

THE SUCCESSFUL BOOKKEEPER

ACTION PLAN

CONTENTS

- Introduction
- Working with the right clients
- Best practice in pricing
- Money is in the ratio
- Light touch advisory
- Marketing for bookkeepers

Introduction



Do you want a successful bookkeeping business? It's obvious that you do but does this align with your core values? For example, a personal sense of accomplishment, a secure and profitable enterprise to take into retirement? A desire to work with people you trust and who appreciate your value to them? These may be key drivers to your business and professional decisions. The following pages are unabashedly concerned with building a success bookkeeping business, hopefully also aligning with your key values

Goals setting is important in any endeavour, but for bookkeeping practitioners there are particular obstacles that may get in their way. Some are mindset obstacles. Consider some of the mistakes bookkeeping practitioners make:

- Bookkeepers don't charge enough
- Bookkeepers believe that building a bookkeeping business is about doing the books
- Bookkeepers don't do any marketing
- Bookkeepers don't charge for 'rescue jobs' upfront
- Bookkeepers believe that accountants can become a referral source

- Bookkeepers don't invest in a functional website (a URL address is not a website)
- Bookkeepers have no system for attracting new clients.

There are many others and there are critical tools needed to ensure:

- How to position your firm and differentiate yourself from the competitor
- How to leverage technology and operate smarter
- How to generate more inbound leads to your bookkeeping business.

So what are the actions required to meet such challenges? One such action is to take steps to implement a price structure that reflects the value of your service. There are many others which are covered in these pages.

Working with the right clients



Getting a client – any client is a good thing, right? Wrong! The wrong client may well be the client who wants the cheapest service or, worse still, the client that makes demands over and above the agreed service level and who questions your billing at every turn. To this type of client you are merely a grudge purchase.

Signing up a new client seemed easy, but soon it becomes clear that there is not a good fit with the ‘wrong’ client. You need to have a process – strategy – for on boarding the ‘right’ client. Start with a conversation about doing a quick review of the books of the business. Charge a fee for this service (check out industry averages but it may be in the range of \$250 to \$750).

Typically there will be a need for some clean-up work and this sets the scene for a billing process (see more later). In essence the on-board g process should be under the general theme of “needs analysis” and can be written up using a template such as a worksheet. Here you are identifying there major issues and pain points.

Later in the guide we will be looking at the case for specialling in a niche industry. For early stage practitioners who may not have traction in a category yet, your business processes are not strong enough yet. So there no way to know whether your services can result in a

premium pricing outcome for your practice. You need to establish a functional business baseline first. You need your basic general foundation first before specialising.

Best practice in pricing



What is your service as a bookkeeping practitioner worth? Can an hour of your time have a price on it? It should come down to this: *“I sell services; never time.”*

Think of it another way, when was the last time a potential client called and said “I want to buy two hours of your time”?

Do any of these statements relate to you? If they do, continue reading right until the end of this guide. It will reward you well into your career.

- You are sick of running the ‘price comparison race’
- You want to increase SMB clients
- You want to increase your price for new clients
- You want to earn (at least) a six-figure income
- You want to become a ‘trusted advisor’ to your clients (rather than the pesky bookkeeper)
- You want to tap into the opportunity make more money from bookkeeping
- You want to package your bookkeeping services so more people buy at higher prices
- You want to effectively communicate the value of your bookkeeping services

If any of these resonate, you ought to deep dive into a more progressive approach to billing. Consider this: how many are familiar with this ‘golden’ rule: Calculate how much money you need for your lifestyle, divide by the available number of hours you can work in a year, and you have your hourly rate!

Right, and of course you also have broken relationships, major dental work, little in retirement savings, and too little time doing what you love to do. *What’s wrong with all those practitioners who still work base their fees on time?*

Pricing by time is, fundamentally, wrong. To attain anything like a fair reward for your experience, skills and training, changing the price you charge is the simplest way to change your results.

But it's not that easy, especially since a majority of bookkeepers still quote hourly rates when asked for a quote and many still advertise their 'hourly rate' on their website! Amazing!

