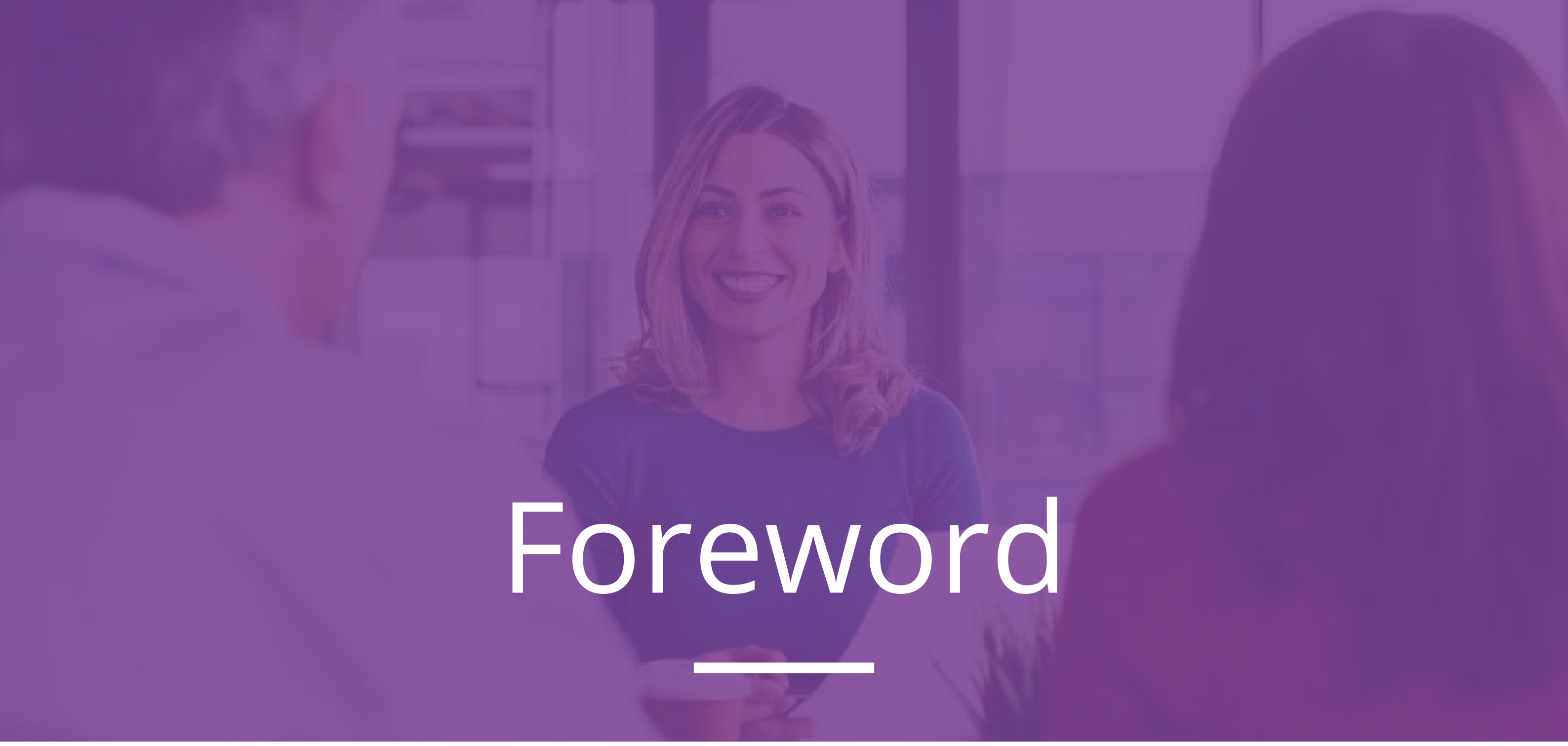
# How to attract recession-proof clients and ensure your practice survives

**A Capium need-to-know briefing for accountants**

CAPIUM



# Foreword

The past year was better for some businesses than others. Accountancy firms need to make sure they're attracting those clients who are fighting fit, and on a growth trajectory.

With the Prime Minister's roadmap to opening up published in late February and the Chancellor's having announced a final round of COVID-19 support in March, the great shake out is almost upon us.

Even with the strong economic bounceback predicted by the Bank of England, many businesses which have been hemorrhaging money, keeping themselves afloat with grants and loans, are going to have to face reality. They'll be firms that couldn't or wouldn't adapt – which didn't take their goods or services online, or pivot to home delivery.

