

The Road to Advisory

Guide to Specialization for Accounting & Bookkeeping Practices

*A best practice guide for selecting & working
within a defined niche*



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Why specialization is important for advisory

Choosing to work within a defined niche, industry, or vertical can be an important step for accounting and bookkeeping practices that wish to move into advisory.

Offering advisory services is a great opportunity for accounting and bookkeeping practices to increase revenue and provide additional value to their small business clients. Cloud technology has enabled compliance services (such as tax returns, outsourced bookkeeping, and monthly reporting) to be completed quickly and more accurately. As a result, high-quality data can be collected in near real-time, meaning accountants and bookkeepers who leverage the right tools are well-positioned to provide small businesses with the insights they need to succeed.

“Specializing”, “niching down”, or “verticalization” certainly isn’t a new concept for accounting and bookkeeping firms; however, taking this step can improve the quality of advice you offer to your small business clients as it will enable you to have a deeper understanding of the common challenges, needs, and goals of businesses within that particular niche. In other words, it is a tool you can use to build the level of specialized expertise required to be a trusted advisor.

Specialization is a big step and one that you need to consider carefully. Specialization will impact almost every area of your practice, from your technology stack, to the types of roles you need to hire, to your marketing efforts. But choosing to work within a defined market can be intimidating – how have successful specialized firms managed to get it right?

This guide aims to provide a list of recommended steps and best practices for selecting and starting to work within a defined niche or industry, which will help to better position your firm for advisory success.



To specialize, or not to specialize?

Many accounting and bookkeeping professionals are hesitant to specialize or commit to a niche for fear of limiting their total addressable market. Turning potential clients away can be scary!

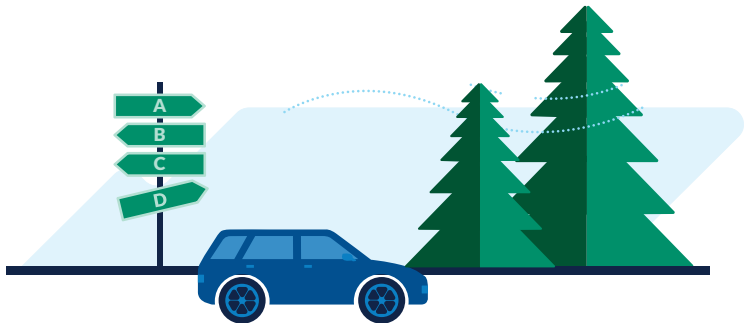
Thanks to cloud technology, however, any limitations that may have existed due to geographic constraints are now lifted – advisors can now serve clients regardless of location. Moreover, if you're able to offer top-notch, specialized expertise, clients will refer similar businesses, and potential clients within that niche will actively seek your services.

For the purposes of this document, we're going to define "specialization" as choosing a defined segment/niche/industry/vertical/type of business for which an accounting or bookkeeping firm may choose to tailor its services. As such, specialization can be akin to **defining your ideal client** and **refining your practice's services and processes to better serve that type of client**.

Of course, there is always the possibility of taking specialization a step too far (i.e., choosing a segment so distinct that it prevents an understanding of general business operations, or within which there is steep competition, or your growth will be limited). For this reason, it's important to research and choose your niche carefully; however, the potential benefits of specialization can outweigh the risks of saying "yes" to any new business that knocks on your door.

A few examples of specialized advisory services:

- Franchising consultancy for retail, restaurants, etc.
- Startup mentoring and capital raising
- Specialized report building for nonprofits
- International business advisory
- Industry-specific advisory (property, farming, construction, professional firms, etc.)



