned companies; 08 foreign invested companies; 199 100% domestic owned companies. Of 210 audit

firms, 23 audit firms are members of international audit firms, 13 audit firms are members of the association and 01 audit firm is the liaison representative firm (Ministry of Finance, 2023). The audit market in Vietnam is characterized by a mix of large international firms (Big Four - Deloitte, Ernst and Young, KPMG and PwC) and many small and medium-sized domestic firms. While the Big Four account for 70% of the market share, especially for large state-owned enterprises, commercial banks and multinational corporations, small and medium-sized companies play an important role in serving the growing private sector and small and medium-sized enterprises (Nguyen et al., 2019; Hung, 2022).

Through auditing and accounting services, auditing enterprises have contributed to the universalization of economic and financial policy mechanisms, contributing to the transparent implementation of financial statements of enterprises, preventing waste, effectively serving the management and administration of the State's economy - finance and business activities of enterprises. Independent audit activities have increasingly affirmed their position in the market economy, recognized by enterprises, organizations and society, and have contributed significantly to the healthy investment environment and the development of capital markets.

However, in addition to companies that have made efforts to improve service quality and comply with the requirements of the standard, it must also be noted that the parties using the audit results have sometimes not fully relied on the audit results, the service quality is not uniform among companies, especially between large auditing companies and small and medium auditing companies (World Bank, 2019; Pham and Nguyen, 2020; Hung, 2023).

Customer retention is of great importance for small and medium sized audit firms as it directly impacts their sustainability and growth in a competitive market. Reichheld and Sasser (1990) demonstrated that even a small increase in customer retention can significantly boost a company's profitability. This principle is particularly relevant in the audit industry, where a long-term relationship with a client is important, as attracting new clients often costs more than retaining existing ones. Reichheld (1996) estimates that it costs 5 times as much to attract a new customer as to retain an existing one. In addition, existing customers provide a predictable source of income, allowing companies to plan and invest in their facilities more effectively (Rust et al., 1995). In addition, familiarity with the client's business over time allows auditors to provide more valuable and quality services, potentially leading to increased customer satisfaction and loyalty (DeAngelo, 1981). Moreover, long-term relationships can enhance a company's reputation, potentially attracting new customers through referrals and word-of-mouth marketing (Wilson, 1994). In the context of Vietnam's audit industry, where competition is increasingly fierce and customer expectations are increasing, the ability to retain customers becomes more important to the survival and development of small and medium-sized companies (Nguyen et al., 2019). There are many strategies implemented by companies to retain existing customers, in which the pricing strategy is considered an effective tool, the right pricing strategy

not only attracts new customers but also plays an important role in retaining them in the long run. Therefore, small and medium sized audit firms with limited resources are unlikely to dominate in terms of market share compared to large audit firms that have to consider different pricing strategies and their impact on customer retention.

Several key pricing strategies are commonly used in professional services, including cost-plus-interest pricing (Shiple and Jobber, 2001), value-based pricing (Hinterhuber, 2008), competition-based pricing (Ingenbleek and van der Lans, 2013), and dynamic pricing (Elmaghraby and Keskinocak, 2003). In the auditing industry, these valuation strategies must comply with professional ethics and regulations, such as the International Ethics Standards Board's Code of Ethics for Accountants (IESBA), which prohibits some valuation activities that may compromise auditors' independence (IESBA, 2018). The choice of pricing strategy can significantly impact a company's ability to attract and retain customers, as well as its profitability. Therefore, understanding the relationship between pricing strategy and customer retention is very important for small and medium-sized auditing firms in Vietnam.

Therefore, this study is conducted towards the main objective of looking at the impact of different pricing strategies on the customer retention rate of small and medium auditing firms in Vietnam. Specifically, this study aims to:

- (i) Identify the key valuation strategies adopted by SME auditing firms in Vietnam
- (ii) Analyze the effect of each pricing strategy (cost-plus pricing, value-based pricing, competition-based pricing, and dynamic pricing) on customer retention
- (iii) Determine which pricing strategies are most effective in increasing customer retention for these firms
- (iv) Provide practical, feasible recommendations for small and medium sized audit firms to improve customer retention through a pricing strategy.

By addressing the above objectives, this study aims to fill a gap in the literature regarding the relationship between valuation strategies and customer retention in the specific context of the Vietnamese auditing industry. The findings could have implications not only for Vietnam but also for other emerging markets with similar levels of audit industry development.

## **2. THEORETICAL BASIS AND LITERATURE REVIEW**

### **2.1. Foundational Theories in Research**

#### *2.1.1. Pricing strategies in professional services*

##### *2.1.1.1. Cost-plus pricing*

Cost-plus pricing is a traditional approach widely used in professional services. This method involves calculating the total cost of providing a service and adding a predetermined markup to ensure profitability (Shiple and Jobber, 2001). The primary advantage of this strategy is its simplicity and ease of implementation, making it particularly attractive for smaller firms or those with limited pricing expertise.

Nagle and Hogan (2006) argue that cost-plus pricing provides a clear, justifiable basis for price setting, which can be beneficial in industries where transparency is valued. However, they also note that this method fails to account for market conditions or customer value perceptions, potentially leading to suboptimal pricing decisions.

In the context of auditing services, Causholli et al. (2010) found that cost-plus pricing remains prevalent, especially among smaller firms. They suggest that this approach may be driven by the need to cover increasing regulatory compliance costs. However, the authors also highlight the limitations of cost-plus pricing in capturing the full value of audit services, especially for complex engagements.

#### 2.1.1.2. Value-based pricing

Value-based pricing represents a shift from cost-focused to customer-focused pricing. This strategy involves setting prices based on the perceived value of the service to the client, rather than on the cost of provision (Hinterhuber, 2008). Value-based pricing requires a deep understanding of client needs and the ability to effectively communicate the value proposition.

Liozu and Hinterhuber (2013) conducted a comprehensive study on the implementation of value-based pricing in various industries. They found that firms adopting this strategy often achieved higher financial performance compared to those using cost-based or competition-based pricing. However, they also noted significant challenges in implementing value-based pricing, including the need for organizational changes and advanced market intelligence capabilities.

In the professional services context, Maister (1997) argues that value-based pricing can lead to improved client relationships and higher profitability. He suggests that by focusing on value creation, firms can differentiate themselves and justify premium prices. However, Baker (2009) cautions that implementing value-based pricing in auditing services can be challenging due to regulatory constraints and the difficulty in quantifying the value of audit quality.

#### 2.1.1.3. Competition-based pricing

Competition-based pricing involves setting prices primarily in relation to competitors' rates. This approach is common in highly competitive markets where services are perceived as relatively homogeneous (Ingenbleek and van der Lans, 2013). Firms may position their prices at, below, or above competitor rates depending on their market strategy and perceived differentiation.

Docters et al. (2004) argue that while competition-based pricing can be an effective short-term strategy, it may lead to price wars and eroded profitability if used indiscriminately. They suggest that firms should consider competitive pricing within a broader strategic context, taking into account factors such as service differentiation and target market segments.

In the auditing industry, Carson et al. (2004) found that competition-based pricing is prevalent, particularly in the market for large,

public company audits. They note that intense price competition has led to concerns about audit quality and independence. However, Hay et al. (2006) suggest that competition-based pricing in auditing is moderated by factors such as client risk and complexity, indicating that pure price competition is not the sole determinant of audit fees.