Don't be the cheap service provider

There's no point in chasing more clients if you're too cheap. One of the things you should do is to think about pricing. You work crazy hours to make ends meet. That's because you believe that pricing low give you a competitive edge. This is a fallacy because lo-ball pricing is a slippery slope: you may get more clients but they may not be the clients you want to builds a profitable business. If you put your prices up by say 25% what do you believe you will lose clients? You may but most will stay and at the very least you can use the time saved by the loss of a client or two to do marketing.

There is a 'silver bullet' when it comes to pricing and that is the minimum price you should charge if you want to make a profit. You need to make the right analysis of running a firm, even if you are a sole trader. You cannot for example, exclude contributions to:

- superannuation
- holiday and sick leave contribution
- overheads such as rent/share of costs of household
- insurance such as professional indemnity or loss insurance
- scope creep for non-billed time spent on client work
- marketing costs to ensure you have a pipeline of new clients
- legal costs for preparation of agreements and the like
- Internet and combinations costs including mobile phone etc.
- stationary and office supplies

Once you have this adapted all these items to your cost formula, you can give a fixed price with confidence.

It's a great start, but it's not Value Pricing. There's a bit more work to do if you want to get much higher prices than ever before.

How do you move to Value Pricing?

The key thing is to recognise that everyone values things differently. This means you must give clients choices. There are a number of ways you can do this, including:

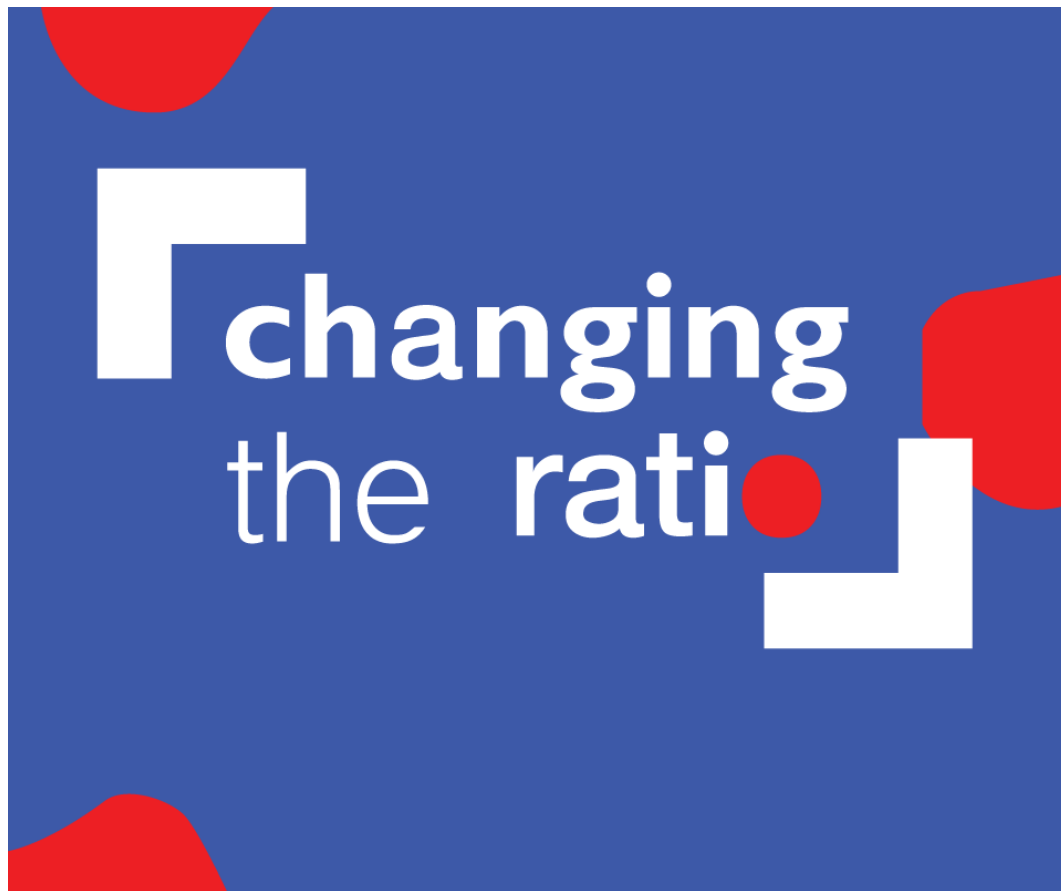
1. Menu pricing
2. Preference questions
3. Using the up-sell to enhance their solution

The more choice you give a client the more they buy in to your pricing process and the higher the price you will get. Conversely, if you only offer a SINGLE price... that price is WRONG! Guaranteed.

