

Serving and Retaining Small Business Clients



Seasoned accountants know that it's far better to keep existing clients happy than to expend resources prospecting for new ones. This is true for firms both large and small. Yet, on average, 15% to 20%ⁱ of small business clients leave their accounting firms each year. Why do they leave? And how do successful accountants manage client interactions for better retention rates?

If you examine client/firm breakups, many are rooted in poor communication—lack of rapport, unresponsiveness and disagreements about fees are among the top reasons cited.

Some clients may be essentially “poor fits.” Better processes can save resources and effort by screening out undesirable clients early.

ADP® set out to identify steps accountants can take to improve client retention. In September, ADP commissioned the research unit of SourceMedia, publisher of *Accounting Today*, to conduct a survey of accountants serving small businesses.ⁱⁱ The findings provide insight that may help accountants adjust their strategy for prospecting and retaining small business clients.

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Why Do Small Business Clients Leave?

Accounting firms were asked the top reasons given by small business clients who end the relationship. Though the vast majority (84%) said that more than 75% of small businesses continue a relationship with the firm after the first year, a total of 16% of respondents reported losing a significant portion of new clients. A variety of reasons were given, with the common thread of inadequate communication (Figure 1).

lack of communication, specifically a failure to respond to questions or calls, meet deadlines and develop rapport (Figure 2).

Unresponsiveness was a top reason clients fired their previous accounting firm. Interestingly, about 90% of accountants surveyed said they respond to phone calls or emails within a day. There may be conflict between accountants who feel they are being properly responsive and

FIGURE 1—MAIN REASONS SMALL BUSINESS CLIENTS LEFT YOUR FIRM



Note: Respondents could choose up to three reasons.
n = 312

Source: SourceMedia Research, August 2014

Better communication might have saved some of the relationships lost to fee-related disagreements. Accountants who skillfully manage client expectations are less prone to fee issues. Perhaps a small discount would have preserved the relationship or the manner in which the charge or increase was communicated was too surprising or brusque.

On the flip side, some accountants said they were more likely to fire clients than to be fired. Such is the situation for one respondent who emphasized, "We fire them; they don't fire us." Experienced accountants may have a keener ability to identify when clients are a poor fit. Red flags include businesses with insufficient cash flow, unusually complex filings, a track record of switching firms frequently or those that do business in an unfamiliar area (e.g., technology business, all-cash business). One respondent fires clients when "...they want a lot of work for nothing and/or they are not willing to follow the rules set by accounting and tax regulations."

The survey also asked for the other side of the story—why small businesses fired their previous accounting firm (as reported to their new firm). The primary theme was, again,

clients who expect something different. Are some inquiries falling through the cracks during the busy season, perhaps due to too few support staff or are clients underestimating the amount of time accountants require to respond to complex questions? Whatever the case, there is clearly a disconnect that ends with a client walking away.

Consider that from the point of view of the small business, it's critical to find an accounting firm that is a good fit, since having to switch firms if things go wrong is a poor use of time and energy for a young, growing company. By contrast, a firm that has the right experience to handle the dynamic and complex needs of small businesses, as well as relevant knowledge of the industry, can become a trusted partner over time. Input from this well-matched firm can help in developing the long-term growth strategy of a small business.

In fact, the Small Business Administration specifically advises small businesses to invest adequate time up front when selecting an accounting firm. SBA advises asking about experience with small businesses and industry knowledge, as well as whether the firm offers any value-add services such as business valuation, budgeting and forecasting, risk

FIGURE 2—MAIN REASONS SMALL BUSINESS CLIENTS LEFT THEIR PREVIOUS FIRM



Note: Respondents could choose up to three reasons.
n = 312

Source: SourceMedia Research, August 2014

assessment and bookkeeping.ⁱⁱⁱ Accountants should keep this perspective in mind in the initial stages of working with a new business client.

Steps for Improving Client Relationships

Accountants must counter the tendency for clients to view accounting services as a commodity. By telling their firms' stories and explaining the value they offer, they will retain clients and onboard new ones. That's why excellence in managing relationships is as important as excellence in compliance, ethics and technical skills.