#### 2.1.1.4. Dynamic pricing

Dynamic pricing involves adjusting prices in real-time based on market conditions, demand, and other factors. While this strategy has been widely adopted in industries such as hospitality and e-commerce, its application in professional services is relatively recent and growing (Elmaghraby and Keskinocak, 2003).

Dixit et al. (2008) explore the potential of dynamic pricing in professional services, arguing that advances in data analytics and client relationship management systems make it increasingly feasible. They suggest that dynamic pricing can help firms optimize resource allocation and capture more value from peak demand periods.

In the context of auditing services, dynamic pricing faces significant regulatory and ethical constraints. However, Ettredge et al. (2014) found evidence of implicit dynamic pricing in audit fees, with firms adjusting prices based on factors such as client risk, complexity, and market conditions. They suggest that while explicit dynamic pricing may not be feasible in auditing, firms do employ elements of dynamic pricing within the constraints of professional standards and long-term client relationships.

Afik et al. (2019) further explored the potential of dynamic pricing in auditing, focusing on its application in staff allocation and engagement planning. They propose that by dynamically adjusting internal resource pricing, audit firms can improve efficiency and profitability without necessarily changing client-facing prices.

### 2.1.2. Client retention in auditing services

#### 2.1.2.1. Retention of audit clients and influencing factors

Butcher et al. (2013) define client audit retention as the maintenance of an auditor-client relationship over consecutive years, reflecting the client's decision to retain the same audit firm for subsequent audit engagements.

Fontaine et al. (2013) describe client audit retention as the continuation of the auditor-client relationship beyond the initial engagement, characterized by the client's decision to reappoint the same audit firm for subsequent financial statement audits.

Ghosh and Tang (2015) define client audit retention in their study as the sustained professional relationship between an audit firm and its client, measured by the consecutive number of years the client has engaged the same auditor for statutory audit services.

These definitions emphasize the ongoing nature of the auditor-client relationship and the client's decision to continue engaging the same audit firm over time.

Client retention in auditing services is influenced by a complex interplay of various factors. Beattie and Fearnley (1995) conducted a seminal study on auditor-client relationships and identified several key factors that influence client retention. These include audit quality, technical competence, industry expertise, and the strength of the working relationship between the auditor and client management.

Fontaine et al. (2013) further expanded on these factors, emphasizing the importance of communication and interpersonal relationships in client retention. Their study found that clients value auditors who demonstrate strong communication skills, proactivity in addressing issues, and a deep understanding of the client's business. They argue that these "soft" factors can be as important as technical competence in maintaining long-term client relationships.

The impact of audit firm size on client retention has been a subject of considerable research. DeAngelo (1981) proposed that larger audit firms have a stronger incentive to maintain audit quality due to their greater reputational capital, potentially leading to higher client retention rates. However, more recent studies, such as that by Ghosh and Tang (2015), suggest that the relationship between audit firm size and client retention is more nuanced and can vary depending on client characteristics and market conditions.

Regulatory changes and their impact on client retention have also been extensively studied. Dao et al. (2012) examined the effect of mandatory audit partner rotation on client retention. They found that while partner rotation can potentially disrupt client relationships, it does not necessarily lead to auditor switching if the audit firm manages the transition effectively.

The role of audit committee characteristics in client retention has gained attention in recent years. Carcello and Neal (2003) found that audit committees with greater independence and expertise are more likely to support auditor retention, particularly in situations where there is disagreement between management and the auditor.

### 2.1.2.2. Importance of pricing in client retention

While numerous factors influence client retention in auditing services, pricing plays a particularly crucial role. Ettredge et al. (2007) investigated the relationship between audit fees and client retention, finding that excessive fee increases are associated with a higher likelihood of auditor switching. However, they also noted that clients are often willing to pay premium fees for perceived higher quality services, suggesting a complex relationship between pricing and retention.

Hay et al. (2006) conducted a meta-analysis of audit fee studies and concluded that pricing is a significant factor in client retention, but its importance varies depending on client characteristics and market conditions. They found that price sensitivity tends to be higher for smaller clients and in more competitive markets.

The concept of price fairness and its impact on client retention has been explored by Beattie et al. (2001). Their study suggests that clients' perceptions of price fairness, rather than absolute

price levels, are crucial in retention decisions. They argue that transparent pricing practices and clear communication of value can enhance perceptions of fairness and improve client retention.

Krishnan and Zhang (2014) examined the relationship between audit pricing and client retention in the context of industry specialization. They found that industry specialist auditors can command premium fees without negatively impacting retention rates, suggesting that clients are willing to pay higher prices for perceived expertise.

The role of pricing in client retention becomes particularly complex in the context of low-balling practices. DeAngelo (1981) theorized that auditors might initially set prices below cost to win clients, expecting to recoup losses through future fee increases. However, Stanley et al. (2015) found that such practices can lead to lower client retention rates in the long term, as clients become dissatisfied with subsequent fee increases.

Desai et al. (2012) investigated the impact of non-audit services on audit pricing and client retention. They found that offering a broader range of services can enhance client retention, even when audit fees are higher, suggesting that clients value comprehensive service offerings.

### 2.1.3. Theoretical framework

The theoretical framework for this study draws upon two key concepts: the price sensitivity model and customer lifetime value. These theories provide a foundation for understanding the relationship between pricing strategies and client retention in the context of auditing services.

#### 2.1.3.1. Price sensitivity model

The price sensitivity model, also known as the Van Westendorp Price Sensitivity Meter, is a widely used framework for understanding how consumers perceive and respond to different price points (Van Westendorp, 1976). This model is particularly relevant to the study of pricing strategies in professional services, including auditing.

Kalyanaram and Little (1994) expanded on this concept, introducing the notion of latitude of price acceptance. They argue that consumers have a range of prices they consider acceptable for a given product or service, rather than a single price point. This insight is crucial for understanding how audit clients may respond to different pricing strategies.

In the context of auditing services, Beattie and Fearnley (1995) applied the price sensitivity model to examine how audit clients respond to fee changes. They found that while price is an important factor in auditor selection and retention, clients' price sensitivity varies depending on factors such as company size, complexity, and perceived audit quality.

Monroe (2003) further developed the price sensitivity model by incorporating the concept of perceived value. He argued that consumers' price sensitivity is influenced by their perception of the value they receive relative to the price they pay. This perspective



is particularly relevant to auditing services, where the value of the service can be complex and multifaceted.

Applying the price sensitivity model to auditing services, DeAngelo (1981) proposed the concept of “low-balling,” where audit firms initially set fees below cost to win clients, expecting to raise fees in subsequent years. This strategy relies on clients’ reduced price sensitivity once a relationship is established. However, Stanley et al. (2015) found that such practices can lead to lower client retention rates in the long term, highlighting the complexity of price sensitivity in ongoing professional relationships.

### 2.1.3.2. Customer lifetime value

Customer Lifetime Value (CLV) is a key concept in relationship marketing that focuses on the long-term value of customer relationships rather than short-term transactions. Berger and Nasr (1998) define CLV as the net present value of all future profits obtained from a customer over their lifetime of transactions with the firm.