What is the difference between fixed pricing and value pricing?

Briefly, with fixed pricing, the services offered will define the price. Accordingly, you should establish a menu of the services you offer. Following that, there should be an approximate time estimate to complete the work that you can attach to each of them. This works well with services that you provide that are similar and recurring in nature. If you have certain once-off projects, you'll need to evaluate time estimates separately per engagement. From there, you can estimate costs to complete the work and then build in your appropriate margin.

Money is in the ratio



Understanding ratios and metrics is essential for building your firm's profitability; no matter how good your client relationships are how successful you have been in acquiring good clients. It is the ratio of average revenue per client that needs to move upward.

By way of illustration, let's assume a firm has 15 clients and the firm employs one full time bookkeeper and one par time contracted bookkeeper (50% billing basis) to service this number. The ratio here is $15/1.5$ or 1:10. If say the revenue was \$5000/month arising for this firm and you improved the ratio to 1:20, you have doubled the revenue per month on the same cost base.

Assumptions can be made on the contributions to revenue and profits:

- 33% direct costs
- 33% overheads
- 33% profits

These would vary from firm to firm, but it enables a firm to arrive at targets for achieving an optimal ration and a much higher profit. The key is to lock in a cost base from which to drive a higher ratio. Let's assume a cost base of \$5,000/month and achieving \$5,000/ month

profit – not a huge return on your skill and efforts! So you are seeking to achieve a profit of say three times your cost base – not an unreasonable goal. That is \$15,000/month. That increases the ratio significantly – you are moving the dial in your favour that is you are increasing the average revenue per client. To be clear, this is not about productivity gains; it's about different pricing. In simple terms you will double your profit (on same cost base) by doubling your key ratio: the bookkeeper to client ratio.

Steps to increasing the ratio

To receive twice the revenue on the same cost base requires much self-analysis. Am I truly worth twice the cost? Am I able to justify this increased value to the client? There a number of key drivers to resolve these questions, not the least of which is to believe that your services are, indeed worth more. There are others:

- Incentivising each bookkeeper/contractor in the firm based on the revenue of the pool of clients under management
- Train the team in upsell. That is, train the team in selling services that you offer but which were not part of the opening gambit when on boarding the client
- Encourage each of the members of the team to be a 'leader', that is to 'own' their relationship with the clients they service and to believe in the value proposition on offer by them
- Transition your clients across to new recruits to maximize the load to demonstrate what can be achieved. In short: replicate and duplicate
- Provide your clients with reliable, readable and regular data.

Above all, be efficient on the practice; encourage clients to submit invoices, receipts etc. in a complete and tidy fashion. Chasing documents erodes the optimal ratio.

While the one-third of the revenue=cost assumption is an arbitrary figure, it nevertheless operates as a benchmark against the key ratio. The cost per client is a pivotal number so get a good handle on it and keep pushing the client number!

Light touch advisory



Understanding ratios and metrics is essential for a “lite” touch advisory. As has been demonstrated in early section. What is advisory in the context of a bookkeeping business? We all understand that there are no-go zones such as advice on taxation matters (outside of GST (in Aus.) and CGT) but there are many other areas of small business that business owners need support from their trusted advisors which include you! The answer to the aforementioned question is:

It’s worth noting that businesses with limited cash buffers and irregular cash flows are the least likely to survive. (See our guide on [Understanding Business Finance](#)). The reality is that a business cannot survive if it does not efficiently manage its cash flow to pay its cash obligations to suppliers, employees and lenders.

For today’s accounting and bookkeeping professionals — many of whom are shifting away from compliance-based services in favour of more value-add client services — providing cash flow management recommendations to small business clients is a win-win.

Deciding on a pricing structure for light advisory can be ephemeral but it need not be complicated. Once you pull back the veil on your client’s cash flow, they’ll begin to see the real value of your service. Stay in communication. Call out interesting (or disturbing) numbers and trends. Identify problems.

As a trusted advisor, accountants are in a unique position to share guidance and recommendations to small business owners, who are often too close to their daily business operations to recognize cash flow trends and challenges. And remember advisory services —

especially ‘light’ services, come in all shapes and sizes so there no need to dive into too deep a water; start with something you’re comfortable about.