"In the world of accounting, there is a huge focus on the technical aspects of the business. We make sure our younger staff also gets training in communication, attention and service," says David Roth, Managing Partner at RRBB, a New Jersey-based accounting firm founded in 1961, with 10 partners and 50 professional staff. "The technical aspects are critical, but our core values include working on rapport and the ability to be close with clients."

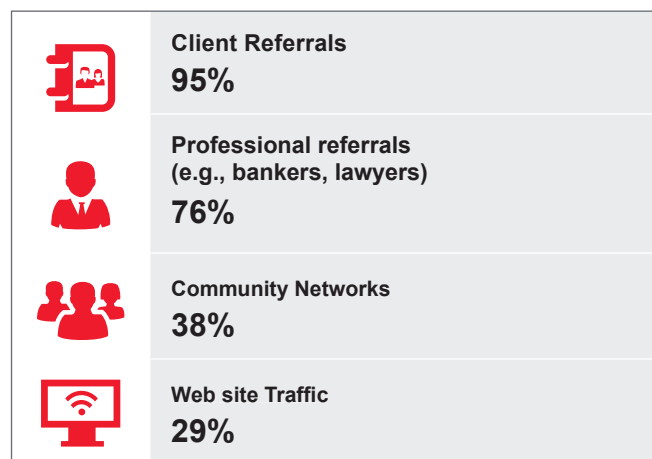
Start off Right: Create a Lasting Bond

Investing extra time at the beginning can pay off in a smooth relationship that continues for years. It also allows accountants to be selective about the clients they take on. The hands-on approach taken by RRBB is rather atypical for an accounting firm. RRBB staff visit the client's office for two in-person meetings, often spending between one day and a day and a half on location, as well as performing due diligence and a background check.

"We spend substantial time and effort on an analysis of the client, to see how they fit—making sure we are matching up with what they need—and learning details about what their problems were in the past. We don't take on clients if we don't think the relationship is going to last," says Roth. He adds, "Make sure you're bringing staff people that fit with the client. The more you like someone, the more likely you'll have a relationship that sticks. Fees are discussed at these initial meetings, but often toward the end, when much of the bonding has already occurred."

To find clients that are suitable for their firm, accountants should go beyond client referrals and find prospects through professional referrals, community networks and a sophisticated online presence (Figure 3).