In the context of auditing services, CLV is particularly relevant due to the ongoing nature of auditor-client relationships. Reichheld and Sasser (1990) demonstrated that even small increases in customer retention rates can significantly boost a company’s profits, emphasizing the importance of long-term client relationships in professional services.

Kumar et al. (2008) expanded on the CLV concept by introducing the idea of Customer Lifetime Value Management (CLV Management). They argue that firms should not only calculate CLV but also actively manage it through strategic decisions, including pricing. This perspective is particularly relevant to auditing firms as they consider how different pricing strategies might impact long-term client relationships.

Gupta et al. (2004) linked CLV to firm valuation, demonstrating that improvements in customer retention rates can significantly increase a firm’s overall value. This underscores the importance of client retention for auditing firms, not just in terms of immediate profitability but also long-term firm value.

In the auditing context, Ghosh and Tang (2015) applied the CLV concept to examine the relationship between audit quality and client retention. They found that high-quality audits contribute to longer client relationships, thereby increasing the lifetime value of audit clients.

Niraj et al. (2001) introduced the concept of customer profitability heterogeneity into CLV calculations. This is particularly relevant for auditing firms, as the profitability of different clients can vary significantly based on factors such as size, complexity, and risk profile.

The integration of the price sensitivity model and customer lifetime value provides a comprehensive theoretical framework for examining the relationship between pricing strategies and client retention in auditing services. This framework suggests that while price sensitivity plays a crucial role in client decision-making, it

must be considered within the context of long-term relationship value. Effective pricing strategies in auditing services should therefore aim to balance short-term price considerations with the goal of maximizing customer lifetime value through sustained client relationships.

## 2.2. Some experimental studies

### 2.2.1. *The cost plus interest pricing strategy has an impact on the level of customer retention*

Causholli et al. (2010) suggest that cost-plus pricing in auditing can enhance transparency, as clients can more easily understand the basis for fees. This transparency can foster trust and potentially improve client retention. In addition, Hay et al. (2006) note that cost-plus pricing provides a level of predictability for clients, which can be attractive for long-term financial planning and budgeting, potentially contributing to client retention. Besides, Beattie et al. (2001) found that clients often perceive cost-plus pricing as fair, which can positively influence their decision to retain an auditor. Furthermore, Ettredge et al. (2014) suggest that cost-plus pricing aligns well with regulatory requirements for fee transparency, which can enhance client confidence and potentially improve retention.

However, Liozu and Hinterhuber (2013) argue that cost-plus pricing fails to consider the full value of auditing services, potentially leading to underpricing and reduced client perception of service quality, which could negatively impact retention. Meanwhile, Ingenbleek et al. (2013) note that cost-plus pricing can be inflexible in response to market changes or client-specific needs, potentially leading to client dissatisfaction and reduced retention. Although there are conflicting findings in the results of some of its predecessors, in an industry where trust and credibility are paramount such as auditing, the clear and understandable nature of cost-plus-interest pricing serves as the foundation for a long-lasting customer relationship. Therefore, the study hypothesizes:

H1: Cost-plus-interest pricing has a positive impact on audit client retention.

### 2.2.2. *Value-based pricing strategy has an impact on customer retention*

On the positive side, several studies highlight the potential benefits of value-based pricing in enhancing client retention. Hinterhuber (2008) argues that value-based pricing allows firms to better align their pricing with the perceived value delivered to clients, potentially leading to higher client satisfaction and loyalty. In the context of auditing, this could mean pricing based on the perceived value of risk reduction, improved financial reporting quality, or enhanced stakeholder confidence. Liozu and Hinterhuber (2013) found that firms implementing value-based pricing strategies often achieved higher financial performance, which could provide resources for improving service quality and client relationships, indirectly supporting client retention.

Moreover, Anderson and Wynstra (2010) suggest that value-based pricing can help differentiate services and shift client focus from cost to value, potentially reducing price sensitivity and enhancing client retention. In the auditing context, this could be particularly

relevant as it may help firms move away from the commoditization of audit services. Calabrese and De Francesco (2014), studying professional services, found that value-based pricing can lead to increased client satisfaction when clients perceive a strong link between price and value received, which could positively impact retention.

However, the literature also reveals potential challenges and negative impacts of value-based pricing on client retention in auditing services. Corvellec and Hultman (2014) highlight the difficulty in quantifying and communicating value in complex professional services, which could lead to client misunderstandings and dissatisfaction if not managed properly. In the auditing context, where the value of services may not be immediately apparent or may be challenging to quantify, this could pose a risk to client retention.

Furthermore, Tan et al. (2018), in their study of pricing strategies in professional services, note that implementing value-based pricing requires significant changes in organizational processes and client relationships. In the auditing industry, where long-standing relationships and traditional pricing models are common, such changes could potentially disrupt existing client relationships if not managed carefully.

While there are differences in research findings, the overall trend in the literature suggests that value-based pricing, when implemented effectively, has the potential to positively impact customer retention in professional services, including audits. The key lies in the ability to clearly communicate the value proposition to the customer and align pricing with the actual value provided. Therefore, the study proposes the second hypothesis as follows:

H2: Value-based pricing strategy has a positive impact on audit client retention.

### *2.2.3. Competitive pricing strategies that affect customer retention*

Ghosh and Lustgarten (2006) found that competitive pricing in the audit market can lead to increased client satisfaction and loyalty, especially among price-sensitive clients. Their study suggests that firms offering competitive prices are more likely to retain clients in a highly competitive market. Similarly, Ettredge et al. (2007) observed that audit firms employing competitive pricing strategies were able to maintain longer-term relationships with their clients, particularly in markets with high auditor concentration.

Carson et al. (2012) further support this view, noting that competitive pricing can serve as a differentiator in markets where audit quality is perceived as relatively homogeneous. They argue that in such markets, competitive pricing can be a key factor in client retention, especially for small to medium-sized audit firms competing against larger firms. Additionally, Hay et al. (2006), in their meta-analysis of audit fee studies, found that competitive pricing strategies can help audit firms maintain market share and client relationships, particularly in mature markets.

However, the literature also reveals potential negative impacts of competitive pricing on audit client retention. DeAngelo (1981)

introduced the concept of “low-balling,” where audit firms initially set fees below cost to win clients, expecting to raise fees in subsequent years. While this strategy may initially attract clients, Desai et al. (2012) found that it can lead to lower client satisfaction and retention rates in the long term, as clients become dissatisfied with subsequent fee increases.

Francis and Wang (2005) caution that excessive price competition in the audit market may lead to reduced audit quality, which could ultimately negatively impact client retention. They argue that firms engaging in aggressive price competition may be forced to cut costs in ways that compromise audit quality, potentially leading to client dissatisfaction and switching behavior in the long run.

Furthermore, Beattie and Fearnley (1995) found that while competitive pricing can attract clients, it is not always sufficient for long-term retention. Their study suggests that other factors, such as technical competence, industry expertise, and the quality of working relationships, play crucial roles in client retention decisions. This indicates that competitive pricing alone may not guarantee client retention if other aspects of the audit service are not satisfactory.

Simunic (1980), in his seminal work on audit pricing, argues that competitive pricing strategies must be balanced with the need to cover the economic costs of auditing, including risk premiums. He suggests that overly aggressive competitive pricing may not be sustainable in the long term and could potentially lead to auditor-client misalignments, negatively impacting retention.