What can accountancy firms do to attract the kind of tech-savvy, agile businesses that have thrived despite everything 2020 threw at us? The simple answer is that they can show themselves to be tech-savvy, agile businesses in their own right. Birds of a feather flock together, as the saying goes.

In 2021, though, that means more than declaring your commitment to cloud accounting; in the age of Making Tax Digital, that really ought to be a given. Rather, this requires a combination of good practice and credible presentation.

For this white paper, the Capium brains trust has looked into what works for our most successful clients and come up with practical suggestions for how your firm can connect with businesses that have an exciting decade ahead of them.

## Tushir Patel

**co-founder of Capium**

# Executive summary

- The COVID-19 crisis will be the final straw for many businesses that were already struggling as government support is withdrawn and the UK economy enters a rocky period.

- Innovative, tech-led businesses less reliant on footfall and bricks-and-mortar have thrived – and consumer behaviour is likely to have changed permanently, to some degree.

- Ecommerce, delivery and digital technology sectors have seen strong growth and this is likely to be permanent change – the acceleration of a process already underway before COVID-19.

- To attract those recession-proof, crisis-proof clients, accountants need not only to assert their modern, tech-savvy credentials but prove them. Talk the same language as your ideal clients and walk the walk. Don’t make software an add-on – put automation and efficiency at the heart of your proposition.

# State of play: bad news, good news

## How bad is the current economic downturn likely to get? And what does it mean in practice?

Analysis of insolvency rates from the Office for National Statistics[1] suggests that, counterintuitively, fewer businesses than usual are going bust. In January 2021, there were 57% fewer administrations than in the same month last year, and compulsory liquidations were down by an astonishing 85%.

Think about it for a moment, however, and the reason is obvious. Chancellor Rishi Sunak has, in the eyes of all but his harshest critics, spent freely to prevent shocks and jolts in the UK economy. From furlough schemes to one-off grants, he has done whatever it takes to keep businesses afloat even when they can't trade, or are only able to trade under heavy limitations. That means that many businesses which might have been struggling even before COVID-19 have been given what amounts to a stay of execution.

Look beneath the surface and there are indications that things are bumpy and about to get bumpier yet. The rate of redundancies is currently higher than at the peak of the 2008 financial crisis[2] and forecasts suggest that insolvencies could jump suddenly as government support is reduced.[3]

[1] Monthly insolvency statistics for January 2021, published 19 February 2021.

[2] Labour market overview, ONS, February 2021.

[3] Trading Economics UK insolvency forecast, accessed 25 February 2021.

What's more, UK companies are carrying huge amounts of debt as a result of emergency measures during 2020. According to research by EY, they're on track to have borrowed £61 billion in total by the end of 2021, taking on debt at twice the usual rate.[4]

Where's the good news, then?

Well, for starters, the Bank of England and other authorities seem quietly confident that there will be a strong bounceback[5] once consumers are allowed out and about, hungry to catch up on lost spending.

There is also evidence that the turmoil of the past year has given many would-be entrepreneurs the nudge they needed to start their own businesses. Almost 30% more new companies were registered in the fourth quarter of 2020 than in the same period in 2019 – "the largest quarter four year on year increase since 2012, when quarterly breakdowns were first recorded", according to Companies House.[6]

Finally, there are some fascinating statistics on growth and decline in particular sectors. Another non-surprise is the growth in ecommerce during 2020. In January 2021, online sales made up 35% of all UK retail sales, compared to 19.5% in January 2020.[7]

Through successive waves of lockdown, we all got used to ordering things online we'd previously have picked up at the shop, from toilet roll to cupcakes. What's interesting about the official stats, though, is that they not only show online sales going up during periods of lockdown but staying up throughout the year.

