



GROW YOUR FIRM

**A Vital Resource for the
Business-Minded Bookkeeper**

INTRODUCTION

Clients want managing their business finances to be enjoyable. Who said managing finances has to be a burden? Forty-three percent of young entrepreneurs say that they find bureaucracy and red tape demotivating, and that number could be set to rise. From employment and compliance and other regulations, as a bookkeeper you know there's a lot of red tape for business owners and entrepreneurs to wade through. So with a combination of smart technology and your years of expertise, you'll be able to power through red-tape for your clients twice as fast.

If you are a business-minded bookkeeping professional you can tap the angst of business owners and grow your practice or firm.

With cloud-based accounting technology, anything that's a legal requirement is built into your solution and updated in real-time as compliance changes happen. You'll be alerted, guided and protected from important legislation, making your clients' financial tasks more straightforward and enjoyable.

You know there are over two million small businesses in this country, and every one of them needs something done. Most small businesses are run by families, and in most family businesses, one family member cops the stress of doing the books. The short straw!

Your client will expect you to be experienced and qualified. Experience is something you can embellish a bit. Owners of small business aren't fools. You have to provide the service that is needed, and if you give value, you get the reward. Of course if you sell yourself too cheap just to get your foot in the door- that could back fire.

Every profession has its totem poles. In Engineering, the draftsman is valued at less than the engineer. In the Hospitals, the nurses are valued at less than the Doctors, and they are valued at less than the Specialists. In the financial services industry the bookkeepers are valued at less than the accountants, and within accounting you have the separation of suburban firms versus city firms.

The bookkeeping profession is undervalued. It explains, to some extent at least, why so many small businesses fail. And remember every failure affects suppliers and other contractors who don't get paid. This is a very serious problem.

If you studied the law of supply and demand, you would know if demand exceeds supply, then prices should go up. Houston – we have a problem. With over 2 million small businesses and around only 40,000 qualified bookkeepers, there are over 50 businesses per bookkeeper. Something is wrong, because each bookkeeper averages less than 15 clients!

Maybe the reason that we have some many unhealthy businesses is that 80% of them are not doing their books properly!

You are never going to change the perception in the small business world that doing the books is no big deal. It is not a friendly environment that you face when you are trying to convince someone to pay you what you think you are worth. Over two-thirds of small business owners think they can do it themselves.

As you are seeking to grow your firm (you are reading this eBook after all!) you also may be wondering whether you should specialise, i.e. look for customers in the same sort of business. This may happen by accident in that doing a good job for one family, means that they are likely to have friends in the same sort of business.

However, as a strategy, don't think about specialising so early in your quest to grow your firm. You never quite know where you will end up, and the variety of business experience you have becomes more valuable than you think.

As noted earlier, clients need their accountants to keep pace with technology. One way for you to keep pace with technology is to always be looking 'over the horizon' and keep on the lookout for technology that could be redefining the profession.

If you read posts and newsletters from the accounting and bookkeeping sector, there is always an emphasis on change – we think people need to be fully up-to-speed and aware about what's going to happen.

One big technological change to the profession is automation. Deloitte predicts that more than a quarter of jobs in the business services sector are at high risk of automation in the next 20 years.

By keeping yourself educated on disruptive technology by reading reports, attending industry or association seminars and keeping in regular discussion with your clients, you'll be able to pinpoint which technology you can leverage to improve your services, rather than be disrupted by it.

Reflect for a moment on how things have changed in relation to fees. There are two schools of thought – fixed rates and fixed fees.

Each school has its devotees. Just to explain, under fixed rates the customer does not know what it will cost (although may have an estimate of hours). Under fixed fee the customer is quoted an exact amount for the job.

The accepted practice is that when a job is uncertain to estimate, then you negotiate an hourly rate. That means you have to disclose your hourly rate.

Alternatively, if the supplier pretty well knows what's involved, then a fixed price may be quoted.

