SMALL BUSINESS GUIDES

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Achieve big things for your clients.

BookkeepersHub
Connecting Australia's bookkeepers with business

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Winning customers

As any business owner can tell you, acquiring new customers is the driving force behind successfully growing a business. The same applies to financial services firms. But with the right skills and the resources it does not have to be a bridge too far. Consider the story of one of the members of the Bookkeepers Hub who made savvy use of the *Bookkeepers Jobs Board* widget. This is her story:

To get new clients without waiting for referrals, she searches 'part-time bookkeeper' ads. She sends her website link in a cover email; she details her focus on helping the business owner and describes how the business will save money in the long run using her services instead of hiring a part-time employee. Of 10 ads she answers, four ask to meet her and two become clients. She makes sure the job is for 10 or less hours a week. Her income has doubled in 12 months. You have to give her points for smarts.

The brutal truth is that referrals alone can rarely build a professional practice. It's brutal because there are two kinds of businesses: those who are winning new customers, and those who are dying. There are also two kinds of professionals and business owners: those who want more customers, and those who are lying.

The perfect pitch

It's much easier to win new customers when you've got great stuff or a great service. Everything flows from quality—mediocrity is the enemy of professional and business success. How does your service stack up against these tried and proven attributes?

- Is your service more than just compliance; does it have depth?
- Does your service project a solid understanding of the customer's needs?
- Do you offer support and value-add services?
- Do you go the extra mile to empower the customer to do better business?
- Do your marketing collateral – website, invoices, and brochures – present as professional and trust-building?

How unique is your service?

If you have a valuable service, but it's not unique, you always have to compete on price. What you really want is a great service that's also unique. This is the place where margin and money are made.

What's unique about doing the books? Start with the benefits people receive from using your service. It's very hard to be unique with pure compliance work but not impossible. Consider how UK accounting services firm crunch *www.crunch.co.uk* positioned itself in a unique way – same basic accounting as others but a unique pitch.

Food for thought? The next step is to make it easy for people to become your customers. You can't give potential customers a sample of the 'books' but you can figure out ways for them to test-drive your service.

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The point is to communicate a professional value proposition to your prospects. You might want to chase down some glowing testimonials that speak to your "unique and value-laden" service. If your service is truly exceptional, your customers will want you to do well, and one way to ensure this is to encourage others to do business with you.

What's your niche?

Lawyers do it; general medical practitioners do it, accountants do it. And most bookkeepers do it too. They mostly are generalists. After all, an accountant does accounting and a bookkeeper does bookkeeping, right? You wind yourself up each day and off you go. Here's a key fact to consider seriously if you want to grow your income: when business owners look for accounting and bookkeeping services, the top two qualifiers are experience and expertise in the customer's industry.

Stand in the prospective customer's shoes for a moment and consider her choice when faced with choosing a 'generalist' bookkeeper who offers general bookkeeping services and a bookkeeper who has a profile revealing a specialisation in that industry. Which professional do you think she would choose? And would you imagine $5 or $10 an hour premium for specialised services would deter the customer?

Add value to your customer because of your specialist knowledge

Customers will be drawn to professionals who understand their needs. You can't be an expert across the board but you can be a specialist in a specific vertical. 'Finding your niche' is somewhat of a cliché but there compelling reasons why specialising should be considered

BENEFITS OF SPECIALIZING

- There is a perception if not a reality that specialists are experts
- Customers expect to pay higher fees to a specialist
- Being a generalist can be inefficient when you're unfamiliar with the industry
- Generalists will have a mix of low to high quality clients; a specialist tends to have a higher proportion of high-quality clients

Building your fee rate

As a specialist you immediately differentiate yourself apart from the competition. Simply put; there are very few specialists in a niche field and your skillset is valued by prospects in that niche. You're onboarding time is short and trust is built quicker when the customer feels you understand her unique needs.

A rapidly changing ecosystem makes it inefficient to be a generalist

Bookkeeping is detailed work with a lot of moving parts and there are multiple challenges facing bookkeepers: offshoring and a readily advancing ecosystem of cloud-based accounting software solutions with hundreds of add-ons and options. Being a generalist is therefore becoming increasingly difficult when you need to spend hours researching how to handle an unfamiliar situation.

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For sure there is merit in lots of variety and learning, but it also involves a lot of unbillable time that, at best, is very inefficient. The specialist, on the other hand, gets better and better at their work having the relative luxury of being in narrow vertical or niche and hence, able to make manifold productivity gains that the generalist simply has not the opportunity to realise.