Benefits of specialization for your firm

- **Scale your practice** – It may seem counterintuitive, but adapting your processes and skills to serve a narrower set of clients can actually help you grow. Typically, a smaller total addressable market means higher conversion rates since you're able to better focus your marketing efforts and bring in more relevant business. Similarly, the more processes you're able to repeat and iterate across multiple clients, the more you'll be able to focus your efforts on acquiring new business and providing additional services. The best way to create scalable processes is to work with similar businesses (which is why specialization enables growth).
- **Improve your expertise & work quality** – Working within a defined niche means you'll be able to hone your skills and experience, which will be reflected in the quality of advice and services you're able to provide. With an in-depth knowledge of a specific industry, you'll be able to surface insights that otherwise might fly under your client's radar.
- **Become irreplaceable** – As the quality of your work increases (thanks to your specialized industry expertise), so does the value you provide to your clients. If clients are able to see you as a business partner – i.e., a necessary member of their team – your value will grow (enabling indirect benefits such as increased client retention and referrals).

Benefits of specialization for your clients

- **More relevant and actionable business insights** – It's estimated that only 51% of small businesses will survive more than five years; however, that number increases to 85% when they **work with an advisor**. By working with an advisor who has extensive knowledge and expertise within their industry, business owners can make more timely, informed decisions, helping them experience more success.
- **Deeper conversations and relevant service offerings** – A specialized firm will have services specifically tailored to their target market and will know the right questions to ask and conversations to seed for deeper advisor/client relationships.

How to choose your area of specialization

There’s no absolute right way to find your niche/area of specialization – the most important outcome of this exercise is having a finalized definition of the type(s) of clients you will and will not work with. The tactics on this page can help you get started.

Follow your passion

A great motivator for defining your specialization is knowing that you’ll be working with businesses that you’re passionate about – whether they’re creatives, nonprofits, engineers, or dentists (to name just a few options). Passion leads to great advisory. The more you’re interested in learning about a particular industry or type of business, the higher quality of advice you’ll be able to offer to your clients.

Consider your background experience

Before becoming an accounting or bookkeeping professional, you may have gained experience in another job, industry, or hobby. These skills and insights can also be a great way to determine how you could offer additional value to a particular type of client.

Define what you do

Consider the services your firm is equipped to provide, and analyze the type of businesses for which they’d be most valuable. For instance, if you’re an inventory all-star, focusing on ecommerce businesses might be your calling!

Review your current client list

Make a data-driven decision. If your practice already works with a number of clients, run an analysis and list out the shared features and traits of your “best” clients (i.e., those you enjoy working with and would want to attract similar clients). Finding these commonalities – whether it’s their industry, ownership structure, the type of work you do for them, or the way you interact – will help to build your ideal client.

To get started with this process, see *Appendix A – Client Analysis Template*.

List undesirable client features

Just as important as determining who you do want to work with is determining the types of clients you *don’t* want to work with. It’s important to set restrictions – and stay within them – even if a potential client seems to meet most of your criteria.

Build buyer personas

A “*buyer persona*” is a fictional representation of your ideal client. Once you have a solid idea as to what your ideal client looks like, invest some time into building out your personas – the more detail, the better! Depending on how many industries or niche areas you’re able to support, we would recommend building fewer than four different personas.

Building personas can be challenging and time-consuming, but incredibly valuable as your personas will help you stick to your defined niche. Consider arranging client interviews and booking a half-day workshop with your staff to create them – see *Appendix B – Buyer Persona Template* to get started.

Research competitors and market needs

Small businesses who work with an advisor are **more likely to thrive**. While your firm’s success isn’t necessarily dependent on discovering and filling a gaping market need, it would be remiss to not recommend conducting market research. Moreover, market research will also help you with strategic pricing and positioning of your services.

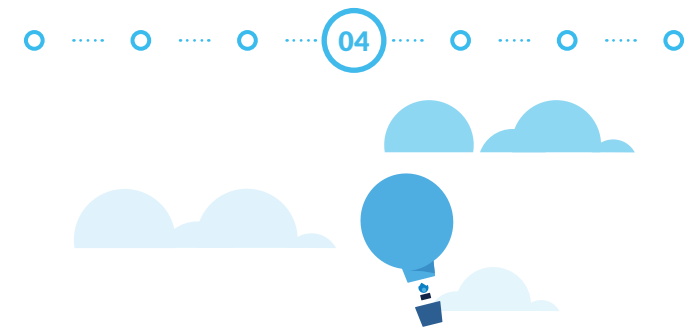
The depth and extent of your research is up to you and your available resources. There are many tools and services available to go far and wide with your research, but keep in mind that both primary and secondary research can be costly and time-intensive.

