



CALL TO ACTION!

Why You Need To Be Marketing NOW!

The introduction of GST back in 2000 was like a fairytale for accountants because it promised a 30 percent increase in fees, a spike in profits and a corresponding boost in practice values. A decade later, it now threatens to become a nightmare for some baby boomer practitioners.

While GST made most firms busy but that hasn't necessarily translated into profit. In fact, it has reduced many firms to 'compliance sweatshops' that persist in fixing a client's 'computerised shoebox' records and accept write offs as a fact of life. These firms are characterised by a lack of capacity and systems, poor growth rates and no marketing plan. Their compliance emphasis means they generally offer very little job variety and their lower profits mean lower salaries so they struggle to attract quality Gen X and Y staff. They ignore social media think websites are a waste of money, not a recruitment or marketing tool. The final nail in their coffin is they stopped marketing in the 'noughties' because they were so busy.

Thinking of Selling Your Practice?

With baby boomer principals now at retirement age we are expecting a flood of practices for sale over the next few years. Some pundits suggest up to 33 per cent of accounting firms will undergo a sale, merger, re-structure or change in leadership in the next 5 years. Given buyers have outnumbered sellers five to one for the past 10 years, this statistic threatens to turn the market for accounting practices on its head.

One thing buyers certainly don't want is an ageing client base. Would you buy an accounting practice where the top 30 clients are aged over 55 and contribute more than 30 per cent of the total gross fees? This practice profile is very common and one third of the practice could disintegrate within a few years.

Another concern is the fee and profitability trend lines of a practice. Many baby boomer accountants postponed their retirement plans after their superannuation took a beating in 2008 and 2009 and because they are burnt out their gross fees, profitability and referrals are in decline. They no longer have the passion or energy to arrest the trend and they are also losing clients through natural attrition.

These sole practitioners also tend to prepare a significant number of individual returns and the proposed changes in the Henry Tax Review could further erode their fee base and practice value.

This is a ticking time bomb for many baby boomer practitioners who are banking on the sale proceeds as part of their retirement plans. An aged client base devalues the practice and could lead to a much higher retention on sale. As more practices come on the market the law of supply and demand will dictate price - but one thing is for sure, marketing needs to be back on your agenda.

2011 The Year of Opportunity

This year presents a great marketing opportunity for accountants. The economic conditions suggest a number of small business owners will look to cut accounting costs and move 'downstream' from bigger firms. Other business owners will seek advice and strategies to restore their ailing cashflow and profits and a rebounding economy usually means a surge in business start-up activity. Client migration between firms will escalate as baby boomer business owners in other industries also sell out to their younger counterparts.

Clearly your first marketing priority is to focus on client retention rather than client acquisition. Too often accountants spend time rolling out the red carpet for new clients at the expense of their existing clients and end up with a revolving door. Start by focusing on your existing clients and what you can do for them so you attract more referrals.

You need to be selective about the type of client you are targeting. Winning poor quality clients will make you busy but they won't improve your profitability or business value. We all know that specialists make more money than GP's so you also need to develop and promote niche markets in the practice. Four niches gaining traction are business start ups, negative geared property, SMSF's and tradesmen.

A Wake-Up Call

There is no doubt that GST disguised the need for marketing and if you have been asleep at the marketing wheel for the past decade this is your wake up call. You need to think about your ageing client base, niche markets, brand, website and how to harness the power of the internet and social media.

There is no marketing silver bullet for accountants but if you continue to do what you have always done, you will continue to get the same results.

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Reality checklist

1 The introduction of GST increased practitioners' workload and may have disguised the need for marketing.

2 As 'baby boomer' practitioners reach retirement age, the number of practices for sale is set to increase.

3 Now is the time to focus on every aspect of marketing, including reviewing your brand and website and exploring new opportunities.

