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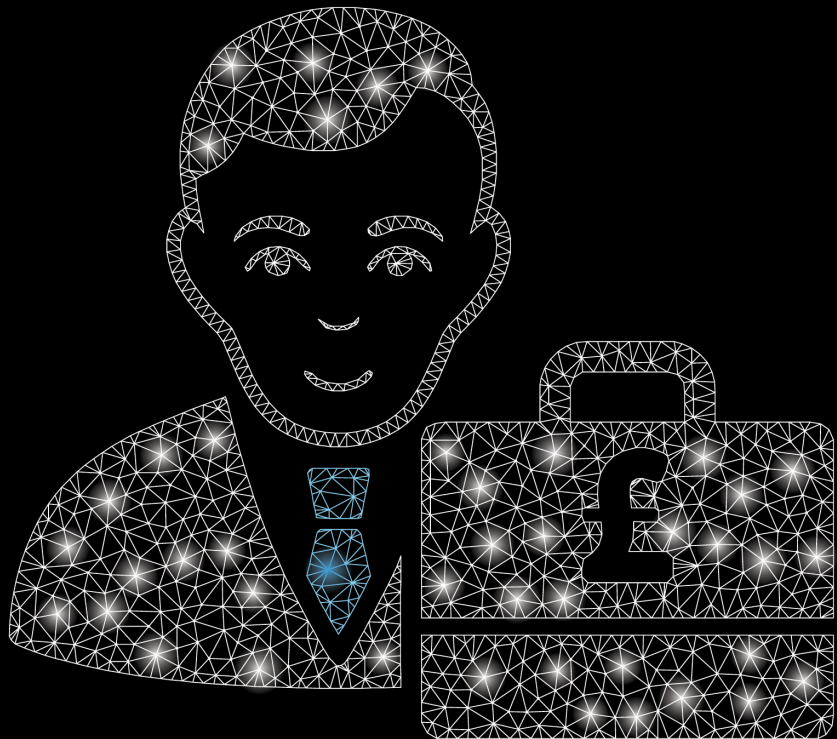
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The full picture

Shining a light on your clients could prove illuminating for your practice's service proposition and strategy



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Need to know basis

How much do you know about your clients? Which are the 'best' or 'worst'... how is that defined and measured? The more information you hold on your client, the better prepared you are to maximise your firm's profitability, writes Kevin Reed

When it comes to client service, it seems a bit chicken and egg for accountancy practices. What services shall we provide our clients? Do we know who our clients are, and will they want those services? However, with clarity, comes the ability to make the right decisions.

Such clarity is shown by north-west firm Lamont Pridmore, as explained by managing partner Graham Lamont.

"We grade our clients based on size of fee, but also from a qualitative sense as well," he explains. "If you're aspirational from the start, we'll 'grade' them higher... businesses that are looking to 'go places'."

A key part of this process, as discussed in our last two newsletters, is the introductory phase of working with a client. Lamont says: "When we talk to clients about their values and vision for their business, we make an assessment of what type of value-added advisory work we may be able to provide."

"The opposite type of business to those looking to grow quickly are those that are lifestyle-focused and therefore sensitive to our pricing. We don't have too many of the latter as we screen them out."

A customer relationship management (CRM) system keeps track of as much detail and communication between the firm and clients as possible. This is important, as each of the firm's offices operates with some 550 clients.

For Lamont and the teams there is a yearly review process, to make sure that any lower-end clients are moved on. "If they're graded 'E' then that means Exit. That normally means 20-50 clients a year. We give them names of suitable alternatives if unsuitable for us," explains Lamont.

"We want those making money; as they want monthly management information, pre-year-end tax planning, profit improvement, benchmarking and so on. The fun and sexy things."

Quarterly analysis

Mandy Mitten of Mitten Clarke would like her Stoke-on-Trent firm to be better at segmenting clients. But, as with Lamont Pridmore, they try to be clear that the type of client they take on fits with their service proposition.

The next step of the process is the client manager allocating new clients to the appropriate manager. "Where we have managers strong on construction, you'd want construction clients given to them," she says.

The firm undertakes a 'pareto analysis' every quarter. This is a technique to find the top clients by fee income and work undertaken for them. The top 200 clients must be director-led rather than manager-led.

"We don't spend too long getting to know all 1,200 clients," says Mitten. "Instead we make sure we devote seeing the top clients several times a year."

The firm uses IRIS's 'attribute' feature within its purchase management system to look at the sectors their top clients operate within and make sure they're receiving regular and targeted information. "We can then set up 'drop-in days' with them," says Mitten.

Segmentation of any sort would be helpful to the firm, particularly where the current relationship with them is light-touch, she admits: "It would be useful to get more clarity."

