

Accountants Affinity Report

PROFESSIONAL SERVICES

Affinity score*

1.02

PROFESSIONAL SERVICES BUSINESSES KNOW WHAT THEY WANT IN AN ACCOUNTANT

With a strong outlook for the future, accounting support remains key

The professional services market is forecast to grow 5.4% annually through 2020, according to a report from The Business Research Company.¹ With all this opportunity, professional services businesses are faring well and delivering solid business metrics. In the past 12 months, 52% of professional services firms report an increase in revenue and 55% an uptick in profit, according to professional services leaders who participated in the Small Business Accounting Insights Survey, conducted by SourceMedia Research/Accounting Today. In addition, 67% of the professional services leaders predicted that their revenue would increase during the next 12 months, while 70% projected increased profits.

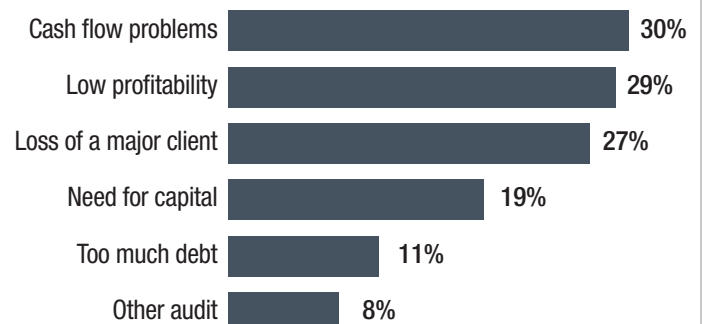
Such success, however, does not necessarily come easily. Professional services companies and practitioners must stay on top of a variety of trends to make the most of market opportunities, in particular social media adoption, virtual firms, value-oriented revenue models, modularization and the automation of back-end services.²

Furthermore, professional services businesses are dealing with several financial challenges. 30% of those surveyed cited cash flow problems, 29% pointed to low profitability and 27% to loss of a major client as obstacles they have struggled with in the previous 12 months (see Figure 1).

When it comes to their propensity to engage accountants to address these and other financial challenges, professional services businesses are on par with companies in other industries. Professional services firms received a 1.02 affinity score, which measures how likely businesses within an industry are to use accounting services, slightly above the overall industry average score of 1.00. Their opportunity score, an indicator of their likelihood to contract with accountants for new services in the next year, was 0.98, slightly below the 1.0 average opportunity

FIGURE 1

Most Prevalent Financial Challenges for Professional Services Businesses



Source: SourceMedia Research/Accounting Today, October 2018

score for business in all industries. Their resulting composite score, a measure of both their current engagement with accounting services and their likelihood to use accounting services in the future, was 1.00.

Looking to the future

As professional services companies turn their attention to 2019, they will be using certified public accountants (CPAs) and accounting firms to provide a variety of services. According to survey respondents, these include tax services (77%), tax planning (43%), bookkeeping (40%), business planning (27%) and business/financial forecasting (20%). They also want to engage with accountants who can act as a trusted advisor (cited by 78% as very important), respond quickly (76%), are affordable (71%) and can communicate clearly with non-accountants (71%).

*A measure of how likely businesses within an industry are to use accounting services — average score is 1.00.

Individual professional services respondents have some clear ideas about what they want. Their accounting firm must:

- “Be very knowledgeable in my field. At this time, this is rare, and most do not know how to handle my tax situation.”
- “Know the costumers’ needs.”
- “Advise me on how and when to deduct more items for my business.”
- “Do what is best for me as a client.”
- “Be experts in their fields, be knowledgeable, and be able to communicate that knowledge in ways that anyone can understand.”
- “Cut through the regulations and tax laws to ensure that we keep as much of our hard-earned income as possible.”
- “Free us up to run our side of the business.”
- “Deal with the new tax laws.”
- “Determine the best tax deductions for my business.”
- “Develop a strong relationship with our business. Explain useful ways to make our business more financially efficient. Suggest software that makes keeping track of expenditures easier.”
- “Handle my taxes so I know they are done correctly.”

With a solid understanding of the range of accounting services and features professional services companies are looking for, accountants can tailor their service offerings and fine-tune their approach to become a valuable resource for these companies.

Methodology

In September/October of 2018, SourceMedia Research/Accounting Today conducted an online survey of 1,014 small business owners/managers across different industries. For this study, small businesses were defined as those with less than 50 employees.

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References

¹ MarketResearch.com. Professional Services Market Global Report 2017. <https://www.marketresearch.com/Business-Research-Company-v4006/Professional-Services-Global-General-Legal-10936615/?progid=89841>

² Market Research.com. 5 Trends That are Transforming the Professional Services Industry. <https://blog.marketresearch.com/5-major-trends-that-are-transforming-the-professional-services-market>