The public also knows that there is a certain amount of gamesmanship going on, for example quoting a low hourly rate, but padding out the hours. Try hanging around a motor vehicle repair shop and see what they tell you. There i

The other issue is the type of technology that may be used in a job. It is unlikely that a progressive bookkeeping firm today will not have cloud-based accounting software and a range of apps to handle both their own workload rendering manual – that is hourly rate billing – as irrelevant. Simply put, you have overheads and costs associated with being the bookkeeping professional and you are running your own home-based business (usually).

Get your costing right

Say that it cost me say \$ 60,000 a year for your overheads and that counts for \$ 34.78/hour (hours per year = 46 week by 37.5hours/week = 1,725). Then I have to add the basic pay, say \$ 25/hour. All up the charge out rate = \$ 60/hour.

Most industrial awards mandate that people only work 46 weeks a year (4 weeks holiday + 2 weeks public holidays) and the average wage is \$50,000 per year which is \$ 28.98/hour all up. Now add in a profit margin to cover yourself in costing your time for all those little extras that creep into dealing with a client

You are negotiating with a new customer. What are the main things to do?

- a. You need an engagement letter or agreement which spells out what's to be done, and what information you require to do the job.
- b. If you are confident with the scope of the job, and the condition of the records, you quote a fixed price. Essentially you work out the time required and multiply by your target hourly rate.
- c. If you are not confident about the condition of the books, you will need time to sort out their system, and get your clients into shape. In these circumstances, you reserve the right to re-quote in a month.
- d. In the most uncertain circumstances, you quote a fixed rate and then your hourly rate based on cost-plus basis.

One of the great challenges in bookkeeping is to establish order in a chaotic business.

Be patient and prove to the client the benefit of getting records into shape. However a good tip is to tackle just one segment at a time, and get positive feedback at each step.

Your best client might be one that you helped to get into shape. Remember that two-thirds of small business is not serviced by an independent bookkeeper, so there are plenty of fish in the sea. Needless to say don't waste your time on repeat offenders.

Thank you for reading this book. This book was designed to help you unlock your true earning potential. This little book is intended to open your eyes to a wider world than you have hitherto considered. But it is by no means the end of your learning.

GROW YOUR FIRM

As you expand and diversify your practice, your business; to keep up with market trends, regularly ask yourself if you are shaping the business into your ultimate goal. Your business is only successful while you are living the life you dreamed of enjoying.

But here is the caveat: clients need their accounting and bookkeeping professionals to keep pace with technology.

Our research has found that 62 percent of young entrepreneurs claim that despite technology constantly evolving, they don't worry about keeping up. Their bookkeeping and accounting professionals should share this outlook.

One way for you to keep pace with technology is to always be looking 'over the horizon' and keep on the lookout for technology that could be redefining the profession.



There is pressure today –like never before – on the accounting and bookkeeping professional to be looking over the horizon in order to establish practice efficiency. There is always an emphasis on change – we believe people need to be fully up-to-speed and aware about what’s going to happen.

One big technological change to the profession is automation. Deloitte predicts that more than a quarter of jobs in the business services sector are at high risk of automation in the next 20 years.

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FIXED MINDSET OR GROWTH MINDSET?

There are two types of accounting practitioners. Ones who say: "Sure, I can see how that would work."; "Yeah, I think we can apply that to our practice." or "That'll really help change the way our industry is perceived." This is what we refer to as having a growth mindset. Consider this message:



Then there's the other kind. The ones who say: "A growth mindset is not applicable to our industry."; "No way, I'm not doing that. Our clients are different from other clients." or "That's not how people buy accounting services."

We all want to feel special, and being different means we're special. However, people don't buy from "different" businesses; they buy from trusted ones. (See more later in the book on the topic of the *trusted advisor*).

They have to have trust in your practice, in your services and in you. The businesses that have succeeded using the methodology outlined in this book have all focused on building relationships and trust.

LIFETIME VALUE OF A NEW CUSTOMER

Mindset is attitude but it also pays to understand that investing in acquiring new customers is a game of maths. If the maths demonstrate that spending money (e.g. Adwords or Facebook ads) to acquire a customer is the only way to acquire new customers, then we need to understand the maths.