Based on the above analysis, it can be seen that the competitive pricing strategy when implemented taking into account the maintenance of audit quality and the ability to meet customer expectations will have a positive impact on customer retention. Therefore, the study proposes the third hypothesis as follows:

H3: Competitive pricing strategies have a positive impact on audit client retention.

### *2.2.4. Dynamic pricing strategies have an impact on customer retention*

Dixit et al. (2008) explored the potential of dynamic pricing in professional services and argued that advances in data analytics and client relationship management systems make it increasingly feasible to implement such strategies. They suggest that dynamic pricing can help firms optimize resource allocation and capture more value from peak demand periods, potentially leading to improved client satisfaction and retention.

Ettredge et al. (2014) found evidence of implicit dynamic pricing in audit fees, with firms adjusting prices based on factors such as client risk, complexity, and market conditions. They suggest that this flexibility in pricing can lead to better alignment between the value of services provided and the fees charged, potentially enhancing client satisfaction and retention. Similarly, Krishnan and Zhang (2014) examined the relationship between audit pricing and client retention in the context of industry specialization, finding that firms able to dynamically adjust their pricing based on expertise and market conditions were more likely to retain clients.

Afik et al. (2019) further explored the potential of dynamic pricing in auditing, focusing on its application in staff allocation and engagement planning. They propose that by dynamically adjusting internal resource pricing, audit firms can improve efficiency and profitability without necessarily changing client-facing prices, potentially leading to more sustainable long-term client relationships.

However, Elmaghraby and Keskinocak (2003), while not specifically focusing on auditing, caution that dynamic pricing can lead to perceived unfairness if not implemented transparently, potentially damaging client relationships. Carson et al. (2004) note that audit clients often value predictability and consistency in pricing, which could be challenged by a dynamic pricing approach. They suggest that frequent price changes might lead to client uncertainty and dissatisfaction, potentially negatively impacting retention rates. Furthermore, Causholli et al. (2010) highlight the regulatory constraints in the audit industry, which may limit the full implementation of dynamic pricing strategies. They argue that these constraints, combined with the need for auditor independence, could create tensions in applying dynamic pricing, potentially leading to client confusion or dissatisfaction. Hay et al. (2006), in their meta-analysis of audit fee studies, suggest that while some level of price flexibility exists in the audit market, dramatic or frequent price changes could be perceived negatively by clients, especially if not well-explained or justified.

It can be seen that the majority of studies show that a dynamic pricing strategy when implemented in a transparent way has the potential to positively impact customer retention in the auditing industry. Therefore, the study said:

H4: Dynamic pricing strategies have a positive impact on audit client retention.

### 3. RESEARCH METHODS

Based on an overview of basic theories and empirical research, an in-depth study is needed to expand the theoretical framework, provide more empirical and managerial evidence on the relationship between valuation strategies and customer retention rates of small and medium-sized audit firms in Vietnam. The purpose of the study is to expand the previous findings on pricing strategies and their influence on customer retention and attraction in audit industries in countries with similar contexts and conditions as Vietnam, the study clarifies this relationship using the linear structural equation (PLS-SEM) model, under the support of SPSS 22 and AMOS 20 software (Arbuckle, 2011).

For optimal results, the authors conducted a validation process including: Following Anderson and Gerbing (1988), the linear structural model analysis process includes: (i) Scale test: Overall Cronbach's alpha coefficient  $>0.6$  and corrected item-total correlation  $>0.3$ ; (ii) Exploratory Factor Analysis (EFA): Appropriateness of the measure with  $0.5 \leq$  Kaiser-Meyer-Olkin (KMO)  $\leq 1$ , Bartlett's test of sphericity with a significance level (Sig)  $\leq 0.05$ , factor extraction variance  $>50\%$ , Eigenues  $> 1$ , factor loadings require  $>0.3$  (Hair et al., 2006); (iii) Confirmatory

Factor Analysis (CFA): Adjusted Chi-square by degrees of freedom (Cmin/Df)  $\leq 5$  (Bentler, 1980), T-Luckeris Index (TLI)  $> 0.9$  (Hu and Bentler, 1998), Comparative Fit Index (CFI)  $> 0.9$  (Hu and Bentler, 1998), Normal Fit Index  $> 0.9$  (Hu & Bentler, 1998; Bentler, 1980), Chi só RMSEA (Root Mean Square Error Approximation)  $< 0.05$  (Browne & Cudeck, 1992); (iv) Structural equation modeling (SEM).

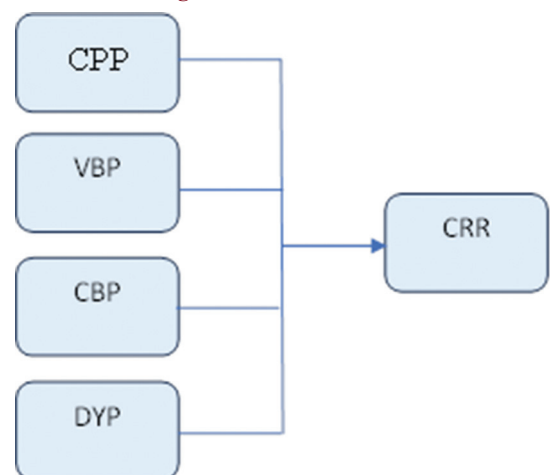
The research model is shown in Figure 1, with the economic equation of the study corresponding to the model:  $CRR = f(CPP, VBP, CBP, DYP)$ .

To assess the level of customer retention of small and medium audit firms (dependent variables), the author uses a 5-level Likert scale (Likert, 1932) agreeing, from: (1) Strongly disagree to (5) Strongly agree. Evaluating factors as independent variables, the author uses a 5-level Likert scale (Likert, 1932) to influence, from: (1). Very low to (5). Very high The number of scales measuring the variables of this study is built on the basis of the foundation theory and the research overview, shown in Table 1 as follows:

In addition, to ensure the study sample size in SEM analysis, based on the recommendations of Bentler and Chou (1987) proposed a ratio of 5 to 10 surveys for each survey question. Kline (2023) recommends a minimum sample size of 200 for any SEM analysis or 10 cases per one observation, whichever is greater. Accordingly, the minimum sample size in this study is  $n = 10 \cdot i$  (i is the number of observed variables in the model), corresponding to this study, the sample size will be  $10 \cdot 20 = 200$  votes. In order to improve the reliability of the survey information, the study selects the largest sampling for the model according to one of the above principles.

