

How to make your accounting practice more profitable

A Capium whitepaper for accountants.

CAPIUM



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Introduction

A slicker, more profitable firm is the goal for most accountants. But boosting profitability is easier said than done — and many don't know where to start.

Real growth starts with a frank assessment of how your practice operates, from how you organise your work to the tech you use and your approach to marketing and referrals.

In this comprehensive guide, we walk you through the five main ways accounting firms can become more profitable: choosing a niche, refining workflows, using technology, data-driven marketing and client retention. In each section, we explain why we think you should focus on these actions and encourage you to think about what you can do for your practice.

Are you ready to start the next phase of your firm?

Client base and type of work

Capium is the pioneer of Cloud-connected accounting software for owners of small and medium-sized accountancy practices. Our software suite marries automated accounts production and powerful practice management tools specifically designed to help accountants in practice run a smarter, more efficient, and ultimately more profitable business.

Accounting firms often struggle to attract and retain the best clients — the most loyal, easy to work with and profitable. It's why some firms forgo a niche and accept business from anyone who enters the door, regardless of their temperament or lifetime value.

That might make sense for a startup that needs cash now. As Mark Telford, the owner of Telfords Chartered Accountants, argues:

"The number one priority for you when starting up is to get clients on board and the cash coming in [...] You need to get through the first 12 months, and niching will not help you do that".

But if your goal is growth, is accepting anyone who comes through the door the most efficient and effective strategy to achieve sustainable development? We argue 'no' for three reasons:

1. **Profitability**. Certain clients pay more than others because they have more money to spare than others or because you have expertise in their particular field. Whatever the reason, people who pay more for your time are critical to your success.
2. **Loyalty**. "Happy customers are your best customers" isn't just a saying but, according to PwC, something that can add up to a 16% price premium on products and services as loyal customers are less likely to quibble about prices. They're also more likely to engage with your brand on social media, leave Google reviews and send referrals your way.
3. **Ease of working with**. 'Vampire clients', as business consultant Amanda C Watts calls them, suck up your energy, quibble on prices and take up more of your time than necessary. We doubt we need to go into more detail than that — you probably already know who your vampire clients are!

Your first step in making your firm more profitable should be identifying your most profitable, loyal and easy-to-work-with clients. Then you can think about trying to attract more of those types of people (more of that in chapter 4).

To identify your best clients, Watts recommends you ask yourself these ten questions:

- Which clients do you/your team like?
- What's the revenue per year for each client?
- What's the profit per year?
- Do they drain your time/energy?
- Do they refer you?
- Do they respond to your emails/calls quickly?
- Do they appreciate you?
- Do they pay you on time?
- Do they listen to you?
- Do they provide the required information on time?

Carl Reader goes even further, encouraging you to look at your ideal client outside of work. What are their goals? How old are they? How would they have behaved as a child, and what films do they enjoy? He writes:

"Understand the motivations of your customer. Once you understand who your ideal customer is, you can design [...] a customer service process that meets or exceeds their expectations".

Should I pick a niche?

While you're sorting through your sales data, ranking your clients in terms of loyalty, and examining who wastes your time and how, you might notice one of three patterns:

1. Your best clients buy a particular type of service from you.
2. Your best clients come from a specific industry.
3. Your best clients come from a particular sector and tend to purchase a specific service from you.

If you do, you might benefit from honing in on a particular type and developing a niche. If not, niching can still benefit and grow your firm.

But how can picking a niche — which, by definition, means reducing your total addressable market — help your firm?

The answer lies in how you're positioning yourself. As Watts argues, accounting firms don't tend to stick in the minds of potential clients — at least not until they need help with something like payroll or year-end accounts. When they need help, they seek someone out — usually a specialist.

Therein lies the problem: if you're not a specialist working with a particular type of client or solving a specific issue, prospects will often pass you up. After all, who would a prospect with a particular problem (let's say, setting up a startup) go to for tax advice: a generalist or someone with a self-declared specialism in tax advice for startups?

You can still attract clients without a niche, but your fees – not your expertise, skills or promises – will often be the driving factor in their decision. Your practice might not be valued and respected as much as a niche firm, and you'll find it's a lot more work to build trust.