If, for example you are knowledgeable about an industry, dig into trends and data that may be available at an industry association and bring to the table ideas around benchmarking your client business against industry best practice. You will, in time be rewarded for such initiatives.

Marketing for bookkeepers



“I don’t like selling!” It’s a classic refrain the accounting and bookkeeping professions. It’s a shame because selling does not have to be the scary thing most practitioners.

You need to learn marketing. There no shortcuts. The fact is that every business has to do selling and marketing. But we’re bookkeepers: “we love bookkeeping.” Sadly, anybody can do a tax return; it is the marketing function that differentiates you from the rest and it’s in your hands to create a marketing system for your firm.

There are systems in marketing. For example, what is your referral system? What is your system for automating an email to your client base And so on? You need to systemise the processes that are involved in your marketing strategy.

Finding your niche

We’re seeing it everywhere. People and businesses are getting a taste of specialisation, and they’ve now come to expect it in every product or service they use – especially when it comes to health or money matters. Consider your smartphone: users can pick which apps they want.

In accounting and bookkeeping, this is boiling over and creating a demand for specialisation over bundled packages. Businesses only want the bookkeeping services they need. This reflects in the accounting software sector where providers are adjusting their product offerings and

pricing structures accordingly. Once established your offerings can be nuanced around client needs.

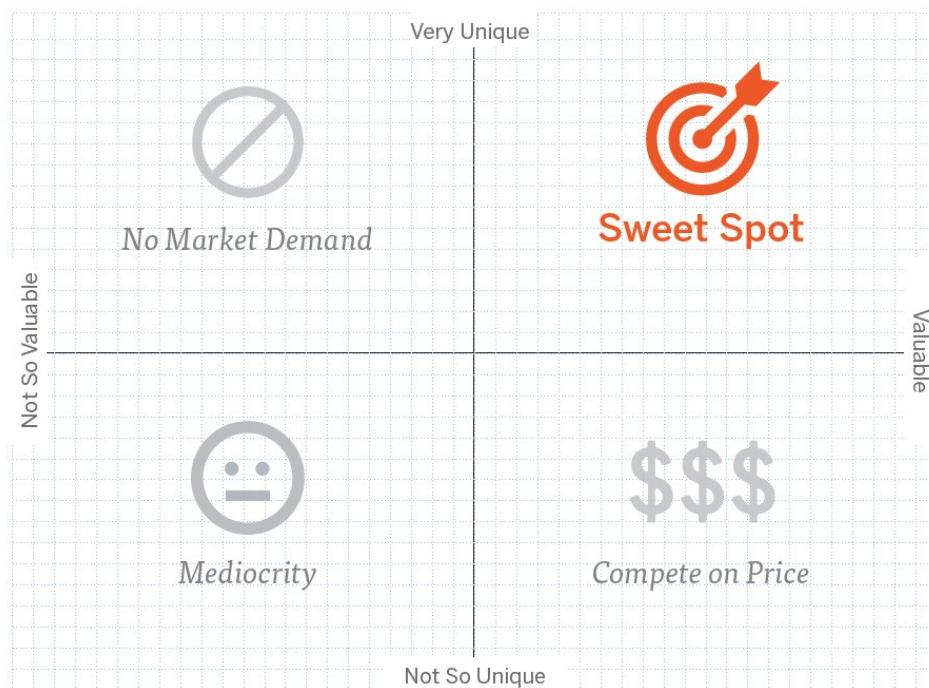
You will have a sense that your niche needs a deeper level of engagement from its trusted advisors. Cash flow, funding and profit are big problems in the small business world but so too are the drivers of profit. Many, for example in the hospitality sector do not maintain adequate data on the contributors to the bottom line and can be debilitated by poor cost controls and supplier terms. So too can law firms be disadvantaged by competitors who are more tech savvy and who have adopted more efficient practice management tools.

There is a cornucopia of opportunity sitting in the niche specialization area. At this stage you identify a key problem area and they position your firm in front of that problem to help that niche and quickly become the go-to expert firm.

Make it clear on your brochure/website what the distinguishing purpose your business that sets you apart. And gather knowledge from your niche so you can always provide new information for them.