Her "gut feel" is that many people want more of a "virtual relationship"

Segment to succeed

Cashflow management specialist Fluidly has produced a guide to market segmentation.

Much like the direction given by our expert commentators in the feature, Fluidly flags up that market segmentation allows you to focus on what you do well – and that focusing on a niche or niches will yield a higher success rate of attracting the right type of clientele.

Segmentation may be based on:

- **Demographic** – typical measurables include company size and industry, or a person's financial status.
- **Psychographic** – the lifestyle, values and personality of a person and/or their business are vitally important to consider.
- **Behavioural** – how will they act as a client? Loyalty, knowledge and purchase patterns may need to be gauged.



with their accountant. "While that top 25% are in front of us, we need to communicate more effectively with the others – and I'm not sure they have the time or inclination to attend focus groups or seminars," she says.

"How can we deliver advice in a cost-effective manner? We can't be all things to all people, but small businesses need a home – and we're often competing with people who aren't regulated."

What came first?

Where some will see clients versus service as 'chicken and egg', for Anglian-based Farnell Clarke it is more egg and then chicken.

"The big thing is, we don't do much in terms of segmenting clients," says Farnell Clarke founder Will Farnell. "We tend to focus more on giving all clients the same level of experience."

The firm's staff work in 'pod' structures. A manager, senior and then two trainees look after about £250k of revenue. They undertake bookkeeping for 60% of their clients, which gives regular touchpoints between the two parties.

Ironically, while Farnell Clarke is famed for its processes, strategy and technological focus, having regular contact with many clients means that its people are "less reliant on systemised workflows", explains Farnell.

"With regular touchpoints we get to better understand their pain points and we can provide more value and charge more," he says.

As far as Farnell is concerned, by dictating the team structure and process, "we end up with fewer of the clients we don't want anyway".

"It sounds strange, but once you've got the right clients you spend less time worrying about whether they're the right clients," he says.

• This is the third feature in our series focusing on themes covered in AdvanceTrack's The Client Journey conference. The first two features covered pricing strategy and onboarding. These can be viewed at www.advancetrack.com/resources in the July and August issues of Inside Outsourcing.



Kevin Reed is a freelance journalist and former editor of *Accountancy Age*

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• Fluidly's market segmentation guide for accountants can be found at www.fluidly.com/blog/market-segmentation-a-guide.

Don't let VAT bite back

Make sure your clients and your practice are set for the second round of MTD for VAT. HMRC's 'soft landing' won't hold much weight if businesses aren't trying to comply

The first deadline for VAT submissions under Making Tax Digital (MTD) has passed. But even if you made it through with your clients to 7 August (for the quarter dated 1 April-30 June), it's likely there are many improvements to be made in all the parties' processes.

Some of the UK's most senior software experts have provided further words of advice to the practice community and for their end-clients.

"Although HMRC has said it will not issue fines during the first year to businesses that are doing their best to comply with MTD, it's important to remember that this is not a stay of execution," says Ed Molyneux, CEO and co-founder of FreeAgent. "You must actually be making a genuine effort to get your business ready for filing VAT submissions through software, otherwise those penalties will be a genuine danger that could be detrimental to your business. It simply isn't an option to keep your head in the sand about digital tax any longer.

"Speaking with our customers, we've listened to their concerns and taken huge steps to innovate our MTD and VAT software solutions to meet their needs and give them the extra confidence to file accurately and compliantly ahead of the August deadline," he adds.

Daniel Fallows, director at Gorilla Accounting, reminds accountants that those not on top of transitioning from paper-based processes to digital ones could still face a default surcharge, despite the 'soft-landing period'.

And after April 2021 the surcharge will be replaced by points-based late-submission penalties and late payment penalties.

"If you have what the government calls a 'reasonable excuse' for failing to pay in a timely manner, you may be able to avoid the surcharge by sorting out the issue without excessive delay," he says.



See you at Xerocon

The team at AdvanceTrack are delighted to announce our continued attendance at the upcoming Xerocon events.

First off, we have Xerocon Brisbane, held on 4 and 5 September at the Brisbane Convention & Exhibition Centre. Many speakers are confirmed, including CEO Steve Vamos, clinical psychologist and author Nigel Latta, and award-winning journalist Leigh Sales.

We will also be back at Excel for Xerocon London on 13 and 14 November. Hopefully you can make it too.

Webinars

Our long-running and successful webinars are continuing, with two new dates for your diary:

- **16 October: *Speaking your clients' language with accounting apps***, with Colin Hewitt, CEO and founder of Float
- **7 November: *How firms can supercharge their client relationships through funding***, with Phil Hobden of Capitalise

Head to <https://www.advancetrack.com/webinars> to catch these webinars as well as all our previous ones.



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