

# **Smart Client Management in The Modern Firm®**



# Smart Client Management: The new skill every accounting firm leader must master

Accounting and tax is a year-round profession, and it has to be for firms that want to retain their best employees and attract A-list candidates. The decades-old model of relying heavily on tax season revenue is financially dangerous. It not only puts pressure on the firm to sustain and perpetually expand its tax base but places added pressure on staff to serve clients within a compressed timeframe. **And all of this elevates the risk of losing team members—the fuel that makes the business engine run.**

Adhering to the traditional tax-season model, and all the issues that come with it, is still a frequent practice in small and medium-sized firms...and it shows. Whether it's in the form of burned-out staff, batch resignations or a negative work culture, this model comes with its fair share of aftermath. With all of this in mind, the time has come to think differently about your business model—from start to finish.

Smart Client Management is the new, modern way of approaching how you build your book of business. If we look at history, it's safe to say that most firm owners expanded their practice by taking any client who walked through the door (or called...or reached out via your website). This was the standard model for years, and it didn't matter

if clients were a good fit or not—as long as the client base continued to grow.

Taking on any client has led many firms to create an unwieldy client base—one that spans disparate industries, uses outdated technologies, and requests services you either don't like to support or don't have the skill to. Ultimately, it's led to acquiring the wrong client mix, especially for firms that focus too heavily on tax season.

**In a nutshell, you've probably just been too busy to give proper attention to one of your most valuable assets—your client list.**

Imagine for a minute you had \$5 million in the bank. What would your top priority be for cash management? Not losing it, for starters. But more to the point, you'd want to maximize return on that \$5 million. This is how you need to think about your client base—a great asset that needs to be nurtured to maximize return. **And that's where Smart Client Management comes in.**

**Smart Client Management is the new, modern way of approaching how you build your book of business.**

# What is Smart Client Management?

Smart Client Management represents active, daily management of your firm's client base to achieve the following goals:

- Optimize services to ensure year-round revenue and a sustainable workload.
- Leverage client data to gain valuable insight into client service and technology needs.
- Use insights to support a holistic approach to product service and technology adoption.
- Maximize revenue realization through recurring revenue-based pricing.

## Let's break this down a bit further:

### Optimize services

Your client and product mix must provide for a steady flow of work—enough to keep your staff 70%-80% busy all year. If you're a growing firm, the target should be closer to 70% to allow for new client acquisition. The 20%-30% buffer allows you to absorb the peak of tax season. This means that if a normal work week is 40 hours, then during busy season you can potentially increase hours by 20% (or 8 hours) for a period of 8 weeks. That gives you about a 40% increase in productivity. Based on this formula, you can calculate the number of tax returns you should have in the services mix to optimize a sustainable workload.

### Leverage client data to gain deeper insights

"Insights" is not a new term, but it is new in the context of Smart Client Management. Imagine you have all the information in front of you required to understand each client's technology and product needs. For example, you can quickly access a list of clients who don't have a retirement plan in place, those who require advice on entity structure, or those in need of payroll services. With this information in hand, you are well-positioned to proactively upsell clients to the services they need (and most likely want from their trusted advisor).

**The opportunity to sell higher-value advisory services to your client base is huge when you have accurate, timely data at your fingertips.**

## Use insights for technology adoption

Insights are also key to elevating efficiency and scalability with technology. Defining a standardized client tech stack fuels productivity firm wide. Just imagine the ease of collaborating and communicating with clients when everyone is using the same technologies. When you have insight into the technologies your clients use, you can target those who fall outside your technology model and work to transition them into your environment.

## Maximize revenue realization with recurring revenue-based pricing

The time has come to get comfortable talking about fees with clients. Firms are as busy as they can be, and there seems to be no shortage of work in the future, yet most firm leaders are still reluctant to raise fees or move to fixed-fee pricing. The fact is that subscription pricing and recurring revenue is the hot model across most industries. So, if you want to maximize the value of your business, you must adhere to a model that is predictable and recurring to keep cash flowing into your firm throughout the year—not to mention to get paid what you are worth.