Primary research

Primary research is information about your target niche collected by yourself. In taking some of the steps mentioned in this document, you’re already conducting some primary research – i.e., by examining your current client data, interviewing clients, reviewing potential competitors’ websites, and so on. If you have enough clients, you could consider sending a survey to better understand their needs.

Secondary research

Secondary research is information or data that has already been gathered by an external party. It can be particularly helpful for addressing the bigger questions that would be too time-consuming to answer on your own (such as understanding your total addressable market, the conditions of the market, etc.). Many government websites provide data on industry trends – consider reviewing these reports to gain a broader understanding of industry growth, costs, etc.



How to specialize your firm's processes & technology

You've selected your area of specialization! Now what? Follow the recommended practices below to adjust your firm's processes to better suit your specialization, as well as access and vet potential new business within your defined niche.

Standardize your workflows

A key benefit of specialization is that you'll be working with similar businesses (which means that similar processes can be easily applied to the majority of your client base, which leads to scalability). Understand the particular business problems, timelines, etc. that might impact your clients, and build workflows to fit. For example, if you have clients who are on the go, ensure you have systems in place for efficiently collecting their financial documents.

Find your tech

Another benefit of specialization is that it enables a lean technology stack, since many of the same apps and tools will work for all of your clients. Choose technology that is best suited to your particular clients' needs, and be sure to explore technology specific to their industry.

Focus your marketing

Now that you've determined the types of businesses you wish to work with, it's important to ensure that you're attracting more of these types of businesses. To learn more about marketing fundamentals for advisory services, check out ***Transform!***, a free eBook by Richard Francis, CEO of Spotlight Reporting. In particular, the 'Learn To Sell' section (Chapter 32, page 88 of the PDF) will provide some great marketing tips.

> Recommended resource:

- **Bookkeeping Workflow Template** (by **Hubdoc**) – Document your monthly bookkeeping process with this free template.

> Recommended resource:

- **App Advisory Playbooks** (by **Xero**) – This excellent series of free downloadable playbooks will help you discover the apps you need for industry specialization in trade and construction, professional services, and retail and ecommerce.

> Quick tips for marketing to your target market:

- Create a marketing plan with clear goals, tactics to achieve them, and task owners (to ensure actions become a reality)
- Use the type of language and imagery that your target market can relate to on your website and in your marketing content
- Determine where your target market might be (online communities, social media, conferences, etc.) and develop a presence and an active voice in those areas
- Gather testimonials or build case studies that showcase how you've helped ideal clients achieve their goals

Define your sales process

As with your marketing strategy (which ultimately helps to achieve your firm's growth goals by ensuring you have a pipeline full of potential new business), adopt a sales process that is similar to how the client sells their product or service, or is usually sold to. For example, this might involve presenting a formalized pitch, or enabling a self-serve model.

Another important part of the sales process is vetting potential clients to make sure they fit your criteria. Create a framework for evaluating client fit (leverage your buyer personas) – this can be a checklist, a form that prospects must complete, etc. – anything that will make it easier to quickly determine if a client is a good fit for your firm (before going too far into the sales process).

Offboard clients as necessary

One of the most difficult parts of specialization will be letting go of the clients that no longer meet your ideal client criteria. While this is never easy, it will be worth it in the long run for both parties – you can focus your efforts on clients who will benefit more from your services, and that's totally okay!

Richard Francis CA (CEO of **Spotlight Reporting**) believes that a certain level of client churn is not only acceptable, but desirable. Every practice ultimately has uneconomic clients (bad payers, time-wasters, and those who give you sleepless nights) – and they should be moved on. His view is that if you look to exit approximately 3-5% of your fee base each year, while growing the 'top end' of desirable fees from existing clients and great new additions, you will get the mix about right.