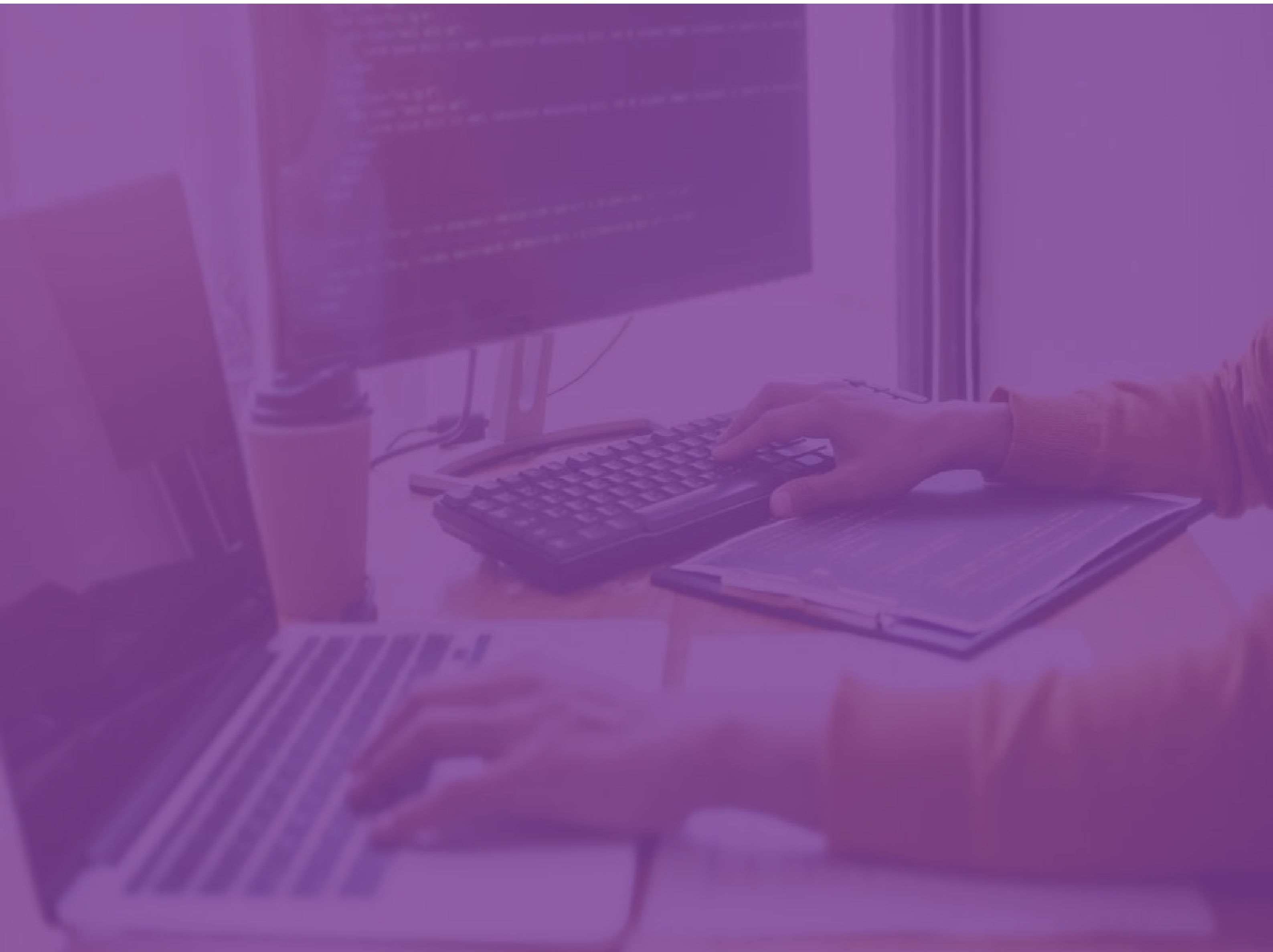
In effect, 2020 gave many businesses the kick they needed to develop an ecommerce and delivery offer, even if that was a project they might have pencilled in for 2023 or beyond. Will they stop selling online when lockdown is a thing of the past? It's unlikely, even if the percentage creeps back a little. This was a trend that already had great momentum behind it – the pandemic just accelerated the schedule.

[4] 'Debt levels soar for business as UK economy struggles to recover from Covid', Richard Partingon, Guardian, 8 February 2021.
[5] Bank of England Monetary Policy Report, February 2021.
[6] Incorporated companies in the UK October to December 2020, 28 January 2021.
[7] Retail sales, Great Britain: January 2021.

That's good news for businesses delivering IT infrastructure and ecommerce software. In December 2020, one in ten of all vacancies being advertised were for tech jobs, above the Office for National Statistics' 9% benchmark. At the same time, investment in the UK tech sector increased in 2020, up to £10.7 million from £10.6m in 2019.[8]

And where the digital economy meets the real world, in logistics and delivery, a boom is also underway. In fact, according to warehousing provider CBRE, 2020 was a record year for logistics, "towering over the other years in the chart".[9]

[8] '2020 in review: UK tech sector shows growth and resilience', Tech Nation, 29 December 2020.
[9] 'United Kingdom logistics Q4 2020', CBRE, January 2021.



# Traditional recession-proof sectors

## Beyond the growing digital sector, there are certain legacy industries that have proven themselves all but immune during times of economic turbulence.

Essential retail will always perform reasonably well, even when purse strings are being tightened. In December 2020, UK food retailers saw a 1.4% increase on the same month in the year before.[10] In tough times, not only do we still need to eat – we turn to food for comfort.

