



# SMALL BUSINESSES RIDING HIGH ON A FAVORABLE WAVE

But the need to rely on accountants to keep financial matters in check and optimize opportunities prevails.

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**Small businesses need to rely on accountants to not only keep their financial ducks in a row but to optimize the opportunities available to them.**

Small businesses are operating in an era of good fortune. Consider the following findings from the U.S. Small Business Administration Office of Advocacy September 2018 edition of its Small Business Quarterly Bulletin<sup>1</sup>:

- From the second quarter of 2009 to the second quarter of 2018, proprietor's income rose 75%.• Over the last five years, small businesses created 6.8 million net new jobs – 2.7 million more than the number of net new jobs created by large businesses.
- Since the Great Recession, there have been 1.3 million more employer business births than deaths.
- Self-employment (as a primary occupation) has been trending up for the last 7 years.

In a recent survey commissioned by SurePayroll and conducted by SourceMedia Research/Accounting Today the findings point to the fact that small businesses are enjoying an environment that breeds success. Based on responses from more than 1,000 small business owners and leaders, 69% of small businesses were profitable in 2018 while 18% broke even and just 6% lost money.

But this success doesn't necessarily mean these businesses can turn their backs on financial matters. If anything, as small businesses continue to prosper, they will most likely need to tap into the services of financial professionals such as certified public accountants (CPAs) and accounting firms. Small businesses need to rely on accountants to not only keep their financial ducks in a row but to optimize the opportunities available to them.

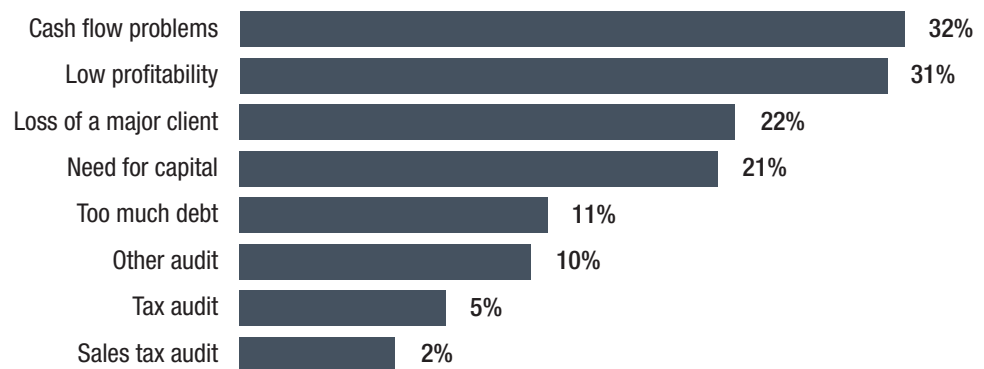
Fortunately, the study provides a road map for accountants looking to make the most of small business opportunities. The study results shed light on the number of small businesses using accounting services; what services they are leveraging now and what services they are likely to use in the future; and what attributes/features they are looking for in an accountant. With this information, accountants can get a better handle on what makes small businesses tick and how their leaders think – and, therefore, can better tailor their marketing, service offerings and approaches to successfully engage and retain small business clients.

### **As Small Businesses Face Challenges, Accountants Encounter Opportunities**

While the business climate is generally favorable for small businesses, many are still grappling with a variety of financial and accounting challenges. 32% of survey respondents report dealing with cash flow problems, 31% low profitability, and 22% loss of a major client in the past 12 months (see Figure 1).

**FIGURE 1**

## **Financial Challenges Encountered During the Past 12 Months**



Source: SourceMedia Research/Accounting Today, October 2018

**Small business clients not only recognize the value that accountants bring to the financial table but also are satisfied with the manner in which services are currently being delivered.**

These small business challenges are contributing to the need for accounting services. More than half of the small businesses (54%) participating in the survey recognize the value of working with a certified public accountant or an accounting firm. In fact, leaders from these businesses report buying or planning to buy enough services that would qualify them as having a “high affinity” for accounting. In addition, the study results also pointed to a variety of industry sectors had above average affinity for accounting services (see Figure 2).