Finding your 'sweet spot'

Framework



Take a look at the chart above. In the bottom right hand corner you have a valuable product or service, but its' not unique, so you always have to compete on price. In the upper left corner, you have a mediocre product that unique – but you own a market that doesn't exist!

In the bottom left corner, you have a mediocre product or service and other firms are doing the same mediocre thing. You want to be in the upper right corner, where you have a great service that's also unique. That's the place where margins are higher and where profits are made.

It may be an iterative process to discover your sweet spot, where you can settle on a great service; once found, let it bloom.

Do you qualify to be a specialist/ niche provider?

Size matters. If you are just starting out or are only servicing 4, 5 clients, it may be in your best interest to continue and build the base and gain more traction as a sustainable business. However, if your bookkeeping business has a critical mass of business that enables you to build a new niche specialization, then you are well-placed to absorb the initial period of research, positioning (developing a service profile - pricing etc.) and client on boarding, as we read about earlier in the guide.

You may well be in that centre part of the profession where you are a general practitioner with more than five clients and you feel you are trapped in an hourly billing cycle and not making any headway in terms of business profit and net income. The niche-specialization strategy may be perfect for you.

It comes back to having a purpose in mind. It's not about getting a tax return through the door or through a set of books. It was about helping small business owners have the easiest, most automated process possible.

With this in mind, **map out your customer experience around your purpose**. And if you're starting a firm today, don't look at what others have done. Traditional accounting and bookkeeping firms are a dying model. It's important to chart your own path. Implement a business model that suits your purpose. Resisting the tried and tested path is difficult, but it's more important if you want to create a firm to one day exit. And increase your revenue in the process.

Getting paid more

It should not be forgotten that you have an expertise that your clients so not have, and that you can help a business owner transform their business. It's your job as a practitioner with an expertise to help your client achieve their business goals, and by doing that, you can charge the fees you deserve.

On a final note, reflect this in your firm's website.

Creating the most effective website for the firm is a crucial step in achieving the goals you've set for your marketing – whether it's raising your firm's brand profile, or engaging with your clients.

A well-constructed website is the 'shop window' for the business, but can also function as an online hub for returning clients and regular viewers. In short, your site is there not just there to generate sales leads, but also to share valuable content and upsell to existing clients.

To make your site deliver meaningful results:

- Highlight client's key pain points – put topical business issues at the heart of your site content
- Give clear overviews of your services in simple terms and show how your team works with business clients to negotiate the business journey.
- Use effective calls-to-action – drive your viewers to the desired end destinations on the site, whether that's your contact page, your blog or a new service landing page.
- Track who's engaging with the site – use Google analytics to track engagement with your services content, so you can refine and adjust how you market your offerings.

Clear service offerings and effective calls-to-action help to drive your clients through the site. By increasing engagement, you raise awareness of additional services (advisory, tax, software integration etc.) and can up-sell these value-add services to your existing clients.

Consider how you can best help your clients beyond the basic compliance stuff. Take time to examine a client who you believe can be an 'ideal client.

- What area of the business is presenting as a pain point?
- Can you identify the issues that are causing this 'pain' and which can present to you an area where you can offer assistance in a 'lite' advisory manner? It might real-time managing of invoice management, or 6-monthly cash flow projections.
- Can I make their life easier with their tech stack?

Spending time away from the books to do this kind of strategizing will pay dividends.

Copyright and Disclaimer

Copyright over content and proprietary images, logos is asserted.

Information in this report and the toolkits, eBooks, guides and articles linked or referenced is for educational purposes only. Calculations are all estimates based on information provided by our alliance partners or by other third parties. The suggestions here are neither appropriate for the purposes of making a decision to carry out a transaction or trade nor do they provide any form of personal and business financial advice (commercial credit, investment, tax or legal), or make any recommendations regarding particular financial or commercial credit instruments, investments or products. The publisher, Bookkeepers Hub or its employees or contractors are not financial advisers, planners, brokers or tax advisers. All information in this resource is intended only to assist you in your business organisation. Users of this resource are advised to seek the advice of a licensed advisor before embarking on any financial investment mentioned or referred to in this document. While every effort has been made to ensure that the information contained within this report was obtained from reliable sources, the information is presented for general purposes only. In no event will the publisher or authors of this e-guide accept any liability to you or anyone else, for any errors or omissions, or for the results obtained from the use of the information.