The author uses the convenient sampling method and 257 valid votes obtained out of a total of 450 issued votes through the distribution and receipt of direct questionnaires, sending and receiving questionnaires through the Google form tool to the directors of auditing companies, audit team leaders, auditors and audit assistants of 132 small and medium-sized auditing companies (with an annual revenue of less than VND 300 billion) in the two

Figure 1: Research model



Source: Author builds on theoretical basis



**Table 1: Description of scales, observations, and variables in the model**

No.	Code	Internal category of survey questions	Source
I		Cost-plus pricing (CPP)	
1	CPP1	Our firm determines service prices by adding a predetermined profit margin to the total costs.	Ingenbleek et al. (2003); Liozu et al. (2013); Shipley and Jobber (2001); Indounas (2006)
2	CPP2	We calculate the full cost of providing a service before deciding on its price.	Shipley and Jobber (2001); Ingenbleek et al. (2003); Liozu et al. (2013); Shipley and Jobber (2001); Guilding et al. (2005)
3	CPP3	Our pricing approach primarily focuses on covering costs and achieving a target profit percentage.	Shipley and Jobber (2001); Ingenbleek et al. (2003); Liozu et al. (2013); Guilding et al. (2005); Indounas (2006)
4	CPP4	We adjust our service prices when there are significant changes in our costs.	Ingenbleek et al. (2003); Indounas (2006); Liozu et al. (2013)
II		Value-based pricing (VBP)	
5	VBP1	We set our prices based on the perceived value of our services to clients.	Nagle and Holden (2002); Hinterhuber (2008); Liozu et al. (2012); Ingenbleek et al. (2013); Töytäri et al. (2015)
6	VBP2	Our firm regularly assesses the economic value of our services to clients.	Nagle and Holden (2002); Hinterhuber (2008); Liozu et al. (2012); Ingenbleek et al. (2013); Töytäri et al. (2015)
7	VBP3	We differentiate our prices across different client segments based on the value we provide.	Nagle and Holden (2002); Hinterhuber (2008); Liozu et al. (2012); Töytäri et al. (2015)
8	VBP4	Our pricing strategy focuses on communicating the value of our services to clients.	Nagle and Holden (2002); Hinterhuber (2008); Liozu et al. (2012); Ingenbleek et al. (2013); Töytäri et al. (2015)
III		Competition-based pricing (CBP)	
9	CBP1	We regularly monitor and respond to our competitors' pricing actions.	Homburg et al. (2013); Ingenbleek et al. (2013); Noble and Gruca (1999); Kienzler and Kowalkowski (2017); Schindehutte and Morris (2021)
10	CBP2	Our service prices are set mainly in relation to our competitors' prices.	Ingenbleek et al. (2013); Homburg et al. (2013); Noble and Gruca (1999); Schindehutte and Morris (2021)
11	CBP3	We position our prices at a specific level compared to our main competitors (e.g., slightly higher, at par, or lower).	Ingenbleek et al. (2013); Homburg et al. (2013); Noble and Gruca (1999); Kienzler and Kowalkowski (2017)
12	CBP4	Changes in competitors' prices usually lead us to reconsider our own prices.	Homburg et al. (2013); Ingenbleek et al. (2013); Noble and Gruca (1999); Kienzler and Kowalkowski (2017); Schindehutte and Morris (2021)
IV		Dynamic pricing (DYP)	
13	DYP1	Our firm adjusts prices in real-time based on market demand and supply conditions.	Kannan and Kopalle (2001); Elmaghraby and Keskinocak (2003); Dixit et al. (2008); Fisher et al. (2018)
14	DYP2	We use different prices for the same service depending on the time of year or market conditions.	Elmaghraby and Keskinocak (2003); Haws and Bearden (2006); Dixit et al. (2008); Fisher et al. (2018)
15	DYP3	Our pricing strategy allows for flexibility to capture more value during peak demand periods.	Elmaghraby and Keskinocak (2003); Haws and Bearden (2006); Dixit et al. (2008)
16	DYP4	We employ data analytics to optimize our prices based on market trends and client behavior.	Elmaghraby and Keskinocak (2003); Dixit et al. (2008); Fisher et al. (2018)
V		Client Retention Rate (CRR)	
17	CRR1	Our firm has been successful in retaining a high percentage of our clients over the past year.	Zeithaml et al. (1996)
18	CRR2	Compared to our competitors, our client retention rate is above average.	Rust and Zahorik (1993)
19	CRR3	Most of our clients have been using our services for more than three consecutive years.	Hallowell (1996)
20	CRR4	Our clients rarely switch to other auditing firms for services we offer.	Keaveney (1995)

Source: Developed by the authors based on theoretical foundations. The model comprises 5 scales and 20 observed variables

major cities of Hanoi and Ho Chi Minh City in the period from June 2024 to September 2024. The data was cleaned before running the model using SPSS 22 and AMOS 20 software.

## 4. REGRESSION MODEL VALIDATION AND DISCUSSION OF RESULTS

### 4.1. Descriptive Statistical Analysis

The sample is mainly male (65.37%) compared to female (34.63%). This shows a gender imbalance in the auditing profession, with men accounting for about two-thirds of respondents. However, it is considered suitable for the audit profession, with the specificity of work requiring high work intensity, or having to move away

from home, which is an obstacle for female auditors; In terms of age distribution, the largest age group is 26-35 years old (36.58%), followed by 36-45 years old (26.07%). Both groups accounted for more than 60% of respondents, indicating a relatively young to middle-aged workforce. The smallest group was over 55 years old (8.17%), indicating fewer senior professionals in the sample; In terms of education, the majority of respondents had a bachelor's degree (74.71%). Master's degree holders accounted for 18.68% of the sample, while doctoral degree holders made up only a small minority at 6.61%. This shows that a bachelor's degree is the most common educational qualification in this field; in terms of job positions, Auditors make up the largest group (57.59%), followed by Senior Auditors (22.57%). The company director accounted for 15.18% of the sample, while the Assistant Auditor



was the smallest group with 4.67%. This distribution reflects the typical organizational hierarchy in audit firms; In terms of work experience, the largest group has 1-5 years of experience (45.20%), followed by the group with 6-10 years (31.67%). This shows that the majority of respondents (76.87%) have up to 10 years of experience. Only 8.54% have over 16 years of experience, indicating a relatively young workforce in terms of professional experience; In terms of the nationality of the survey respondents, the majority of respondents are from Vietnam (97.67%), only a small percentage (2.33%) are from other countries. This shows that the survey mainly focuses on Vietnam's auditing sector.

The data collected in the study shown in Table 2 accurately reflects the human resources of small and medium auditing companies in Vietnam. The survey sample is characterized by a predominantly male, young to middle-aged workforce with a bachelor's degree and up to 10 years of experience. The respondents were mainly auditors and senior auditors from Vietnam. Vietnam's rapidly growing economy and growing demand for audit services have attracted a young, highly educated workforce. The level of experience shown shows the growth and expansion of the auditing industry in Vietnam over the past decade.

#### 4.2. Determine the reliability coefficient of the scale

Test the reliability of the scale by Cronbach's Alpha coefficient (Cronbach, 1951). Cronbach's alpha coefficient is a statistical test of the degree of coherence and correlation between observed variables in the scale. The bouncing method allows the analyst to eliminate non-conforming variables and limit garbage variables in the research model. Accordingly, "garbage" variables are those with a total correlation coefficient of  $<0.3$  and a scale will be selected when Cronbach's Alpha coefficient is 0.6 or higher (Nunnally, 1978; Peterson, 1994). At the same time, Cronbach's Alpha if the variable type is greater than Cronbach's Alpha of the scale will also be eliminated to increase the reliability of the coefficient later. Typically, a scale with Cronbach's Alpha from

0.7 to 0.8 is usable. According to many researchers, if Cronbach's Alpha scores 0.8 or higher to nearly 1, the scale is good and the correlation will be higher. The results of the reliability analysis of the scale are detailed in Table 3 below.