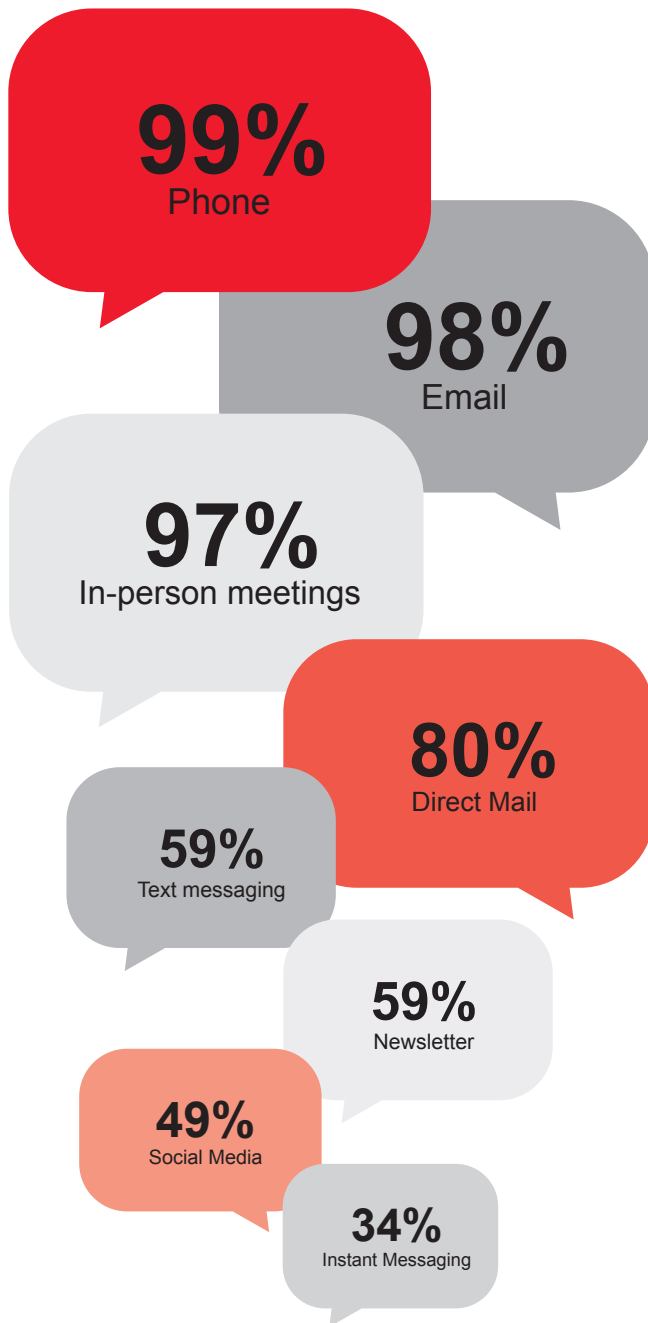
FIGURE 3—NEW CLIENT ACQUISITION METHODS



n = 312

Source: SourceMedia Research, August 2014

FIGURE 4—CLIENT COMMUNICATION METHODS



n = 312

Source: SourceMedia Research, August 2014

Onboarding: Have a Funnel and a Process for New Clients

Less than a third of respondents say they have a standardized onboarding process for new small business clients, but seasoned partners say it's important to approach a new client as you would a long-term partner. While individualized attention is necessary, the downside is that it's hard for a firm to grow if it has to reinvent the wheel every time. Accountants should develop a process that covers all the bases while still providing each new client with a natural experience.

Formal onboarding provides a structure for setting expectations, determining the preferred type and amount of communication, and sharing specifics about the company that will be useful later on. This is also a chance to communicate fee structures, including how often fees will be reviewed. Clarity on fees avoids awkwardness or unpleasant surprises later.

Enhance Communication

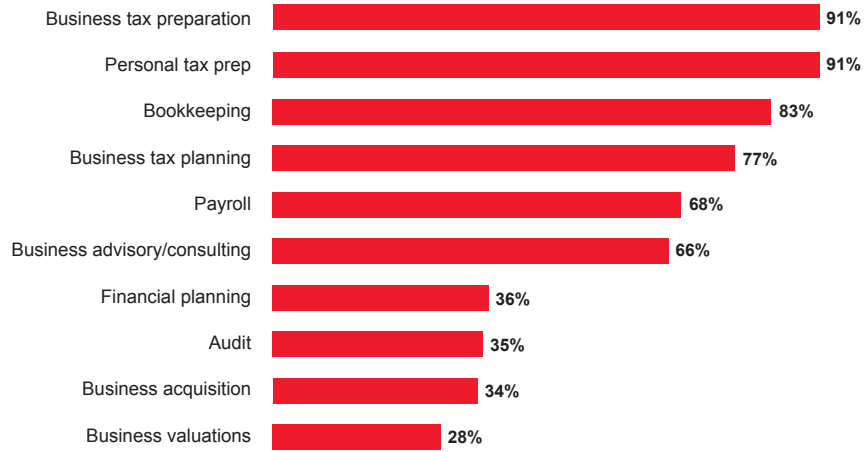
Accountants should be sure to get feedback from clients about the type and amount of communication they expect or prefer. This is a key issue of client satisfaction. Firms need to have adequate staffing during busy times to avoid appearing to ignore a client. Younger and tech-savvy clients may be accustomed to even quicker responses. If a client has a complex question, a quick email stating when a firm employee will be able to provide a response is a nice touch. If a deadline will be missed or a task takes longer than expected, someone from the firm should give clients a heads up rather than let them be unpleasantly surprised.