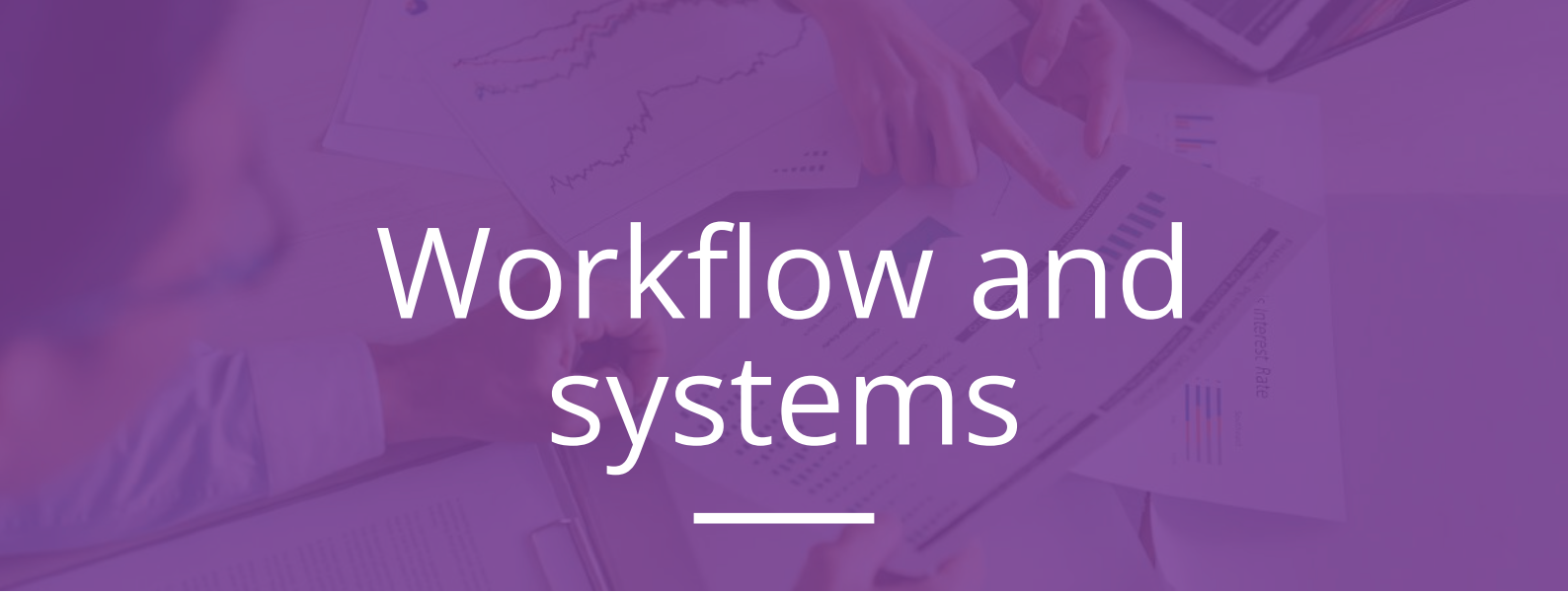
A niche firm, conversely, can charge its worth. Once you've positioned yourself as an expert, clients are more likely to trust you, your expertise and – crucially – your fees. You can picture this type of firm as a VIP clubhouse with extraordinary service, excellent rapport and prices reflecting that.

As such, a niche firm is in a great position to begin attracting the best clients — the ones who spend a lot stay for a long time and don't constantly bicker about prices.

Niching is also a great way to ensure you only do what you enjoy with your clients. Slogging it out and offering services you dislike is a surefire way to induce burnout.

So, are you a bookkeeper? A tax specialist? A business adviser? Combine the work you want to do with a specific audience, and you're on your way to building a firm that can offer high-value, specialist work.





Workflow and systems

For any business to thrive, it needs to meet and exceed its targets consistently. The key to meeting this consistency is a strong work process. When you started your firm, you created systems, but have they evolved since then?

An accounting firm has yet to devise the perfect work process at the first attempt (in fact, there's no such thing as a flawless process), but you can improve your technique so much that you execute projects on time and under budget.

Don't think things need to change at your firm? Let us put it this way: the more efficiently you can complete a task for a client, the more you can do for them. Sure, that's more money in the bank for you — but it's also more professional advice and financial reporting for your clients.

How to improve your firm's efficiency

First, consider the systems you have in place and how you can adapt them (you don't need to reinvent the wheel, after all).

Don't do this in your head — you'll likely get confused quickly or forget something. So, map out the existing procedure, warts and all, on rolls of drawing paper or sticky notes. You can also write it in a clear list to keep things simple.

Next, add improvements that would optimise the process or identify areas where things aren't working as well as they could. Once you have your improvements, you can write up a new system and test it, adding anything else you notice. Get someone else to try it, too — they might see something you didn't.

We left out one crucial detail: map out the existing process and design a new one **with your team**.