**With a clear understanding of Smart Client Management, it's time to move on to the topic of business model. And it's important to note that if your business model is outdated, mastering Smart Client Management will all be for naught.**

# What do we mean by business model?

A modern business model focuses on three key areas:

**1) WHO** you want to serve, **2) WHAT** you want to sell, and **3) HOW** you want to deliver your products.

Let's explore each in more detail:

## 1 Who's your WHO?

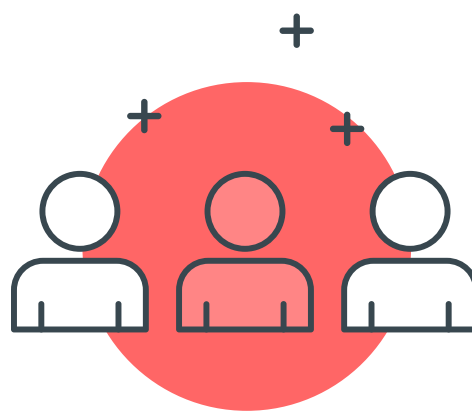
Your WHO refers to your ideal clients. Ideal clients are those who fit your business model. That is, those you want to serve and are good at serving. Your ideal clients are NOT just anyone who walks through the door. You can't be all things to all people, so identify exactly who you want to serve and then actively manage your client list based on this insight. Also, work to weed out those clients who are not ideal. These could be clients who refuse to adapt to your technology, request services you don't offer, fall outside your niche expertise, or simply are a pain to work with. **Maintaining a roster of ideal clients is key to Smart Client Management.**

## 2 What's your WHAT?

Your WHAT refers to what you sell. This requires you to conduct an honest evaluation and ask some key questions. What services are you great at providing? Do you have the right staff to support those services? Your business model should make it clear exactly what you sell. Clarity around services not only benefits you and your staff in terms of standardization and efficiency; it also enables you to develop "off-the-shelf" products that are repeatable across clients. These products can include the big guns, such as payroll, client accounting and tax, as well as more defined advisory services such as retirement plans, entity structure and cash flow forecasting—to name only a few. **Smart Client Management also hinges on knowing exactly what you sell.**

## 3 How do you get to your HOW?

This refers to how you deliver your products to clients. It's the final piece of a modern business model. Properly serving clients means having the right technologies in place to deliver services efficiently and with little to no friction. So, have you done your technology homework? Are you using the best cloud-based apps to support collaboration among staff and clients? Are you using apps that easily integrate and are intuitive? Once you've determined your client tech stack, you then have to ensure uniformity across your client base—meaning every client needs to get on board. The onus is on you to set expectations and ensure clients conform to your model. And if they don't, they'll likely need to be weeded out.



# Why accounting firms should practice Smart Client Management

If you want your firm to grow in a sustainable way, you need to fully understand and practice Smart Client Management because, at the core, it's about maximizing revenue per client. It's about using data to gain deeper insight into the services your clients need and then proactively selling those services within your current base.

**Smart Client Management offers three distinct advantages:**

## 1 A year-round revenue stream.

Smart Client Management helps your firm create a continual revenue stream, thereby reducing your reliance on tax season to drive annual revenue. Offering year-round solutions—such as payroll, retirement plan advisory and cash flow forecasting to name only a few—ensures a steady, lucrative revenue stream based on scalable, repeatable products.

## 2 Happier staff.

Employees are more likely to stay (and remain engaged) if they're not overworked and burned out in the first few months of the year. Tax season will always be busy, but it doesn't have to be torture. Easing the tax season load by expanding other service lines takes the busy-season pressure off of your staff. It also enables staff to develop deeper connections with clients as they work with them throughout the year.



## 3 More satisfied clients.

Clients have challenges and service needs that extend well beyond tax preparation. Augmenting services options into areas such as entity selection, cash flow forecasting, retirement plan analysis and technology solutions are just a few examples of how you can fully support clients throughout the year. Remember, if you don't step up to help them in these areas, another firm will.



# Get started with Smart Client Management

For decades, accounting firms weren't allowed to advertise their services. That changed in the early '90s, but for many firm principles, "selling" still sounds like a dirty word. The notions of upselling and/or cross-selling, then, might seem downright filthy. But trust me...they're not. In fact, your clients will appreciate you being proactive and offering the additional services they need to be successful.