**FIGURE 2**

### **Industries with Above Average Affinity for Accounting Services\***



\*Average affinity score is 1.0

Source: SourceMedia Research/Accounting Today, October 2018

Of the more than 500 small businesses who report working with accountants in the past 12 months, 88% were “somewhat” or “very” satisfied with their service. Not surprising, only 16% report that their businesses are “somewhat or very” likely to switch to another accountant in 2019, while about two-thirds were “not very” or “not at all” likely to switch to another accountant and 18% were “neither likely nor unlikely” to make a move. Such results suggest that small business clients not only recognize the value that accountants bring to the financial table but also are satisfied with the manner in which services are currently being delivered.

At the same time, though, a relatively large percentage are still not completely convinced of the value of accounting services. 46% of respondents were assessed as having a “low affinity” for the profession, meaning they hadn’t bought any services from an accountant in the previous year, and were less likely to buy any in the coming year. What’s more, 7% of respondents “didn’t know” or “weren’t sure” if they were profitable, which strongly suggests that they could use some financial help.

Leaders in some industries, however, are realizing that they could advance their businesses through the increased utilization of accounting services. Several industries were assessed with relatively high opportunity scores – an indicator of how likely businesses are to engage with accountants for new services – that were above the overall industry average of 1.0. For instance, the opportunity score for the personal services industry came in at 1.15, restaurant/travel/hospitality 1.11 and retail/e-commerce 1.01.

### **Accountants Need to Determine How to Seize the Day**

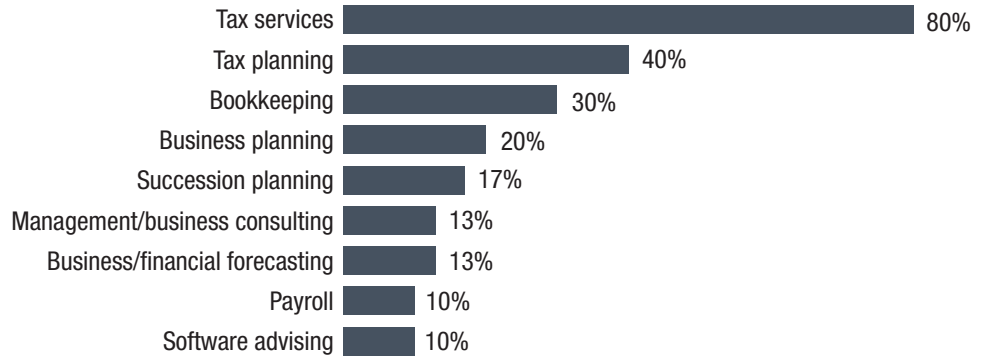
The challenge for accountants? Figuring out how to best take advantage of all this opportunity. To gain more traction with small businesses, accountants first need to know what services these businesses are looking for. Looking toward 2019, small businesses are most interested in engaging with accountants for services such as tax services (65%), tax planning (41%) and bookkeeping (36%).

An analysis of what the industries with the highest opportunity scores are looking for could prove to be especially helpful for accountants seeking to widen their footprint in these sectors.

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FIGURE 3

### Accounting Services that Personal Services Businesses Are Likely to Use in 2019



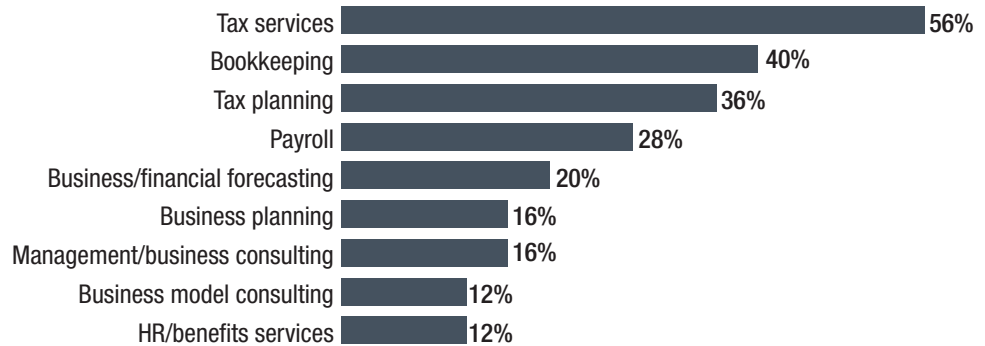
Source: SourceMedia Research/Accounting Today, October 2018

Of the personal services businesses planning to use an accounting firm/CPA in 2019, 80% plan to tap into tax services, 40% into tax planning and 30% into bookkeeping (see Figure 3).