When an accountant or bookkeeper gets a new client that client will generally stay with them for a number of years. As a conservative estimate, let's say 10 years (you could say 7.5 years for a bookkeeper case). (When was the last time you changed accountants?)

So, if I attracted a new client via the Adwords, I was going to make \$2500 from that client each year for 10 years. That works out to be \$25,000 which has more than 10 times paid the cost of the advertisement.

In fact, the main source of new business in an accounting or bookkeeping firm is referrals from other clients, so if each new client referred new clients to the firm, there was added benefit to spending the money on Adwords.

The concept of 'lifetime value of a customer' is one that you can use to determine how much you can invest in your sales and marketing to acquire a new customer.

If you make a one off sale to your customer and that's the end of the story then you have a lot less to spend on getting that customer in the first place. But this is a concept that you should understand and know how much each customer is worth to you.

DEVELOP A NICHE OR STAY A GENERALIST?

Most professional bookkeeping service businesses are generalists. A more targeted approach will enable your practice or bookkeeping business to provide a higher level of service and can certainly also yield higher revenues. It can also help with recruiting - you'll want people who have some understanding of the industry you are working with for a start, or at the very least an interest in it.

An example: everyone understands is in the medical field in how we decide to go to a general practitioner versus a heart surgeon and why the heart surgeon is so much more profitable (and efficient in what she does). Correspondingly, if clients are looking for general bookkeeping services, they will seek the convenient and inexpensive bookkeeper. There are more competing general bookkeepers as well as accounting software packages forcing down price.

Specialization opens up opportunities to network with other firms, which can create additional economic benefit. Having a specialty can literally give you more clients than you could ever want... without even doing ANY marketing! But that's not the end of the story by any means.

Your point of difference

There's a massive paradox present in the professional market: look around at professional bookkeeping and accountant websites or directory listings and what do you notice? Sameness is the answer. The fact is most bookkeeping and accounting firms tend to look the same. And because most firms do not have the budget to stand out from the crowd and compete with larger firms who buy space on Google, there is a real disconnect between wanting to attract new clients and actually attracting a client who may be searching for a bookkeeper just like you.

Typically, a firm will offer a roll-call of services:

- Bookkeeping services
- BAS Agent services
- Friendly and honest

Still awake? It's the sameness that is stupefying. Too few professionals spend any time investing in building a profile that can act like a magnet and one that genuinely presents a point of difference. Consider each of these examples as a mantra for the service provider:

- 'We help business be more in control of their finances'
- 'You live life; we do the numbers'
- 'Your books done online, anytime, anywhere'

Assess for yourself which mantra from the first list or second list, a business owner searching the internet will be tempted to click through to or pick up the phone and call.

Future-proofing your firm against the relentless march of the digital economy means making each part of your service offering compelling and visible.

Stand in the customer's shoes

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 are compelling reasons why specialising should be considered:

- 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. Your onboarding time is short and trust is built quicker when the customer feels you understand her unique needs.

Choosing your customers

Whereas the number one challenge that independent professional 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 position themselves as an advisory professional thus generating an even higher fee rate.

WHERE DO YOUR PROSPECTIVE CLIENTS HANG OUT?

Just like a stage, you need a platform in order to make it easy for your audience to connect with you.

If your ideal clients are plumbers, then there's little point in local networking groups that allow you to reach one a week. You need to find a platform where plumbers hang out regularly, whether it's Google, Facebook or at events.

To present a convincing case for a prospect to use your services, by way of illustration, if you target tradespeople such as plumbers and electricians, it is useful to create specific landing pages for each of the trade niches. When a plumber visits his website they're directed to a specific page which offers a free download: "*The Five Biggest Finance Problems Stopping Plumbers From Having A Profitable Business*". To download it, visitors must input their email address – which gives a firm owner the opportunity to market to them in the future.

Alternatively, a direct mailshot may work better or, indeed a call to them may also work.

By understanding your audience you can invest on the platforms will work and which – such as networking – would be a waste of time.

One thing to note is that a firm's website may well turn out to be as the hub of all the firm's marketing. From the website, a visitor can view blogs and articles, and special offers with a call-to-action for an audience to respond to.