There are three reasons for that:

1. **Your employees use your systems and checklists**. They know the bottlenecks, where the frustrations lie, and how time is wasted.
2. **Your employees are unique**. They might have ideas that you have yet to think of.
3. **Your employees need to be on board with the changes**. What's to say an employee slips back into the old ways because they prefer how they used to work before you changed everything? Offer them a say to help convince them of the positives of the change.

Another critical step is to ask yourself and your team how long specific tasks should take and compare them to reality. In other words, you should track your employees' time. Fortunately, plenty of non-invasive software programmes allow employees to track their time on individual tasks.

Project status tracking is also helpful. This software can monitor and quantify your team's performance, telling you how much they're getting done and when. With the data you get from these tracking methods, you can spot bottlenecks and inefficiencies and work out ways to improve.

For instance, the data might show that employees are less active on Monday mornings and Friday afternoons, and decide to assign the most valuable tasks outside those hours. Or you could spot an employee struggling with a particular job, allowing you to open a dialogue about how to support them or make the task easier.

Top tip: a project management process breaks down critical stages of a project or lengthy task into precise phases. By setting clear expectations at the outset, every team member knows how to handle their current and future tasks.

Think beyond the usual processes

While reading this chapter, some processes and ways to improve them might have popped into your head. What processes were they? We'd wager the ones foundational to your firm — accounts production, tax returns, bookkeeping, and payroll.

However, you need to make sure you're thinking about all your workflows — have you built processes for marketing activities, answering calls and messages, and event planning?

Communication between staff is another great example of where poorly designed processes cost time. According to Panopto, employees lose an average of 5.3 hours a week waiting on others for knowledge and another 5.68 hours doing work someone else is already working on. That's a lot of time that a detailed resource document and weekly team meetings could help chip away at.

Lastly, think about your workflows from start to finish — from when you onboard a client to when you bid them farewell as they move on or you end your partnership with them. The more efficient the process, the better the client experience and the more likely they will give a referral.





Technology in use

It's almost impossible to deny at this point: technology helps accounting firms become more profitable.

The numbers speak for themselves. According to Xero's performance report, firms with 0-25% of their clients using online accounting software saw an average revenue per client of £1,334 in 2021. Compare that to the average revenue per client for firms with 75-100% of their clients in the cloud — £1,636, an increase of 23%.

What are the reasons for this? Great software platforms allow you to:

- Provide basic services more easily, quickly and cheaply. You can then focus on more lucrative services or getting more clients.
- Reduce the chances of error, improving your firm's brand and saving you time you might otherwise use correcting mistakes.
- Broaden your firm's geographical reach. With technology, you can serve clients on the other side of the country as you could someone round the corner from your firm.
- Increase your revenue without extra effort — automation can actually make your life easier.