Of the retail/ecommerce businesses planning to use accounting services in 2019, 56% plan to use tax services, 40% bookkeeping and 26% tax planning (see Figure 4).

FIGURE 4

### Accounting Services that Retail/E-Commerce Businesses Are Likely to Use in 2019



Source: SourceMedia Research/Accounting Today, October 2018

And, finally, of the restaurant/travel/hospitality businesses planning to use accounting services in 2019, 60% plan to tap into bookkeeping and business/financial services, 40% payroll and 20% insurance.

Although it is important to focus on providing the services that small businesses want, accountants also need to provide said services in a manner that will resonate. More than anything else, small businesses are looking to work with someone they can trust, as 78% of the survey respondents rank being a trusted advisor to me as a “very important” quality/feature. Small business leaders also indicate that it is “very important” for accountants to respond quickly (74%), understand their business/industry (74%), offer affordable services (70%) and communicate clearly with non-accountants (69%). On the flip side, less than half of respondents (47%) rate being technologically savvy as “very important,” 42% say it is “very important” that an accountant or CPA offer a wide range of services and only 28% deem providing referrals for other services as “very important.”

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Many respondents offer further feedback on what they are looking for in an accountant. These respondents say they are seeking an accountant that can:

- “Cut through the regulations and tax laws to ensure that we keep as much of our hard-earned income as possible.”
- “Help handle the financial growth projections as well as the tax information at year end. Having statistical information that will help my business expand, however, is the biggest help
- “Ensure that our books are in order. Make recommendations for how to declare income that may be beneficial. Likewise, with expenses, how they could most benefit the partners.”
- “Have specifics to my business and the kind of tax information I need to stay successful.”
- “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.”

### **Making the Most of the Most Fertile Opportunities**

Even though it is important for accountants to know what all small businesses are looking for, it may be even more crucial for accountants to understand what those business sectors with high opportunity scores deem as important.

Of the personal services industry leaders surveyed, 84% say that it is “very important” to work with a CPA/accounting firm that can “act as a trusted advisor.” Indeed, one respondent indicates that “being honest is the biggest thing.” In addition, 75% of personal services businesses want a CPA/ accounting firm that “communicates clearly with non-accountants,” 75% a CPA/accounting firm that “responds quickly” and 71% a CPA/accounting firm that is “affordable.”

Retail/e-commerce business indicate that it is “very important” to work with accountants who understand their business/industry (76%), act as a trusted advisor (76%), are affordable (70%) and respond quickly (70%). And, restaurant/travel/hospitality leaders rank responding quickly (76%), understanding their business or industry (73%), being proactive in making recommendations (70%) and communicating clearly with non-accountants (67%) as “very important.”

### **Moving Forward with a Better Understanding of Small Businesses**

Although accountants should heed the comprehensive survey results as they try to move their businesses forward, they would also do well to read between the lines. For instance, while small businesses are primarily interested in traditional accounting services, respondents point to generating new business (45%), the economy (43%) and business growth/expansion (42%) as “moderate” or “very” challenging obstacles standing in the way of their success. And, helping to overcome these obstacles could present opportunities for accountants.

Indeed, one survey respondent from an e-commerce company says that his business is looking for an accountant who can “first make sure we are in compliance with all federal rules. [After that happens, we need] greater business growth planning and strategies to improve our overall growth.”

Another respondent indicates that she is looking for an accounting firm that can “help with getting new clients and a business plan”; while another is seeking an accountant that can help “plan for our future as a growing firm.” As such, accountants might want to think outside the box and consider the various ways that they can help current and potential clients market and grow their businesses, in addition to keeping their financial houses in order.

Overall, the study results provide plenty of food for thought for accountants. Knowing what leaders think of accounting services, where opportunities reside is crucial. Understanding what services small businesses are in the market for and what attributes and features they deem important can only help accounting firms as they move forward with strategic marketing, business development and retention plans.

## 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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## About SourceMedia

SourceMedia Research provides full custom B2B research solutions for marketers, agencies and other targeting business sectors, such as accounting, banking, payments, mortgage, insurance, HR/employee benefits and wealth management.

<sup>1</sup> U.S. Small Business Administration Office of Advocacy. Small Business Quarterly Bulletin, September 2018. <https://www.sba.gov/sites/default/files/advocacy/3rd-Quarter-2018-SBiz-Bulletin.pdf>