Once you've decided on your ideal audience, and have developed a strong message, it's time to choose a platform or two to test the water.

Your platform is your stage. It's where you'll share value, entertain your audience, wow them with your knowledge and expertise and leave them convinced that your firm will solve their needs. Indeed, if it's well done they'll want more from you?

Note that a niche or specialism lets you cut through the noise, stand out and be heard.

So, now that you understand how to engage an audience, let's start connecting and building relationships have to waste time worrying about them leaving you.

BUILDING RELATIONSHIPS AND CREDIBILITY

Human beings are naturally social. We crave connection and positive interactions just as much as we crave food and water. Achieving them, however, depends on our ability to build relationships.

The relationships we crave aren't just with our family, friends or team members. We also crave relationships with our suppliers, our clients, and our peers. A strong relationship equates to trust. A poor relationship equates to reticence and caution. If we have a good relationship with someone we're loyal and caring. If we don't, then it's a relationship we want to leave.

When your clients respect you and your work they value your ideas and suggestions. Together you will develop better solutions based on your insights, wisdom and creativity.

We communicate through emails, telephone calls and meetings. The better you communicate with prospects and clients, the richer your relationship with them will be. All good relationships depend on open, honest communication.

Understanding how to build relationships is important. The way in which trust, respect and good communication are formed today is very different from 10 years ago.

Two fundamental shifts have taken place:

1. Clients' buying patterns have gone through a monumental change.
2. Whereas sales used to be the primary force in growing a practice, now it's marketing. As a result, the lines between the two have become blurred.

The pinnacle of every good relationship. Once your client trusts you, you form a powerful bond that allows you to communicate more effectively.

Where is the trusted advisor?

Whether you are an advisor or professional contractor the number one thing is to be able to, as they say, 'be in that person's shoes', to understand where they are coming from. It's very easy to be judgemental about what they have done or why they have done it, but that is not the role of the advisor, at least it's not the role when someone is in some difficulty and needing help in coming out of their current circumstances. That type is scrutiny, that is, looking at how things got to be so bad so that they can look to the future and not have that happen to them again, is left 'till much later.

In business there's a whole range of emotions of doubt, uncertainty, fear, excitement, feeling embarrassed, not knowing how to handle questions while sitting around the family dinner table. There's all these emotions that come into. Really the number one role that is important is to have client trust and see you as their non-judgemental advisor.

One of things many accounting and bookkeeping professionals encounter time and time again, is a kind of financial illiteracy. There was another case of a farmer who owned a farm outright worth around \$1.5 million. He had a brand new tractor worth about \$250,000. When asked "On average, how much do you make out of the farm?" He said "About \$100,000 to \$150,000 would be the most I would make." Yet, in that particular year he had gone backwards with a drought. And his books were in amess too. On those figure he would be better off selling the farm and using the funds to put into short term loans and get 10 percent a year on the money and sit around not having to worry about the drought and with no heartaches.

People do tend to think about money like that. A business owner might say “I’ve put \$50,000 into my business so I’m not paying any interest on that.” The reality is you are paying interest because if you put that \$50,000 out into the fixed interest market you get a guaranteed return on that. So in reality you are paying interest on the money you have invested in your business – it’s called an *opportunity cost*. Because you lose the opportunity for that capital to earn interest once it is invested in the business.

Opportunity cost is a cost that business owners need to allow for and most don’t because they are not looking at money as investable capital. And they become emotionally connected to the business and not the cost of the capital. People just don’t see it like that. There are times when questions need to be asked.

Supporting the client with empathy

In our view, what is missing from a lot of professional relationships, is the human touch. It is what I said earlier and that is it’s about empathy and putting the client first.

Empathy is the experience of understanding another person’s situation from their perspective. It is about placing yourself in their shoes or feeling what they are feeling. It’s not just purely cognitive, that is, being able to see things from another’s point of view but also understanding where some else is coming from. Empathy is being something like a concern, where it’s an ability to recognise and relate to another’s emotional state and to feel and show appropriate concern if it is a negative emotion.

When you consider what empathy means in a professional environment like the ones we are talking about in this book, one could reasonably think that empathy is a welcome and indeed necessary characteristic of the trusted advisor.