The process of testing the observed variables of each scale is as follows:

Table 3 indicates that the quality of the scales is good, for the scale: Cost-plus pricing; Value-based pricing; Competition-based pricing; Dynamic pricing; Client retention rate, Cronbach's Alpha value is 0.814; 0.855; 0.838; 0.803; 0.901, respectively, all  $>0.8$ . Variable correlation coefficient – the total observed variables are  $>0.5$ , so they are satisfactory.

#### 4.3. Exploratory factor analysis (EFA)

Exploratory factor analysis (EFA) is a statistical analysis method used to reduce a set of many interdependent observable variables into a set of variables. Thus, the study will use 16 variables to include in the EFA analysis. The EFA exploratory factor analysis was performed separately for 02 groups of independent and dependent variables, the results for the independent variable are presented in Table 4.

The EFA analysis results for the independent variable in Table 3 show that the KMO value is 0.745 and the Barlett test has a value of 382.198 with the significance level Sig. = 0.000  $< 0.05$  proves that the data used in the analysis is suitable.

The results in Table 5 show that there are 4 factors extracted at Eigenvalues = 1,920  $> 1$ , so it can be confirmed that the number of factors extracted is appropriate. The total explanatory variance of factor analysis is 68,463%  $> 50%$ . This means 78.822% change of factors is explained by variables.

Next, the factor matrix table after rotation will be considered, the analysis results show that the observed variables have been gathered into 04 groups of variables with the order of the observed variables being kept the same compared to the original independent variables, the factor load factors are  $>0.5$ , so these 04 groups of independent variables are of practical significance (Table 6).

The results of the EFA analysis for the dependent variable show that the KMO coefficient = 0.746, so the exploratory factor analysis is appropriate for the actual data. Sig quantity. Satisfy the condition  $\leq 0.05$  should be statistically significant and the observed variables are correlated with each other in the whole, proving that the data used in the analysis is appropriate. Analysis of the total variance extracted for the dependent variable shows that the percentage value of the entire variance Percentage of variance = 64.248%  $> 50%$ , the Eigenvalue = 1.706  $> 1$ , so the model is eligible for exploratory factor analysis and the load factor of the observed variables is  $>0.5$ , so the observed variables are of practical significance. So the dependent variable is kept the same as the original independent variable and there are 04 observed variables.

#### 4.4. Factor Analysis Confirms and Model Analysis of Partial Least Squares Structural Equation

**Table 2: Characteristics of survey subjects**

No.	Demographic Information	Person	Percentage	
1	Gender	Male	168	65.37
		Female	89	34.63
2	Age	18-25 year	41	15.95
		26-35 year	94	36.58
		36-45 year	67	26.07
		46-55 year	34	13.23
		Over 55 years old	21	8.17
3	Educational attainment	PhD	17	6.61
		Master	48	18.68
		Bachelor	192	74.71
4	Job position	Company director	39	15.18
		Audit senior	58	22.57
		Auditor	148	57.59
		Auditor assistant	12	4.67
5	Experiences	Of between over 1 year and 5 years	127	45.20
		From 6 to 10 years	89	31.67
		From 11 to 15 years	41	14.59
		Over 16 years	24	8.54
6	Country	Vietnam	251	97.67
		Others	6	2.33

Source: Compiled from survey data

**Table 3: Scale analysis results for variables in the PLS-SEM model**

Variable	Scale mean if item deleted	Scale variance if item deleted	Corrected item-total correlation	Cronbach's alpha if item deleted
Cost-plus pricing (CPP): $\alpha=0.814$				
CPP1	11.33	3.983	0.647	0.760
CPP2	11.36	3.632	0.752	0.708
CPP3	11.24	3.973	0.639	0.763
CPP4	11.47	4.080	0.510	0.801
Value-based pricing (VBP): $\alpha=0.855$				
VBP1	13.23	9.377	0.608	0.840
VBP2	13.49	8.631	0.661	0.826
VBP3	14.04	8.373	0.660	0.827
VBP4	14.00	8.340	0.732	0.807
Competition-based pricing (CBP): $\alpha=0.838$				
CBP1	11.95	5.198	0.544	0.802
CBP2	11.91	4.622	0.681	0.791
CBP3	11.80	4.463	0.756	0.757
CBP4	11.90	4.444	0.709	0.778
Dynamic pricing (DYP): $\alpha=0.803$				
DYP1	15.43	6.067	0.526	0.784
DYP2	15.40	6.092	0.646	0.749
DYP3	15.63	5.864	0.599	0.760
DYP4	15.26	6.385	0.529	0.782
Client Retention Rate (CRR): $\alpha=0.901$				
CRR1	7.38	2.618	0.792	0.871
CRR2	7.42	2.495	0.792	0.868
CRR3	7.38	2.118	0.840	0.831
CRR4	7.54	2.237	0.843	0.822

Source: Statistical analysis using SPSS 22 software

**Table 4: KMO and Bartlett's Test**

KMO and Bartlett's Test			
Kaiser-Meyer-Olkin Measure of Sampling Adequacy	0.745		
Bartlett's Test of Sphericity	Approx. Chi-Square	382.198	
	df	116	
	Sig.	0.000	

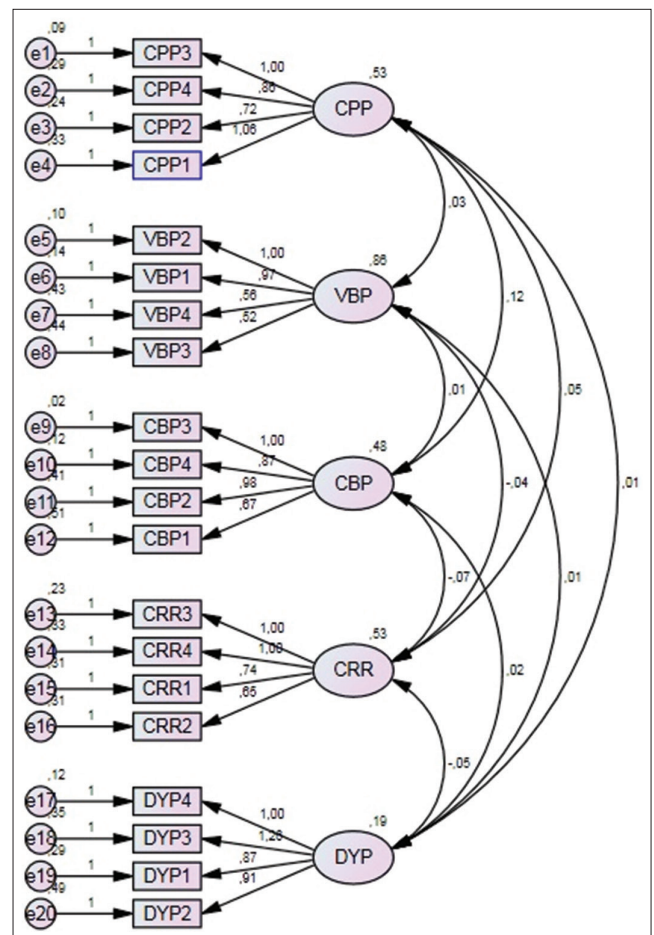
Source: Statistical analysis by the authors using SPSS 22 software

Confirmatory Factor Analysis (CFA) and Partial Least Squares Structural Equation Modeling (PLS-SEM) Analysis. The results of Confirmatory Factor Analysis and the estimation of the Partial Least Squares Structural Equation Modeling are illustrated in the Figures 2 and 3.