> Recommended resource:

- **Adopting The Right Sales Framework** – *Transform! eBook* by Richard Francis: Learn To Sell (Chapter 31, page 85 of the PDF)

> Recommended resources:

- **How to Politely Fire a Bad Client (by Practice Ignition)** – This blog post is a great resource for determining the clients with whom you might need to part ways, and how to do so on good terms.
- **Client Offboarding Checklist (by Karbon)** – To ensure the offboarding process goes smoothly, build a workflow – this client offboarding checklist is an excellent resource to reference.



Becoming a specialist

As mentioned, one of the advantages of specialization is that you can develop strong expertise that will be incredibly valuable to your small business clients. But how do you build upon your expertise?

Stay up-to-date on industry trends and developments

One of the most important aspects of advisory is ensuring your expertise (and advice) is timely, relevant, and up-to-date. Assuming you already have a baseline understanding of legislation, best practices, and other factors that impact your niche, focus on staying up-to-date on industry trends and developments.

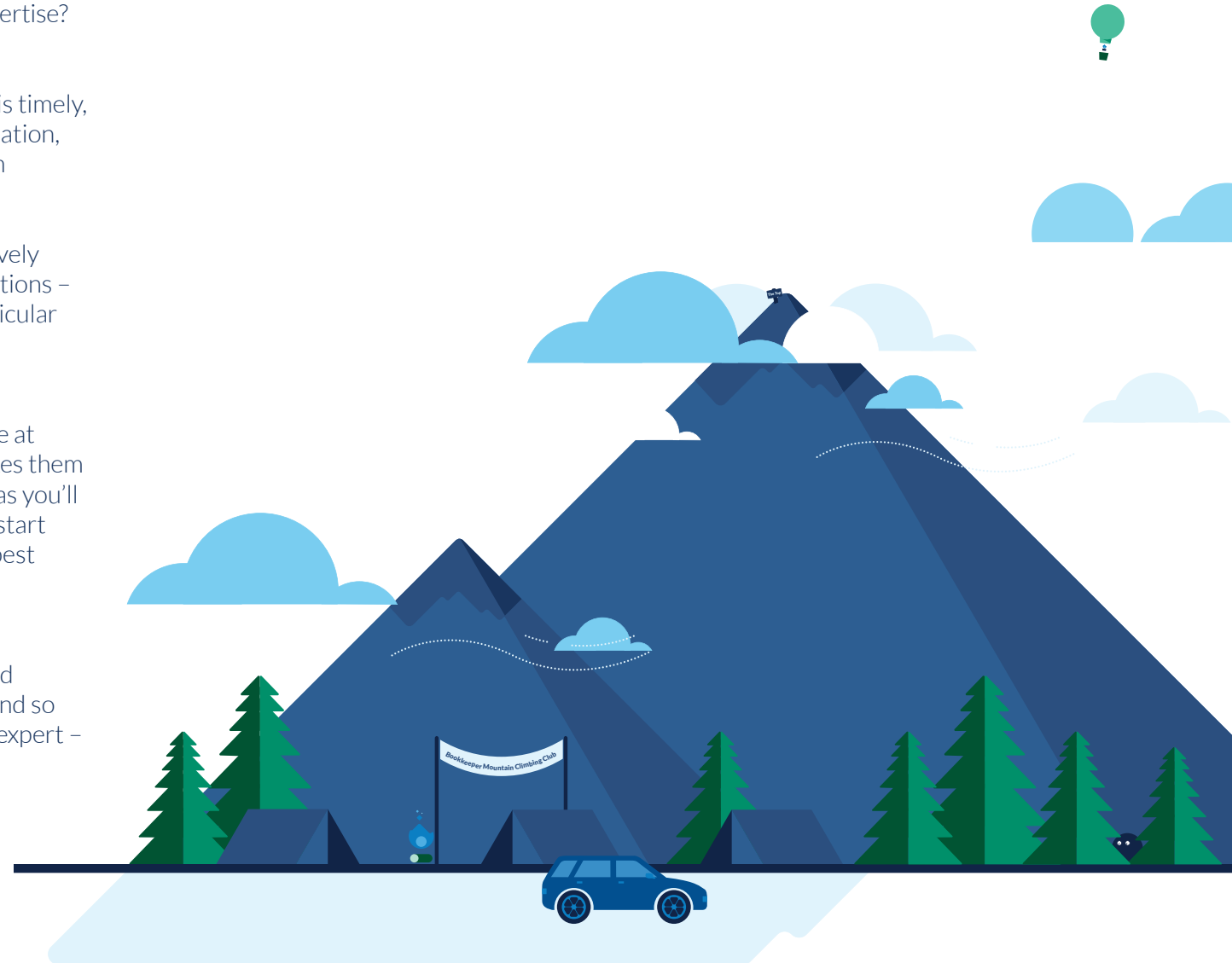
Sign up for relevant newsletters, attend conferences and webinars, and be sure to actively follow legislative changes. Social listening is also a great way to stay on top of conversations – set up **Google Alerts** to receive email notifications when new results surface for a particular topic (i.e., one that is relevant to your niche).