Putting others first

We have all hear the phrase *the client comes first*, and many of us have said these words, but in my view it has become a cliché. Or even call it a motherhood statement that few of the type of advisors in the insolvency sector would put into action. There it is often the case, as I have put a number of times in the book, that so-called advisers put *themselves* first, rather than the client.

When you really put the client first and your own needs second, so many other things fall into place. Difficult decisions almost make themselves. Once you’re no longer weighing the client’s needs against your own, relationship become more transparent, more honest. People will trust you.

Putting the client and your relationship with them first can be good for your business as it means that professionals in the loop will refer clients to you more often.

Being an effective adviser

Given your experience and world view, what can you tell your client about the situation at hand that they don't already know or can't see?

It is important to move away from the purely theoretical or technical and give the client pros and cons of potential solutions from all angles and perspectives. A practical approach will help arrive at the best outcome for your client and will often set you apart from other advisers.

Being commercially minded and literate

The simple truth is, if you don't know and understand the basics of the balance sheet or P&L statement, it will be next to impossible for an advisor to appreciate the dynamics of the business and how specific factors and decisions will impact the client's bottom line as well as cash flow..

Being professional

Ethics and accountability go hand in hand and advisors should hold accountability to the highest standards and that includes confidentiality and integrity. The client is giving you access to information which is sensitive and critical to the client's business and personal finances. It is vital that you build trust from the get-go with your client. That is something I live by.

Being strategic

Like the successful business owner who ensures that he or she spends as much time thinking strategically about the business as they do in operating the business, seeing the big picture and connecting dots may be some of the most valuable skills an advisor can bring to a client. Often it is a case that the business owner cannot see the forest for the trees. Often the full attention of the business owner is with the last crisis or a product launch or a new hire. What if your role as trusted advisor, as being in the unique position of being able to step back and look at the financials of a business armed with meaningful data?

INCREASING THE AVERAGE SALE TO EACH CUSTOMER

Think back to the last time you went to a fast food restaurant. You drove up to the speaker and ordered a burger. And then a voice came back over the loudspeaker asking if you would like fries with that.

That is called 'cross selling' which is selling another product in addition to the original purchase.

Or maybe the voice came back saying "would you like to up-size that for just \$1?"

That is an example of up-selling which is increasing the size of the initial order.

So what has happened here?

By simply asking a question, a percentage of their customers will say "yes", and the only reason they say "yes" is because they were asked the question.

From the fast food business owner's point of view, they have just increased their profits substantially because they have made an additional sale with no extra marketing costs.

Another technique that fast food restaurants use is called 'bundling' which we referred to earlier where they might combine a burger, a drink, some fries, and perhaps a bonus item such as a toy into a package and give it a name such as a 'Happy Meal'.

The price they charge for the new bundled product is less than you would have paid for the components purchased individually, but the amount you spend will be higher.

Examples

There are many other examples of these techniques.

For example, information marketers will often offer an additional complementary product after you have placed your initial order on the Internet.

Sometimes the price is even higher than the initial item and as many as 20 percent or more of people buying the initial item often add the second item to the purchase.

If you have ever visited Amazon.com to search for books, you will notice at the bottom of the screen a message that says "People who purchased this book also purchased the following:" and then a list of suggested titles appear.

Or, a hardware store could establish a series of checklists so that when a customer came in for a particular item they were able to run through all the complementary products that may be needed.

For example, when a customer came in to buy paint the person serving them was able to say "Let's just make sure you have everything you need. Do you have paint brushes, sandpaper, masking tape etc?"

So how can you apply this to your services? You probably have a capability to offer services that complement the service that your customers initially want to buy from you?

How can you use the cross-selling, up-selling and bundling (packaging) techniques to increase the transaction size of your average sale?

Think about your past conversations with clients. Think about the last time you brought up a new idea or a different service offering.

It's your job to educate them. This is the key idea: the more you educate your clients about your different service offerings, the more money they will invest in you and your firm. The more they invest, the more likely they are to stay for a long time.

That's the core of growing any professional services firm.