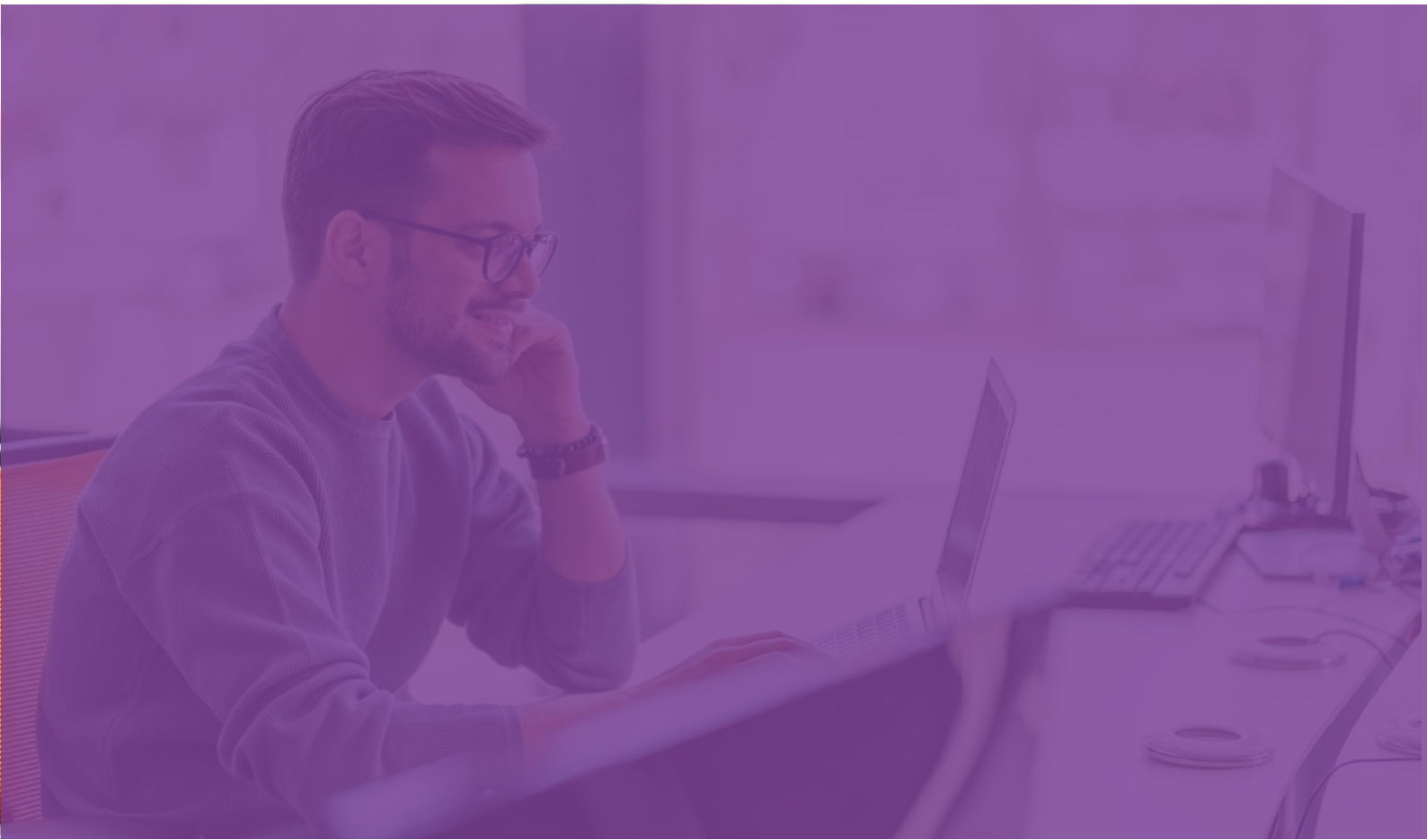
Evidence also suggests that accounting firms are more able to bill clients a fixed amount if they're using online software. Here's what Xero found:

Percentage of business clients using online accounting software	Percentage of clients billed a fixed amount per piece of work
0-25%	25%
26-49%	32%
50-74%	32%
75-100%	36%

However, to get the most out of your technology, you need to think beyond your usual services like accounts production, bookkeeping and tax work.

For instance, tools like Logical Office and Trello can help with workflow management; Signable with online signatures; Mailchimp with email marketing; Spotlight Reporting with management accounts; Chaser.io with debt collection. Then there's the project management and status tracking software we discussed in the last chapter. If that sounds like a lot, you could alternatively find a software solution that offers everything you could ever need in one package — Capium offers one such solution.

In other words, to save as much time on the mundane as possible, think about how technology can benefit your entire firm — that's what will separate the wheat from the chaff in the future.



Data-driven marketing

We've looked at how to identify your ideal clients and give them an excellent service; now, you need to know how to win their business. That leads us to data-driven marketing.

We all know what marketing is: it's about getting more leads, enquiries and clients by sending a clear and concise message to as broad an audience as possible... right?

Well, not quite — creating content and sticking it online without focus is like shouting into the void, or more accurately, like trying to get your favourite artist's attention at a gig — everyone else is doing the same, and it's tough to cut through the noise. Then there's the opposite problem — what's the point in attracting so much attention that you get 100 enquiries, but only two are from people who will actually purchase your services?

You, therefore, need to attract as many of the types of clients you want as possible. In other words, you need to attract the right audience

How to attract the clients you want

The first step is to consider your brand, and whether it resonates with the ideal client you identified in chapter one. You can think of it like a dating app: the more you relate to a client and share similar values, the better match you and they are. The better the match, the longer the relationship. And just like a dating app, someone will make a judgement about you before they even speak to you — according to Forbes, B2B customers progress more than 70% of the way through the decision-making process before ever engaging a sales representative.

Every business has a brand, even if they've never considered it. There are bad, mediocre, good, and what Watts calls "superstar" brands. You should aspire to the latter; they attract better staff, more clients and more extensive opportunities.

Always think about building familiarity. Watts writes: “Familiarity builds relationships. Relationships build trust. Trust builds your practice.”

Superstar brands think about how people perceive them in all aspects, from big to small — even email sign-offs and voicemails leave a lasting impression of who you are.