Choosing your customers

Whereas the number one challenge that independent bookkeepers (and accountants) usually struggle with is getting clients, the specialist will often be in position to be more selective. The generalist will generally have a smorgasbord of clients, some small, some big, some good, some bad. The specialist will have higher hourly rates, be more productive and able to positon themselves as an advisory professional thus generating an even higher fee rate.

The specialist will readily be able to identify prospective customers and therefore will have the ability to do regular and effective marketing. It's really tough to get the word out about your services when you're not quite sure who your potential customers are exactly.

Consider for example that you are a specialist in restaurants and have a good knowledge of Point of Sale systems and experience in integrating the systems to Xero or to QuickBooks Online. You've got your finger on the pulse of the latest advances in POS and able to demonstrate this to each customer. Now that's worth money to the customer!

So, how do you go about choosing a specialty? Look across the spectrum of your experiences, your skills and contacts and look too at strong growth verticals and niches. Hint: think medical; think trades, building & construction.

Standing in your customer's shoes

It can be a challenging experience: that of standing in the shoes of the customer and, sometimes, it can be a very painful exercise. You know the line, "Walk a mile in my shoes".

Consider the case of a bookkeeping client, Jamie a baker making artisan bread. Jamie has been a client of mine for over 12 months and I do his accounts once a month, e.g. expenses, invoices, BAS report and monthly financial reporting. I am sure Jamie does not appreciate my financial reports as he just dismisses them and in her words "I'm not a numbers person".

To better support Jamie in his business and understanding that he is not motivated by money, rather, by producing a great product and being innovative in her processes, I decided to prepare a graphic and PowerPoint presentation explaining to Jamie why he is short on cash at critical times, like when the GST needs to be paid. This graphic showed that the more bread he sells the more inventory costs rise. The solution? Raise prices by 5-7% and boost stock turnover. The result is a better cash flow to enable him to invest in more efficient equipment. I earned my bread that month!

This raises the question of a fair, win-win deal for the bookkeeper and her client. We deal a lot with people, and talk to professions about hourly rates. Let me tell you there's nothing magical about it. If you are qualified, experienced and you happily deliver 'above expectations' to your clients, you climb the ladder of hourly rates.

SMB owners are faced with multiple challenges – daily. BAS, gst and tax obligations are mandatory but so too is timely and relevant financial information that enables the business owner to make smart decisions. Jamie, as a case in point,

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needed a different approach to the usual spreadsheet display of financial information. How can a professional bookkeeper or accountant stand by and watch their client struggle without coming up to the plate with ideas, proposals and solutions that can alleviate or at least moderate their problems? The answer should not be “I only get paid for doing the books!”

We as an industry need to be much better at “standing in the shoes of the customer”. This requires training and a ‘never stop learning approach’. You get the reward by doing well for the client. On the other hand if you sell yourself too cheap just to get your foot in the door; that could back fire.

A business owner would respect your tenacity if you put up with taking extra time to get on top of the job.

Moving away from the hourly rate

Despite the fact that many business owners think that an hourly rate is the best way to employ a contractor-bookkeeper the reality is they dislike the uncertainty that an hourly rated regime entails. Business owners like certainty, so why not give it to them?

Value pricing

Value pricing has been around for years; yet there’s a huge lack of information about implementing it successfully in the smaller bookkeeping practice. Solo or small bookkeeping firms are in locked in syndrome as far as fee basis: less than one in 10 practices are exploring a value-based selling and proposal cycle.

We are of the view that a mindset shift is the first base in moving towards value pricing; it is the professional who needs to transform her own thinking about value and pricing, which is integral to the success of this method.

Always think about your clients: ask ‘what else can I do to add real value to my clients? How can I this quicker? How can I get this outcome faster, and so because I’m not thinking in time-based paradigm. I’m thinking in an outcome-based paradigm for them.”

How the cloud has changed the game

In recent years we have seen a shift of focus within the bookkeeping and accounting industry. The words ‘cloud’ and ‘virtual’ have become buzz words, and more and more bookkeeping professionals have been looking to use technology as a way to make their firms more effective, and to get ahead of their competition. It is clear that the industry is turning online, as major influencers such as QuickBooks Online and Xero are focusing their attention on building their online platforms.

Work on YOUR terms. Working with cloud applications gives bookkeepers and accountants an opportunity to work at any time, from anywhere. Bookkeepers have a unique opportunity to capture a much larger audience by understanding these cloud-based tools. The ability to have a client’s accounting file and documents at the tip of your fingers not only allows for bookkeepers and accountants to work on their terms, it also allows for them to work with clients who historically would be out of their geographical reach.