Perhaps the same reasoning lies behind the resilience of the fast food sector during 2020, despite trading restrictions. Greggs, the high street bakery chain, achieved almost 82% of it’s 2019 sales in 2020, despite the loss of footfall in city centres, and added 28 new stores to its roster. KFC franchisees, meanwhile, had a busier year than usual, with sales actually increasing during the latter half of the year.[11]

Hand-in-hand with that is the growth of the UK fast food delivery market. Even when we were all locked away, Deliveroo, Just Eat and Uber Eats drivers and cyclists were whizzing about bringing food to our doors. Deliveroo’s value doubled in 2020, thanks to investment from Amazon and soaring demand.

[10] Retail sales, Great Britain: January 2021, ONS.
[11] ‘How Britain’s top fast food chains coped during Covid’, Patrick O’Donnell, Catering Today, 10 February 2021.

Discount retailers, despite the slim margins on which they operate, have also proven resilient during periods of recession. Budget supermarket Aldi famously saw a 25% increase in sales in the UK in 2008, in the wake of the global financial crisis.[12] Its sales in December 2020 exceeded £1 billion for the first time.[13]

The medical and care sectors are generally resilient, too, being priority services, often subsidised by the state, or through private health insurance.

[12] 'Aldi's sales soar as it lures wealthier shoppers', Julia Kollewe, The Guardian, 13 January 2009.
[13] Press release, 30 December 2020.

# Be a digital business

## Now is the time to automate, digitise and take online as much of your workflow as possible.

Millennials (born c.1981-c.1994) grew up with home computers, mobile phones and the internet. They've been communicating via text message, email or social media for most of their lives. They don't like making phone calls, do like email and expect to be able to do everything via apps and online forms, from ordering fish and chips to dating.

Generation Z, meanwhile – those born after 1994 – are true 'digital natives' and have never known a world without the internet. They not only expect to communicate primarily online but also want that communication to be almost instantaneous. They tend to prefer social media, instant messaging and private chat. Or, as a recent report by Campaign Monitor put it:

"[You've] probably heard that Gen Z has the attention span of about 8 seconds—compared to the millennials' 12—when, in reality, they actually possess a sophisticated filter that comes from growing up surrounded by a deluge of information."[14]

Between them, millennials and Generation Z, aged between about 26 and 40, are the founders, CEOs and finance directors of the startups and SMEs you most want as clients. They're 20+ years away from retirement and, of course, have huge potential lifetime value.

[14] The Ultimate Guide to Marketing to Gen Z, Campaign Monitor, 2019.

They want to open an app, enter information using intuitive interfaces and get things done with a couple of clicks. They have no patience for friction or fudging.

That's the reason behind the growth of online 'challenger' banks such as Starling and Tide which are fully and comfortably app-based while traditional high street brands scramble to keep up. And it's why, despite its ongoing PR problems, Amazon continues to grow: it's possible to buy something using one thumb, with three clicks.

What does this mean in practice for accountants? Well, if you're still insisting on making clients sign paper documents, provide offline financial records, call you to talk or (under more normal circumstances) pop into the office, the chances are you're turning these people off.

**Think about the tasks a typical client might want to perform, such as:**

- getting a quick readout on cashflow
- sharing documents
- responding to queries from their accountant
- reviewing their tax return before submission
- asking questions of an accountant.

**And then think of the tasks you might want to perform:**

- providing updates to clients
- requesting information
- sending documents for signature
- preparing and sharing tax returns
- answering client questions.

These are all things that can be handled by cloud accounting software or through practice management software – or through a hybrid like Capium.

Of course there are some things that can never be fully digitised, such as the kind of in-depth discussion needed to deliver personalised strategic tax or business advice. Even there, though, you should aim to automate appointments and reminders, use video conferencing where appropriate, and even consider employing auto-transcription to make minuting and report production faster and easier.

To summarise, learn to think digital first and you'll be better placed to win digital-first clients.

# Sell yourself as a digital business

## Being a digital-first business is important but you also need to sell that to prospective clients who don't yet know your firm.

The cheap and nasty way to attempt that? First, plaster your website with outdated stock imagery of lasers and people operating Minority Report style virtual reality interfaces. Then declare your specialism in large letters on the homepage. Job done.

Of course it's not job done because that won't work – in fact, it will be counterproductive. Potential clients operating in the creative, digital and technology sectors will roll their eyes and go elsewhere.

Instead you need to, first, be explicit about your commitment to digital. Set out your systems and processes – 'How it works'. Talk about the specific apps and software you use and be clear about their benefits, not to you, but to the client. And make that first contact digital by default – don't insist on a meeting or phone conversation.