Your website is your brand’s greatest asset. It’s the first thing that appears when someone googles your firm and is one of the main ways someone will judge you before meeting you. The colour scheme you choose, the typeset you use, the images you feature and the tone of voice in your copy (writing) all contribute.

You should also think about search engine optimisation, which is a fancy way of saying matching your copy and headings to what your ideal client is searching for to give you the best chance of showing up in search results. That will help boost your website’s rankings when people search specific keywords and phrases on Google. Anything other than the first page won’t do — as the joke goes, “where’s the best place to hide a dead body? The second page of Google”.

Next, think about content. That means blogging, social media posts, videos and podcasts (whatever you have the time and expertise to do). Focus your content on solving problems for your ideal client, so they find and consume it. Make sure to point your readers toward a particular service you offer. Long-form guides and eBooks are an especially great way to demonstrate your expertise and persuade an audience to trust you — don’t forget to put them behind a data capture screen so you can collect email addresses for your marketing campaign.

Traditional methods can go a long way

With such a focus on digital marketing, accounting firms often forget or forgo offline marketing. We think that’s a mistake — with so many practices focusing on digital methods, could you cut through the noise by posting material through letter boxes or in the local newspaper?

Building professional links should be at the top of your list. That means partnering with trade associations and media sites that your ideal clients frequently visit. Consider writing content for them that they’ll share with their audience under your byline and talking at an event they host — if your audience already gathers somewhere, don’t hesitate to go to them!

Data-driven marketing

Collecting data on your marketing activities is essential — without it, how will you ever know your efforts are rewarding you with leads? How will you know which areas you can improve on?

So, analyse the traffic your content and website bring you and how many people convert to customers. That will give you your conversion rate, which, in the accounting industry, should be around 2%. You can do the same thing for email marketing — again, a good mailshot should turn about 2% of recipients into leads.

There will be aspects of your branding and marketing that will be harder to gauge, such as the appeal of your logo. Some firms use focus groups to measure this, while others use a simple survey.





Client communication and retention

You have your ideal clients and a strategy to get more of them, but what's the point if you can't keep hold of them? We went into great detail about this in an eBook on client retention, but here's the figure every accountant should know: according to Bain & Company, increasing customer retention rates by just 5% can increase profits by 25% to 95%.

That's down to two main reasons: acquiring new clients is much more expensive than keeping the ones you already have, and selling to existing clients is much easier.

How to retain accounting clients

A good retention strategy starts with effective onboarding — setting the right expectations about your services without overpromising. It would help if you also scoped the specifics of your service, how your fees will work and the level of communication your client can expect. The aim should be to give your clients a feeling of security by answering any questions they have before they spring to mind.

Of course, it's vital to live up to your expectations by prioritising deadlines and confirming all agreements you've made relating to communications and the delivery of work (refer back to chapter 2 for advice on how to do that).

Remember, though, that every client is different. Therefore, your relationship might look different from each client to the next — while some people appreciate a high level of input and guidance from their accountant, others want to know that all their paperwork is filed on time.

No matter the approach, everyone will want you to show a genuine interest in them, know that you're doing all you can to help them achieve their aspirations and feel like their time is being well spent. A customer relationship management platform will help you do all these things, as anyone in your team can see the service you provide for each client and each conversation they've had with your employees. Connect it to your cloud system, and there won't be a need to nag clients for financial records.

Lastly, don't shy away from automation in your communication systems. There's a misconception that automation will ruin your communications by making them less personal, but as we've argued before, it respects your clients' time, ensures prompt contact and helps you send helpful information to them.





Conclusion

This eBook has demonstrated how accounting firms can increase profitability, reduce costs, and stay competitive in the ever-changing market:

1. By focusing on high-value clients that align with your expertise and services, you can increase client satisfaction and loyalty, resulting in long-term profitability.
2. Implementing efficient workflows can improve productivity, reduce costs, and increase client satisfaction by providing timely and accurate financial information.
3. Leveraging advanced technologies, such as cloud-based accounting software, can streamline accounting processes, reduce errors, and enhance collaboration with clients, resulting in increased efficiency and profitability.
4. Effective marketing strategies, including social media marketing and search engine optimization, can increase the firm's visibility and attract new clients, resulting in increased revenue.
5. Finally, effective client retention strategies, such as regular communication, personalised services, and excellent customer service, can help accounting firms maintain strong relationships with their clients, resulting in repeat business and referrals.

Interested in what you've read? Think we've missed something out? Get in touch for close assistance picking the right software solutions and growing your practice.

Call us on 0203 322 5578
or find out more at capium.com