The results of the confirmatory factor analysis indicate that the adjusted Chi-squared value divided by degrees of freedom (Cmin/df) is 4.25, which is in the range  $\leq 5$ . TLI value = 0.912,  $>0.9$ ; CFI value = 0.983 and  $>0.9$ ; NFI index = 0.911,  $>0.9$ ; and RMSEA index = 0.038, which is  $<0.05$ . Therefore, it can be concluded that the integrated model is suitable for real data because it meets the test criteria.

The results from Figure 3 show that the adjusted Chi-squared value divided by degrees of freedom (Cmin/df) is 4.93, which is in the range  $\leq 5$ . TLI value = 0.981,  $>0.9$ ; CFI value = 0.911, exceeding 0.9; NFI value = 0.998, exceeding 0.9; and RMSEA value = 0.025, which is  $<0.05$ . Thus, it can be seen that the model is suitable for real data because it meets the accreditation criteria.

**Figure 2: Summary of confirmatory factor analysis**



Source: Statistics from AMOS 20 software

Table 7 below presents the hypothesis test results, the significance

**Table 5: Variance extracted for factors and observations**

Component	Total variance explained						
	Initial eigenvalues			Extraction sums of squared loadings			Rotation sums of squared loadings <sup>a</sup>
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total
1	3.785	18.927	18.927	3.785	18.927	18.927	3.216
2	2.977	14.884	33.811	2.977	14.884	33.811	2.926
3	2.899	14.495	48.307	2.899	14.495	48.307	3.153
4	2.112	10.559	58.866	2.112	10.559	58.866	2.762
5	1.920	9.598	68.463	1.920	9.598	68.463	2.309
6	0.916	4.580	73.043				
7	0.845	4.225	77.268				
8	0.682	3.410	80.677				
9	0.608	3.038	83.716				
10	0.525	2.626	86.342				
11	0.488	2.441	88.783				
12	0.417	2.084	90.867				
13	0.337	1.686	92.553				
14	0.311	1.555	94.108				
15	0.295	1.476	95.585				
16	0.261	1.303	96.888				
17	0.232	1.159	98.047				
18	0.187	0.934	98.981				
19	0.113	0.567	99.548				
20	0.090	0.452	100.000				

Extraction Method: Principal Component Analysis.

<sup>a</sup>When components are correlated, sums of squared loadings cannot be added to obtain a total variance

Source: Statistical analysis by the authors using SPSS 22 software

**Table 6: Rotated component matrix<sup>a</sup>**

Scale	Pattern Matrix <sup>a</sup>			
	1	2	3	4
CPP3	0.906			
CPP4	0.859			
CPP2	0.847			
CPP1	0.814			
VBP2		0.899		
VBP1		0.890		
VBP4		0.803		
VBP3		0.776		
CBP3			0.960	
CBP4			0.859	
CBP2			0.818	
CBP1			0.708	
DYP4				0.777
DYP3				0.756
DYP1				0.735
DYP2				0.699

Extraction Method: Principal Component Analysis

Rotation Method: Promax with Kaiser Normalization

<sup>a</sup>Rotation converged in 4 iterations

Source: Statistical analysis using SPSS 22 software

(CBP) variables are not statistically significant due to  $P > 0.05$ . Thus, Hypotheses H2 and H4 are accepted and Hypotheses H1 and H3 are rejected.

The results of this study are firstly thought to be suitable for the audit market in Vietnam in recent years. Because as Vietnam's economy continues to grow and develop the strongest in Southeast Asia, businesses increasingly recognize the importance of high-quality, personalized audit services. Value-based pricing reflects a shift toward an emphasis on the unique value proposition that audit firms can provide, rather than just price competition. This approach satisfies the expectations of customers who are looking for more appropriate audit services, especially as Vietnamese enterprises become more and more dynamic and internationally integrated. In addition, the positive impact of dynamic pricing on customer retention shows that customers in Vietnam appreciate a responsive, flexible approach to pricing, which can lead to a more appropriate and equitable fee structure. In addition, the refutation of the H1 hypothesis related to CPP is also consistent with the current situation of the Vietnamese auditing market. It is not enough to rely on cost alone for pricing without considering the value provided or market conditions to retain customers. This result shows that Vietnamese audit clients are considering more cost considerations when choosing to retain an audit firm, indicating a market where quality and value are increasingly important. Similarly, the rejection of hypothesis H3, which relates to competition-based pricing (CBP), reflects the limitations of a purely price-competitive approach in the current Vietnamese audit market. While price competition is still a factor, the results suggest that it is not an important driver of customer retention. This finding is consistent with the growing emphasis on service quality and specialization in Vietnam's audit sector,

level of the estimated coefficients:  $P \leq 0.05$ ; the confidence level  $\geq 95\%$ . The factors included in the model are statistically significant and the hypotheses are accepted.

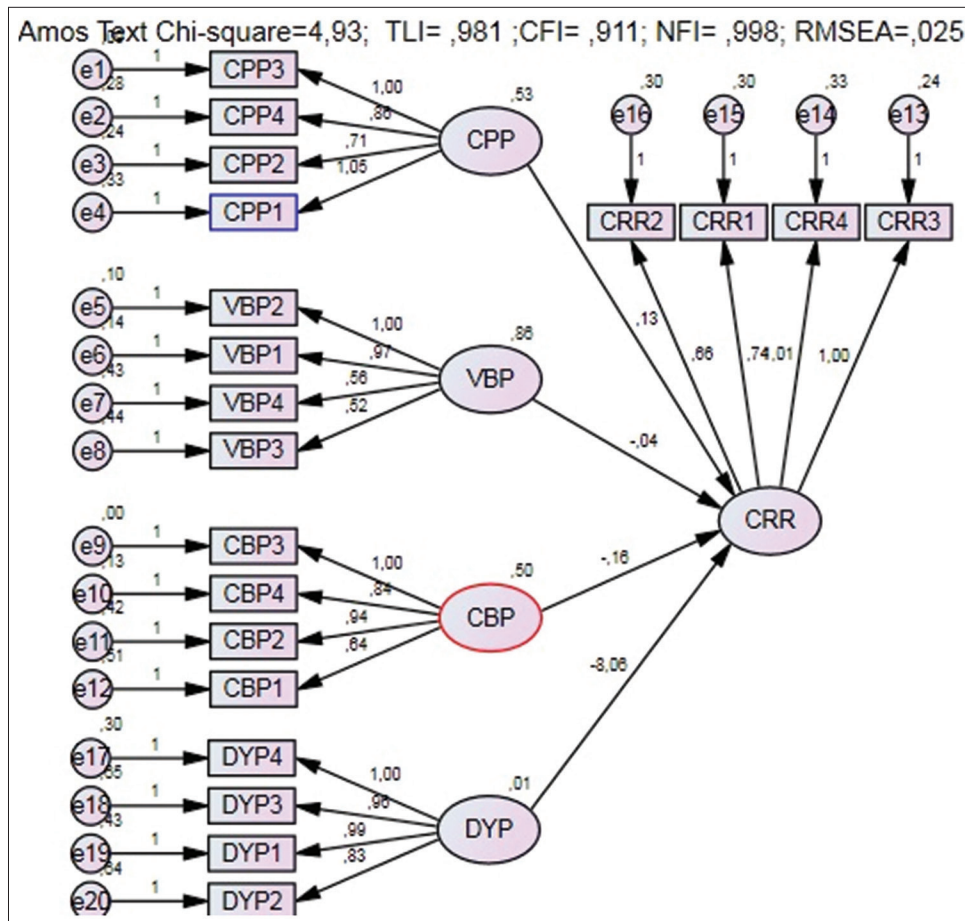
Table 7 shows that Value-based pricing (VBP) and Dynamic pricing (DYP) variables have a positive impact on audit customer retention of small and medium-sized audit firms, with a statistical significance level indicated as  $P \leq 0.05$ . In contrast, the Cost-plus pricing (CPP) and Competition-based pricing

