



Building a Highly Profitable Bookkeeping Business

Overcoming the time for money treadmill is a real challenge for bookkeeping professionals; but there is a better way and that is all about value billing. Here's how.

One of the biggest time (and growth) traps in any professional service business is getting caught on the time-for-money treadmill for each and every client. Each client when handled one at a time has different needs and is handled differently. Even if you employ someone, each client seems to be disconnected, creating a bottleneck for growth.

This is a growth ceiling that requires that you move from a service business mindset to a professional product mindset.

For the firms that have a well-developed product they will be able to handle additional work as distinct from the single owner who will soon find themselves working 70 hours a week when new clients come along and quickly burnout (and maybe even produce lower quality work – a disaster in bookkeeping!)

It can be hard to scale a service business if time is your major commodity. Here's how to “productise” a service business to help you grow to the next level.

The problem is time

Different clients will perceive value in different ways. In a service business, in essence, you're selling your time. Think of it another way: when was the last time a client called and said “I want to buy two hours of your time”?

You're charging for the time you spend providing the service. There are only so many hours in a day, and eventually the business can't grow any larger because there isn't enough of your time to expand it.

You may try to solve that by hiring help. But eventually you run into the same problem. You're still selling people's time. And labour is typically expensive, and can put a lid on profits.

The Scaling Challenge

Producing and selling goods can be scalable as a business model. That's where the concept of “productising” a service business comes in. Productising a service business means adapting your business model to present what you offer as a product instead of a customized service.



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It's not as hard as it might seem to turn a service business into a "product." However, it may require approaching your business model in a new and innovative way. Here are the key elements of a productised service business:

Sells One Thing to Many

Turning a service into a product involves adapting the business model so one deliverable can be sold multiple times, instead of only once per client.

A personal trainer for example who does one-on-one training will run into the scalability issue. To scale the business, the model could be changed to sell one training session multiple times, instead of once. How? By recording the training and selling the recordings online. The trainer could also offer classes at a training facility.

That's one example of a business owner who figured out a way to deliver the same core services, but as a product that could be sold over and over to many.

Re-Envision the Business

Why are you in business? Surely it's to build something that is bigger than yourself in terms of its capacity to generate revenue. Yet, a majority of self-employed professionals seldom break the ceiling of moving beyond their earning from their own direct efforts in a money-for-time exchange.

Lessons from a dog walker

In Sydney's trendy Paddington the cost of walking your dog is \$15 for a half-hour walk (inexplicably, \$17.50 for German Shepherd). One particular dog walker manages to walk up to five dogs at a time although I dare not ask if the droppings are dutifully collected. My dog walker walked off the job, reporting that she couldn't afford to keep doing the work and claiming that her customers would not pay more than the \$15. It occurred to me that she could, potentially, transform her dog walking enterprise by looking at how she might add value to her service, rather than be trapped on the hourly rate treadmill.

Dog owners love their dogs and are concerned for their wellbeing and do spend money on their pets. Like credit cards and raising children, it's another lifestyle expense. A deeper analysis of pet ownership inevitability raises issues of nutrition, grooming and training. Walk into any pet shop or vet practice and you are inundated by accessories, chew toys to ensure dental health, and much more.

What enterprising dog walker would not look for ways of expanding the business? One way is employing uni students while canvassing for new clients who fit the bill of appreciating your (expanded) service offering.



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Re-imagine your service business

Moving beyond an hourly rate for the dog walker or the bookkeeper is about expanding one's vision of the service to one of 'operating a thriving dog lover's business' which then offers all those add-on extras that dog owners cannot resist purchasing. Good marketing is about selling the value so 'premium' can be sold as a 'value' package. The simple half-hour dog walk three times a week can be transformed into a premium package offering several walking sessions a week (one-on-one for the premium client), training, select dog food, nutritional supplements, wash and groom.

Ditch charge-by-the-hour

Bookkeepers might well find themselves relating to the \$15 per half hour dog walker. When competing on the hourly rate for the most basic level of service, there is little fat on the bone (excuse the pun). In effect, like the menial dog walker, your service becomes a commodity and no professional wants to see themselves as a commodity provider. A service sold as a package for a set price is, on the other hand, based on the value of the service being sold. This avoids the bane of a professional service provider – scope creep which has the obvious effect of discounting an hourly rate.

How do I sell a higher value service?

Dog walkers and bookkeepers are not alone in this challenge. Paddington dog walkers have as clientele busy professionals some of whom travel a lot, so the add-on service of dog accommodation (kennel service) would open up, not just the extra revenue potential, but also new clientele of the ideal demographic which would be buyers of the premium service. And dog owners all speak to other dog owners about their dogs; referral business then becomes a source of new clients. In bookkeeping, higher value services such as payroll management, debtor management, cash flow projections and the like will deliver value to the client.