Evolving technology affects how clients expect to communicate. As society moves toward more frequent and more informal connectivity via the internet, some clients may want closer contact. Younger, tech-savvy clients may think nothing of sending and receiving quick questions by text or instant messaging, while more conservative companies may frown upon such levels of informality (Figure 4).

Newsletters remain a tried-and-true method of keeping accounting services in front of clients. Yet many accountants (41%) are missing out on this efficient and unobtrusive way of maintaining visibility and telling their firm's story.

While social media is growing in popularity, accountants sometimes worry about compliance. They can stay safe by posting relevant updates from credible sources like the IRS or other federal or state agencies, keeping clients abreast of news while staying visible.

FIGURE 5—TOP ACCOUNTING SERVICES OFFERED



n = 312

Source: SourceMedia Research, August 2014

A key component of successful communication with clients is having a strategy for discussing fees. Yet 8% of survey respondents said they never discuss pricing—certainly a recipe for misunderstandings and dissatisfaction. High fees or misunderstandings about fees are a top reason why clients walk. Accountants should ensure that clients understand their firm's fee structure and review it with them in a specific time frame. If firms have successfully told their story, listened to clients' needs, managed expectations and established a bond, discussions about fee increases will be much smoother.

Offer a Thoughtfully Curated Range of Services

Accountants can increase their value to clients by becoming a one-stop shop, offering a comprehensive range of services. They can keep up with the Joneses by offering top services, such as bookkeeping, tax planning, payroll or consulting (Figure 5).

One way accountants can give their firm an edge is through strategic partnerships that enrich their position as a trusted advisor. Partnering with experts in the field can help accountants differentiate their firms by offering services that others may not (Figure 6). For example, accountants can work with an HR leader to offer their clients help with compliance issues in hiring, termination or company HR policies. Or they can join forces with a retirement expert to provide advice on 401(k) plans and workers' compensation plans. Some clients

may need business valuation services. By making a broad and relevant array of services a part of their firm's story, accountants effectively counter any perception that they have the same tax and advisory services as everyone else.

Note that a few accountants surveyed wrote in offering services that include: business management, compliance assurance, estate planning, financial statement forms, investment management, notary/letter-writing/resumes, representation, sales tax, tax representation, writeup and compilations.

More than half of respondents offer some services below cost to help attract small business clients (Figure 7). Accountants may want to beef up services that are currently a loss-leader to make them more comprehensive and make their firms more profitable. Services like payroll can become a revenue generator instead of a freebie.

FIGURE 6—SELDOM-OFFERED ACCOUNTING SERVICES



n = 312

Source: SourceMedia Research, August 2014

FIGURE 7—ACCOUNTING SERVICES OFFERED AS LOSS-LEADERS



n = 312

Source: SourceMedia Research, August 2014

Conclusion

Accountants often focus much of their attention on the technical aspects of their industry. Our examination of small business client retention reveals that it's worthwhile to devote time to nurturing client relationships. Building rapport, maintaining appropriate communication and telling the story of the firm makes small business clients reluctant to leave. In an era of increasing commodification of services, accountants have the opportunity to deliver value to small businesses by offering a useful portfolio of services and taking the time to understand the unique needs of each client. At the same time, better communication also gives accountants the ability to be selective about the clients they take on, ensuring better fits and longer lasting relationships. ■

ⁱ Source for all data is SourceMedia Research, August 2014, unless otherwise specified. See Methodology for additional detail.

ⁱⁱ Defined as businesses with less than \$1 million in revenue.

ⁱⁱⁱ Beesley, Caron, "How to Find an Accountant Who Can Help Your Small Business Over the Long Haul," Small Business Administration, www.sba.gov/blogs/how-find-accountant-who-can-help-your-small-business-over-long-haul

Methodology

In August 2014, SourceMedia Research conducted an online study to learn more about the small business clients at accounting firms. In total, 312 accountants participated in the study. Respondents were drawn from *Accounting Today* subscribers.

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