

Accountants Affinity Report

CONSTRUCTION

Affinity score

1.05

CONSTRUCTION COMPANIES TAKE ADVANTAGE OF HOT MARKET

But still find accounting services an essential element of success

Construction industry businesses are under constant pressure to stay up to date with the latest and greatest. As such, these companies have had to keep up with a variety of trends such as green design, modular building and the use of drones.¹

The good news: By staying current with these trends, construction businesses can put themselves in a position to take advantage of what has become a booming market. Indeed, the Bureau of Labor Statistics and a report from Timetric's Construction Intelligence Center (CIC), project the construction industry to be one of the fastest growing industries into 2020.²

Construction companies have already benefited from this market strength as 70% of construction companies participating in the Small Business Accounting Insights Survey conducted by SourceMedia Research/Accounting Today report increased profits in the past 12-month period, compared to just 55% of businesses overall. What's more, 60% of construction companies expect to experience increased profits once again in the next 12 months, according to the construction industry leaders who participated in study.

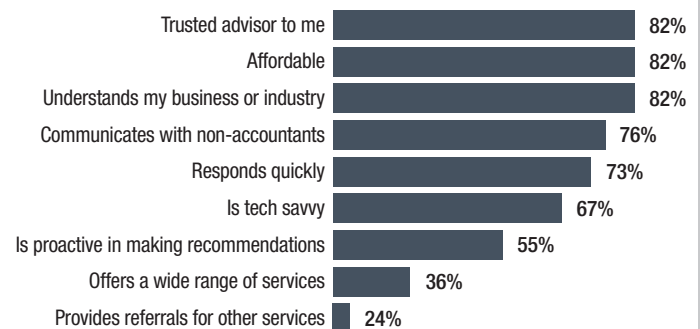
That's not to say that construction companies are making a go of it without running into some obstacles. In fact, 40% report experiencing cash flow problems, 21% the need for capital and 17% the loss of a major client during the past 12 months.

Relying on accountants

As these challenges prevail, construction companies are finding it necessary to tap into accounting services. In fact, the construction industry earned a 1.05 on the accounting affinity scale, a measure of how likely businesses within an industry are to use accounting services. Companies are currently leveraging the services of certified public accountants (CPAs) or accounting firms for tax services (71%), bookkeeping (54%) and tax planning (46%).

FIGURE 1

Most Important Features/Capabilities of a CPA or Accounting Firm



Source: SourceMedia Research/Accounting Today, October 2018

What's more, construction companies seem overwhelmingly happy with these services. None of the construction industry survey participants report that they are "very likely" to switch to another CPA or accounting firm in 2019 and only 7% are somewhat likely to switch.

Construction leaders also point to the following capabilities or features of a CPA or accounting firm as very important: communicates with non-accountants (76%); acts as a trusted advisor to me (82%); is affordable (82%); and understands my business or industry (82%) (see Figure 1).

Individual construction industry leaders participating in the survey specifically want their accounting firm/CPA to:

- "Complete our taxes and remember to send all the necessary forms to the IRS."
- "Plan for future tax consequences."

- “Track profit trends yearly.”
- “Constantly check our bottom-line.”
- “Consult on tax questions, guide overall capital strategy, HR and employee strategy.”
- “Judge my business status and plan accordingly for my future plans.”

In sum, while construction companies are riding the waves of a strong market and already use a significant amount of accounting services, CPAs and accounting firms could nurture their business relationships with construction companies by zeroing in on offering the features and capabilities that these companies value.

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 The Balance. Top 8 Construction Trends in 2018. <https://www.thebalancesmb.com/top-construction-industry-trends-4125856>

² Tradesman International. Construction Industry: Projected Growth into 2020. <https://www.tradesmeninternational.com/construction-technology/construction-industry-growth-predictions/>