Think like the clients you want to attract

Do some research and find out all the things that are keeping your target market awake at night. Try to spend a day in the life of your ideal client so you can understand what makes them tick. Fully immersing yourself in your niche's world will allow you to become an expert as you'll gain a complete understanding of their pain points, as well as what brings them joy. To start thinking like your clients, make sure you're regularly talking to your clients – ask your best customers to give you honest feedback.

Immerse yourself in the community

Make it your goal to be just as involved in your niche's community as the accounting and bookkeeping community! Seek out and regularly participate in events, online groups, and so on. The more you're involved in the community, the more you'll be seen as an industry expert – and the more benefits of specialization you'll experience.



The next step to advisory success

If advisory is all about offering your accounting and bookkeeping clients valuable, relevant, and consistent business insights, it's important to ensure your firm is set up to a) collect that data effectively (with the right processes and tools), and b) offer specialized expertise that will directly impact their business.

Specialization is a great way to ensure you're well-positioned to offer the business advice that your small business clients seek – and an important milestone on the road to advisory success!



ADDITIONAL RESOURCES

- Pre-Advisory Checklist: Processes & Tools to Implement Before Offering Advisory Services at Your Practice
- Setting Smart KPIs for Your Practice
- How to Create the Perfect Advisory Relationship
- Advisory Advantage Podcast Series
- Transform! Playbook for Accountants and Business Advisors to Add Value and Act on Opportunities

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Hubdoc is a data capture tool that automatically fetches your clients' bills, receipts, and statements; extracts the key data; then publishes to your accounting software for one-click reconciliation and audit-proofing. Bookkeeping has never been so easy!

LEARN MORE



Spotlight Reporting offers a great range of comprehensive performance reports, full three-way forecasting, customizable dashboards and advanced consolidated reports for multi-entity businesses and franchises. Our software empowers accountants to have great conversations with their clients and to add value to the relationship.

FIND OUT MORE

Appendix A - Client Analysis Template

Choose 3-5 current clients (if applicable) and complete the following chart – you will likely start to notice certain commonalities in the clients you want to work with moving forward. Apply your learnings to identify your ideal client and build your buyer personas.

	Client 1	Client 2	Client 3	Client 4	Client 5
Industry					
Location					
Company Size					
Annual Recurring Revenue					
Ownership Structure					
Accounting/Bookkeeping Services Provided					
Business Objectives					
Pain Points					
Preferred Traits					

Appendix B - Buyer Persona Template

Buyer’s Name:

Occupation:

Demographics

Age:

Gender:

Position:

Industry:

Annual Revenue:

Employee Count:

Location:

Psychographics

Values:

Benefits:

Habits:

Hobbies:

Profile Overview

Where they find information

Preferred content formats

Challenges/Pain Points

Why are they reaching out to you? What are they currently struggling with? How can we help them? Put this in their own words.

How content can help

Key Purchase Drivers/Motivators

What motivates this person? What are the challenges and concerns that commonly affect this person? It's helpful to use “I” phrases.