A subscription model

Look no further than the accounting software providers to the accounting and bookkeeping sector. Once it was a one-time purchase of software, today it's all about 'solutions' that you access online from a desktop or device and pay a monthly fee for a cornucopia of add-ons to improve productivity.



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Doesn't Charge by the Hour

A services business typically charges by the hour. Even when the service provider charges a flat fee for a project, usually the project fee is calculated based on some number of hours the provider has to devote.

A productized service, on the other hand, can throw hours out the window. There's a completely different pricing model.

A productized service is sold as a "package" for a set price. Pricing is based on market factors and value of the item being sold—versus an hourly rate plus profit margin tacked on.

Clearly Defines the Offerings

To make a profit selling a service like it's a product (and avoid scope creep, which can eat up profits), you should clearly define what the customer gets with each price level.

FlatLaw is a directory of law firms who offer flat rate service. Another example is Bench.co an accounting firm that offers value pricing and billing on a subscription model. Each of the illustrations is an example of providing a service in a clearly defined productized way. Customers can go on to the websites and chose a service. What they're getting for the particular cost is a narrowly defined service. Other levels of services are available for additional fees.

A Commoditised Package Has a Published Price List

Many bookkeeping and accounting firms don't publish prices. They may want to have an exploratory interview with prospective clients, understand the nature of the clients' needs and quote a custom fee or, worse an hourly rate. This is understandable, in as much as they are delivering a custom service.

However, products aren't usually sold based on custom quotes. Think of an e-commerce site or retail store. There's usually a price for an item that's clearly marked; the buyer sees it and buys it.

Readily available pricing information can be crucial if you want to scale from a single sale into thousands of sales. Doing custom quotes can be time consuming and may keep the number of sales down.

A Product Basis Creates Recurring Revenue Streams

Think about your practice in this way: what is less stressful – working for an hourly rate or having a service that has recurring revenue? No doubt that recurring revenue streams lead to a less stressful business.

There is the stress of having to create new revenue each month. Subscription-based businesses, on the other hand, can let you go into each new month with customers and revenue on the books.



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A productized service business can often be presented as a subscription. As noted earlier, software providers have been doing this for a while and the recent activity of accounting software providers is illustrative. Instead of a one-time purchase of software, today you're more likely to get a hosted solution that you access online and pay a monthly fee to use. The challenge for bookkeepers and accountants is to position their offering (product) that is beyond the EOFY fee-for-service or the BAS quarterly return.

Then there's the question of course of marketing the service. In professional services referrals are still an important source of leads. Anecdotal evidence collected from high-performing bookkeeping firms indicates that the best way to get new business is to incentivize current customers. In one case, for every referral a customer gave them, the firm offered a free month. They found that, out of five customers, four won't send any referrals, but one will send 50.

Making the transition

In repetitive compliance work the job can be readily defined both in time terms as well as process terms and hence specified to enable a job definition. If delegating the work then staff or contractors would have a process to communicate with clients without getting stuck in time-wasting emails, phone calls and the like.

A process ensures that clients will know when they need to submit information and the firm will have the process to retrieve client work.

Once you have the internal and external (client-facing) points, the firm can begin 'packaging' the product through process creation. The point is to visualise the workflow.

What are the average turn-around time, hours to complete the average engagement, and how profitable is this service?

Automating processes

Transitioning is from transaction entry to transaction management. This can be a worry for some bookkeepers. The worry is that if clients don't need "us" to enter transaction data, then "we'll" lose business. The reality is, it's more like a promotion! While accuracy entering data by hand does take a measure of skills that machines simply can't replicate completely, it's not rocket science either. For the bookkeeper who is business-minded, the lower level work is being delegated to technology so that the firm can spend time using more of the skills, getting more done in less time.

By delegating or automating defined processes there is more time to spend on the higher value advisory services such as better debtor management which provides a benefit to the business bottom line. There are tools that can automate this process for example add-ons such as the IODM and DebtorDaddy add-on apps that allow the business to collect outstanding debts faster.

Bookkeeping firms that master these tools and move from being data entry technicians to being data management



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specialists will have the most value to offer their business clients. The firm that commoditised - or productised as we have named it - their basic offering will have capacity to drive and scale their own businesses.

The system is built with tools. Your workflow needs to provide clients a convenient, consistent and scalable service. Build an efficient and easy workflow and you've discovered the secret sauce that makes it possible to grow your businesses like never before.

At its core your workflow should:

- Make it easy for clients to send you source information securely
- Provide a simple way to review and manage that information and add it to the bookkeeping record
- Be a timely and convenient method to deliver reports and other documents electronically.

End words

In our view bookkeepers will need to know how to explain the numbers to their clients. What do they mean? What can they tell us about how the business is performing? The future of accounting and bookkeeping holds an incredible opportunity for you; and of course (here comes the shameless plug) www.bookkeeperhub.com.au will be here to guide you through it.

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