Secondly, beyond working practices and culture, you need to get across your knowledge of the sector. Your messaging and content needs to convincingly convey an understanding of:

1. the challenges faced by business in the IT and ecommerce sectors;
2. the compliance requirements and tax reliefs applying to those sectors; and
3. their professional language and culture.

For example, if you're aiming to connect with eCommerce businesses, you'll want to be able to talk confidently about dropshipping and retail arbitrage. If it's tech you're interested in, don't assume they'll know what you know: put references to SEIS, R&D tax relief and the patent box right upfront in your communications.

Even better, if your partners have real-world experience in any of these sectors, shout about it. A recent piece of research into the attitudes of SMEs included this telling quote from the owner of an IT startup when asked what signalled credibility in an accountant:

> *"For me, it's someone who's been there, done it, and got the T-shirt in terms of their mistakes, who's had inside experience, and potentially already sold a business."*[15]

If you don't have that experience, provide evidence of the dedication of individual partners to digital, tech or eCommerce sectors. That might be in the 'Meet the team' bios on your website, perhaps replacing the ubiquitous line about which football team you support. It could be in the content you write for the practice blog, or monthly newsletter. Or it might be on LinkedIn, where you share news stories and industry insight.

What you want to ensure is that when a potential client decides to check you out, what they find underlines your credibility.

To fuel that stream of relevant content, you need input. Subscribe to newsletters. Follow the right news sources on social media. And consider setting up an account with feedly.com or another RSS aggregator to pull together all those sources of tech news in one easy-to-digest feed.

The more you read and absorb, the more confident your knowledge will become. There's no excuse these days for saying, "I don't do technology" or "Artificial intelligence and Bitcoin are mysteries to me". Prospective clients in tech will expect you to be engaged in these topics, even if only as an interested outsider.

Your information and news dashboard can also provide opportunities to reach out to clients: "I saw this and thought you might find it interesting." Remember, every conversation is an opportunity to sell more services to clients who already enjoy working with you.

[15] 'Why SMEs won't pay for business advice and how to change their minds', PracticeWeb, March 2021.

You might also consider a **sector-specific newsletter**, using the audience segmentation tools in your customer relationship management system (CRM) to target sub-groups of clients. It needn't be monthly – quarterly might well be fine. The point is that it will be targeted and relevant.

Finally, wherever you can, provide what's known as 'social proof' – case studies and testimonials from businesses you're already working with in these target sectors. This can often be the convincer needed to nudge a prospect into making the final decision to buy – the digital equivalent of the old-fashioned referral or recommendation.

# Spread the load

## Specialising is good as long as it doesn’t amount to putting all your eggs in one basket.

Much as it is a good idea to have a clear market niche, as many accountancy firms specialising in working with contractors or hospitality businesses have learned in recent months, it can backfire.

That’s why it makes sense to pick two, three or four specialist sectors and build your marketing and brand identity around those. Many more than that and your claims of specialising cease to ring true.

A sensible approach might be to target one 21st century growth sector, one that’s traditionally recession-proof and another that, under normal circumstances, you find both profitable and interesting.

Fast food franchises + eCommerce + high street retail, for example, is likely to work well. The sectors overlap neatly, meaning that your hard-won knowledge and expertise in one will often transfer to the others. And if one takes an unexpected hit, the others might reasonably be expected to maintain your firm’s buoyancy.

And if you want to really prepare yourself for the long-term, think about the clients you might want to attract in five or ten years’ time. As your chosen growth industry (eCommerce in the example above) becomes established, what might replace it?

The first dedicated deepfake production studio recently opened in the US, for example, and it’s not hard to imagine that becoming a growth industry in the UK, too.

The groundwork you lay now in terms of learning, connections and content could help you connect with industries currently in their infancy.

# Deliver a great customer experience

## Digital or traditional, online or offline, what matters ultimately is that your clients find working with you pleasant and productive.

Those testimonials, case studies and online reviews that are so persuasive to potential clients? There's no shortcut to achieving those. You need a relentless focus on the client – on their needs and expectations. You need to be willing to adapt and grow, rather than expecting them to change.

To achieve that, in turn, you need to listen. Whether it's formal market research, confronting your own one or two star reviews, or simply asking "How's my driving?" from time to time, you need to know what's not working.

Working in software development, we're big believers in listening to feedback. Some of the best ideas that have gone into Capium have come from the accountants who use it every day. We don't think of those "It would be good if..." comments as complaints so much as the purest form of insight into what people really need.