Selling is what keeps a business growing, and **upselling and cross-selling** to clients are critical elements of the process. This is a strategy that has kept revenue pouring into industries such as information technology for decades. There's a reason that, say, Microsoft wants your firm to be a "Microsoft shop." Once you've bought in, you'll keep spending money with the company.

On a smaller level, your firm can operate the same way. Focus less on bringing in new clients and more on driving revenues from the clients you already have via upselling and cross-selling. Simply put, upselling means offering a bigger and more valuable version of a product to clients (think bundles). Cross-selling involves offering a newer, better version of a service that the client is already using.

Here are a few real-world examples to clarify these selling models further:

- **Upsell:** When you increase the number of minutes on your cell-phone plan, the mobile carrier is upselling you.
- **Cross-sell:** When you switch your internet service to your mobile carrier's offering, the carrier is cross-selling you.

Put your firm in the position of the carrier. You're now driving more revenue from an established client. And the cost of upgrading or providing new services is minimal. Think about it—your employees continue to work with clients they already know, and your firm doesn't have to constantly scramble to bring in new accounts.

**Rather, you're establishing recurring revenue streams from services that are repeatable and scalable. And when you increase revenue per customer, you add to the bottom line with little added effort.**

# So, how can your firm get started with Smart Client Management? Here are three proven and tested tips:

## 1 Use client data to identify opportunities.

Start by analyzing your existing client data to pinpoint upselling and cross-selling opportunities. Are there clients who don't have a retirement plan in place? Offer them retirement plan analysis services. Are there clients who don't have payroll? Sell them on outsourcing payroll to your firm. Do you have clients who consistently struggle with cash flow? Be proactive and introduce them to your cash flow forecasting service. You get the gist.

The key here is to consistently analyze client data across your base to uncover issues and pain points that your services can solve. Don't be afraid to use client data for marketing and sales purposes. Smart Client Management relies on accurate data to help you plan your services offerings and target the right clients to sell to.

## 2 Dedicate resources to Smart Client Management.

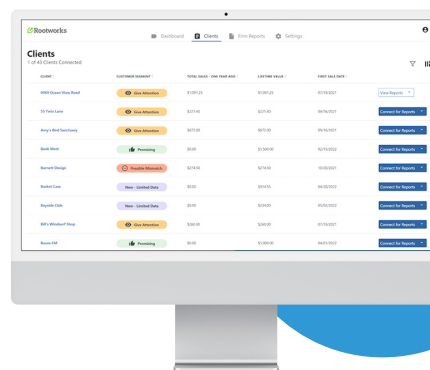
Your firm might not be big enough to assign a task force solely to Smart Client Management, but you'll need to at least identify a champion. Perhaps an accountant who can dedicate a block of time per week to analyze client data and identify upsell and cross-sell opportunities. With research in hand, this person could also dedicate a few more hours per week to email or call clients to educate them on additional high-value services. You don't have to put forth a huge effort for it to pay off big.

## 3 Lean into technology and modern thinking.

Implementing a new initiative often means cutting time from other business areas. This may not be necessary if you modernize parts of your firm to bolster efficiency. Look to leading cloud technologies to help you standardize and streamline workflow across your firm.

Powerful solutions like Rootworks Insights is a prime example. Insights allows you to easily analyze client sales data to identify ideal clients, uncover service gaps that lead to new revenue opportunities and inform value-based pricing. It's the solution to achieve Smart Client Management. Insights easily and safely connects to accounting systems and it's free to get started.

**Click here to get it!**



For help mastering Smart Client Management, look to **firm improvement services from Rootworks**. Our experts have helped hundreds of firms redefine their business model to operate at peak efficiency, fuel profitability and build the firm of their dreams.





## Make your accounting firm a year-round revenue machine

Ultimately, when you master Smart Client Management, you're not only fostering sustainable business growth but also exponentially enhancing client service by proactively offering highly valued and much-needed services.

Firms that are growing at a steady rate are those that have figured out how to earn more from their existing client base. They are digging into client data for deeper insights of client needs and then putting that data to good use—offering services that support client success and strengthen the firm-client relationship. It's a win-win any way you look at it!

**For more information on Rootworks and our Smart Client Management resources, please contact [membership@rootworks.com](mailto:membership@rootworks.com)**



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