**Table 7: Results of hypothesis testing**

Hypothesis	Impact			Estimate	S.E.	C.R.	P	Label
H1	CRR	<---	CPP	0.133	0.061	2.172	0.397	Reject
H2	CRR	<---	VBP	0.04	0.047	0.848	***	Accept
H3	CRR	<---	CBP	-0.157	0.06	-2.607	0.209	Reject
H4	CRR	<---	DYP	8.064	3.098	2.603	0.002	Accept

Source: Statistics on AMOS 20 software

**Figure 3:** Results of partial least squares structural equation modeling regression estimation model from the article



Source: Statistics from AMOS 20 software

where firms are differentiating based on value-added expertise and services rather than engaging in a race to the bottom for customers.

At the same time, the research results are said to agree with previous studies, such as for value-based pricing (VBP) strategies such as the study by Beattie and Fearnley (1995), Leventis et al. (2013), Velte and Loy (2018), Alareeni (2019) who found that audit firms that can effectively communicate the value of their services, especially in terms of audit quality and industry expertise, have been more successful in retaining customers. This is consistent with the positive impact of VBPs in this study. For dynamic pricing strategy (DYP) as studied by Ettredge et al. (2014), Carson et al. (2012), Asthana et al. (2019), Gunn et al. (2019), who argue that flexible pricing strategies that adapt to changing market conditions and customer characteristics are associated with higher customer satisfaction and retention rates. For cost plus interest (CPP) pricing strategies such as the study

of Ghosh and Lustgarten (2006), Causholli et al. (2010), Bills et al. (2020), Sharma et al. (2017), who argue that audit firms that focus only on cost recovery without considering value or market conditions will be less successful in retaining customers. For the competition-based pricing (CBP) strategy as studied by DeAngelo (1981), Francis and Wang (2005).

### 5. IMPLICATIONS FOR MANAGERS OF SMALL AND MEDIUM AUDITING COMPANIES

The research results highlighting the positive impact of Value-based pricing (VBP) and Dynamic pricing (DYP) on audit client retention rates have significant implications for small to medium-sized auditing firms in Vietnam.



First and foremost, the positive impact of Value-based pricing suggests that small to medium-sized audit firms in Vietnam should focus on clearly articulating and demonstrating the unique value they provide to clients. This implies a need for these firms to invest in developing and showcasing their specialized expertise, industry knowledge, and the quality of their audit services. They should strive to differentiate themselves from competitors by emphasizing the specific benefits clients receive from their services, such as risk mitigation, improved financial reporting quality, or industry-specific insights. This approach may require additional investment in staff training, technology, and client communication strategies to effectively convey the value proposition.

The effectiveness of Dynamic pricing strategies indicates that small to medium-sized audit firms in Vietnam should develop more flexible and adaptive pricing models. This implies a need for these firms to enhance their ability to assess and respond to various factors such as client risk profiles, engagement complexity, market conditions, and regulatory changes. Implementing dynamic pricing may require firms to invest in better data analytics capabilities to accurately assess these factors and adjust their pricing accordingly. It also suggests that firms should be prepared to engage in more frequent and transparent discussions with clients about pricing, explaining how and why fees may change based on evolving circumstances.

The rejection of Cost-plus pricing and Competition-based pricing as significant factors in client retention suggests that small to medium-sized audit firms in Vietnam should move away from simplistic pricing strategies based solely on costs or matching competitors' prices. Instead, they should focus on developing more sophisticated pricing approaches that consider multiple factors, including the perceived value of their services, the specific needs of each client, and the overall market dynamics. This implies a need for these firms to invest in better cost management systems and market intelligence capabilities to inform their pricing decisions.

Another important implication is the need for small to medium-sized audit firms to enhance their client relationship management skills. The effectiveness of value-based and dynamic pricing strategies relies heavily on strong client relationships and clear communication. These firms should focus on developing deeper understanding of their clients' businesses, industries, and specific needs. This may involve investing in customer relationship management (CRM) systems, regular client feedback mechanisms, and training programs to improve staff's client interaction skills.

Furthermore, the research results imply that small to medium-sized audit firms in Vietnam should consider repositioning themselves in the market. Rather than competing primarily on price, these firms should aim to position themselves as value-added service providers, emphasizing their unique strengths, specialized knowledge, and ability to provide tailored solutions to clients. This may involve developing niche expertise in specific industries or types of audits, which can justify premium pricing and enhance client retention.

The findings also suggest that these firms should be more proactive

in educating their clients about the value of high-quality audits and the factors that influence audit pricing. This implies a need for increased transparency in pricing discussions and a focus on helping clients understand the relationship between audit fees and the quality and scope of services provided. Such education efforts can help justify value-based and dynamic pricing approaches and build stronger, more sustainable client relationships.

Lastly, the research results imply that small to medium-sized audit firms in Vietnam should be prepared for a shift in the competitive landscape. As the market matures and clients become more sophisticated in their understanding of audit value, firms that can effectively implement value-based and dynamic pricing strategies are likely to gain a competitive advantage. This suggests that firms should be willing to invest in the necessary resources and capabilities to adopt these pricing strategies, even if it means short-term costs or challenges.

## 6. CONCLUSION

This study examined the impact of various pricing strategies on audit client retention rates among small and medium-sized audit firms in Vietnam. The key findings of this research provide valuable insights into the effectiveness of different approaches in the evolving Vietnamese audit market. The results indicate that Value-based pricing (VBP) and Dynamic pricing (DYP) strategies have a positive and statistically significant impact on audit client retention rates. This suggests that firms that can effectively communicate the value of their services and adapt their pricing to changing circumstances are more likely to retain clients. Conversely, the study found that Cost-plus pricing (CPP) and Competition-based pricing (CBP) strategies do not have a statistically significant impact on client retention rates. This indicates that traditional pricing approaches based solely on costs or matching competitors' prices are becoming less effective in retaining clients in the current market environment.

These findings align with recent trends observed in other developing and developed audit markets, suggesting that the Vietnamese audit sector is following a similar trajectory of maturation. The results emphasize the need for small and medium-sized audit firms in Vietnam to evolve their pricing strategies to remain competitive and maintain strong client relationships.

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