The movement to online solutions is changing the way bookkeepers and accountants perform work, and is offering firms who are using these technologies a unique advantage that is helping them to get a step ahead of their competition. Not only can independent bookkeepers and bookkeeping

firms increase their geographical reach, they can also streamline the bookkeeping and accounting process and work on client's accounting files on their terms, no matter where they are located.

A consequence of moving to cloud based software to support their clients, bookkeepers also changed their approach to client relationships. Instead of being a basic service provider, they become value added provider charging a flat monthly fee for a basic service with value added services.

Going to fixed price agreements and getting rid of time sheet

It can be a difficult conversation. The easiest is to start with a new client (as distinct from legacy clients); you get to start value pricing with a customer who has no preconceived notion of how you do business.

But what about "scope creep" I hear you ask? Part of any value based, fixed price agreement should specify work outside the agreement – commonly referred to as scope creep. Access agreements cater for clients moving beyond the scope of the initial brief with the client. By providing access agreements (to avoid scope creep) if you bill by the hour as a result they will tend not to call you. You see why the billable hour is such as barrier: there will always be a situation that a client will want to discuss or need resolved. Setting to an access agreement is one of more trust and might for example be for more than say 15 minute call or work.

A *FAQ section* on your website can attend to most of the common issue; this should clearly delineate what is and what is not in the service agreement. You could expand on some of the topics in a *Knowledge Database* on the website.

Transitioning clients to value pricing

Few bookkeeping could wave a wand and change over from an hourly rate to value pricing. Indeed it may not be in the interests of the professionals to do this.

Ideally you would take on any new customer with the new business model but consider the value you could to existing clients by culling through and assessing customer potential for value add. One consideration should be the lifetime value on a value based pricing formula.

Lifetime Value of a customer

The *Lifetime Value* concept is often overlooked in the acquisition and retention of customers as a fee-based contract bookkeeper will tend to view the hourly rate basis and simply spreadsheet out the billable hours for the new customer on a monthly basis. But in value pricing the potential of contributing much higher yield from a customer should be factored in going forward. Of course, this is difficult to do without any history of the customer or indeed without any practical outcomes from existing customers.

Once an outcome is achieved this could effectively be used as a kind of neural customer how they create value and can be used for pitching to prospective clients.

Discovering the customer's needs

Discovering more about the prospective client's needs is a worthwhile investment; in value or fixed (flat) rate pricing it even more important. In a value pricing environment your role turns into the listener; you need to deflect the "What is your hourly rate?" question with the response "I need to understand more about your business and your needs." The goal, first up is to dig for information. The art of digging deeper is where you appear "insanely curious"; you could

record audio so that you can focus intently on the customer. The more you know about the business; potentially the more value you can create for them.

QUESTIONS TO CONSIDER

Fear is the biggest enemy of value pricing. It is not easy to ask great questions. It's okay to learn from this even when you get a negative response it can serve as an iteration process:

- **How to set up value and package it**
- **How do define the scope?**
- **How to complete a value based project**

You have to define the value first and know that the customer will not benefit from the value until the project is completed. This can be accommodated with terms such as "We will only undertake this agreement if we can agree that the value in this service is worth more than what you are providing. Is that okay with you?"

Think of a proposal to go into a value pricing deal as a conversation; it's not final so we change the scope and price to match. The professional might say "And probably I'm going to have to revise it as we go along."

Once you have the investigative discussion you can respond to the question in a number of ways. In any proposal for a fee/price or proposal it is useful to offer options. So a response could be: "I am going to give you three options." Let's borrow from the fast food sector where you will invariably find the individual price, a bundled offer or a super-sized price You could call one of the options as the "bundled value offer".

The power of guarantee

Law firms are good at this: they often apply the no win - no fee approach in litigation. In professional services it has become a given that a guarantee presents a comfort factor to a customer especially one who has not done business with the firm. Make a 100 % unconditional guarantee so that if you don't perform there is a money-back service guarantee.

Core of the transformation is to understand pricing strategy

Fixed pricing is not value pricing; you can't have a single fixed price it's about checking in with each client and assessing the value to them. It's how you get higher revenue.

All successful businesses use price discrimination; look at Apple or Starbucks. Then figure out how can add even more value; these often won't take any more time say compared to doing the books, for example doing a benchmarking report.