

# THE BUSINESS OF BOOKKEEPING

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Discovering Your Niche in a Changing Market



## DISCOVERING YOUR NICHE IN A CHANGING MARKET

### Introduction

Most bookkeeping service businesses are generalists. A more targeted approach will enable your practice or bookkeeping business to provide a higher level of service and can certainly also yield higher revenues. It can also help with recruiting - you'll want people who have some understanding of the industry you are working with for a start, or at the very least an interest in it. An example; everyone understands is in the medical field in how we decide to go to a general practitioner versus a heart surgeon and why the heart surgeon is so much more profitable (and efficient in what she does). Correspondingly, if clients are looking for general bookkeeping services, they will seek the convenient and inexpensive bookkeeper. There are more competing general bookkeepers as well as accounting software packages forcing down price.

Specialization opens up opportunities to network with other firms, which can create additional economic benefit. Having a specialty can literally give you more clients than you could ever want... without even doing ANY marketing! But that's not the end of the story by any means.

It is our view that the Business Owners Collective is a perfect illustration of the value of discovering your niche: the benefit is being able to 'speak' to business owners (you) about the challenges facing your business and your clients and to listen to experts from business and industry who have had the 'lived' experience.

Our mission is to offer insights and actionable advice. For more read:

[www.bookkeepershub.com.au/boc](http://www.bookkeepershub.com.au/boc)

as well as in guides on our resources page

([www.bookkeepershub.com.au/free-reports/](http://www.bookkeepershub.com.au/free-reports/))

*To your success,  
Morris Kaplan, MBA*

*Co-Founder, Business Owners Collective*

## YOUR POINT OF DIFFERENCE

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There's a massive paradox present in the professional market: look around at bookkeeper and accountant websites or directory listings and what do you notice? Sameness is the answer. The fact is most bookkeeping and accounting firms tend to look the same. And because most firms do not have the budget to stand out from the crowd and compete with larger firms who buy space on Google, there is a real disconnect between wanting to attract new clients and actually attracting a client who may be searching for a bookkeeper just like you.

Typically, a firm will offer a roll-call of services:

- ▶ Bookkeeping services
- ▶ BAS Agent services
- ▶ Friendly and honest

Still awake? It's the sameness that is stupefying. Too few professionals spend any time investing in building a profile that can act like a magnet and one that genuinely presents a point of difference. Consider each of these examples as a mantra for the service provider:

- ▶ 'We help business be more in control of their finances'
- ▶ 'You live life; we do the numbers'
- ▶ 'Your books done online, anytime, anywhere'

Assess for yourself which mantra from the first list or second list, a business owner searching the internet will be tempted to click through to or pick up the phone and call.

Future-proofing your firm against the relentless march of the digital economy means making each part of your service offering compelling and visible.

## Stand in the customer's shoes

**Customers** will be drawn to professionals who understand their needs. You can't be an expert across the board but you can be a specialist in a specific vertical. 'Finding your niche' is somewhat of a cliché but there are compelling reasons why specialising should be considered:

- ▶ There is a perception if not a reality that specialists are experts
- ▶ Customers expect to pay higher fees to a specialist
- ▶ Being a generalist can be inefficient when you're unfamiliar with the industry
- ▶ Generalists will have a mix of low to high quality clients; a specialist tends to have a higher proportion of high-quality clients

## Building your fee rate

As a specialist you immediately differentiate yourself apart from the competition. Simply put; there are very few specialists in a niche field and your skillset is valued by prospects in that niche. You're onboarding time is short and trust is built quicker when the customer feels you understand her unique needs.

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## Choosing your customers

Whereas the number one challenge that independent bookkeepers (and accountants) usually struggle with is getting clients, the specialist will often be in position to be more selective.

The generalist will generally have a smorgasbord of clients, some small, some big, some good, some bad. The specialist will have higher hourly rates, be more productive and able to position themselves as an advisory professional thus generating an even higher fee rate.

The specialist will readily be able to identify prospective customers and therefore will have the ability to do regular and effective marketing. It's really tough to get the word out about your services when you're not quite sure who your potential customers are exactly.

Consider for example that you are a specialist in restaurants and have a good

knowledge of Point of Sale ('POS') systems and experience in integrating the systems to Xero or to QuickBooks Online. You've got your finger on the pulse of the latest advances in POS and are able to demonstrate this to each customer. Now that's worth money to the customer!

If you have many of your clients within the same industry, you will be able to view information on these clients all at the same time. You won't have to spend as much time switching your brain between industries to remember what makes certain KPIs better for one client or another. With niche clients, this makes the setup process much more palatable, as coming up with customized KPIs and reports for one client would then translate easily to other similar clients – again, with probably minor tweaks.

## Expanding Into New Niches

New Niches can be industry niches or service niches. While advances in software technology have replaced a myriad of tasks previously done by bookkeeping professionals, these 'environmental' changes have created a variety of new opportunities in the profession. Business owners are experiencing new pain points and problems that they do not know how to troubleshoot on their own. Enter the bookkeeping software expert, helping the business owner stay up to date on the tools that will help the company grow while troubleshooting and maintaining these elaborate systems. This has prompted the rise the niche professional: the software expert. The software expert takes as many forms as there are software applications to choose from. With the thousands of apps and platforms available, it has already become impossible to keep up with them all.

Another service niche is the advisory niche – often seen as the domain of higher value services.

Compliance is the competitive space and the space where automation is both cutting back the value but also delivering the productivity gains. Engaging the business owner with what really matters (assuming compliance is a back-office function) then looking at top line and bottom line drivers is where value can be delivered by the profit 'advisor'

When productivity gains are turned into available time, there is the time to talk with the business owner about the topics they WANT to talk about: their dreams, their success, and how to achieve them through strategic planning. It is so nice to be able to discuss positive strategy with clients, rather than only contacting them when there is a question or a problem (or when their BAS is due: boring!). These frequent positive interactions lead to a more positive relationship overall, and these professionals are finding that they can cultivate a more profitable practice because you offer the business more value at a fixed price.

### Can you build a business case for your niche?

**Anecdotally**, bookkeeping business owners that have focused on niches as a strategy have seen a huge increase in income and focus with income and profit increasing by between 33% and 50%/. Respondents say that focus has been most important with paying attention to just one industry.

- ▶ Why a niche strategy can work: You are able to establish standard procedures and proactively lead the clients to use efficient systems.
- ▶ Common resistance to specializing: There may be a need to retrain and there may be a lag in picking up more business as a niche specialist. Yet, you can usually get traction in a niche in 6-12 months.

## Can't think of a niche?

You should first consider the clients you have but if you are new to the 'game' and don't have any clear idea of what your niche could be, then there are some basic ideation tactics you can adopt:

- ▶ Use the 'follow the money' principle and discover which trades and services groups are doing well in your area
- ▶ Look within: which industries or professions have you had exposure to? Which stand out as niche opportunity?
- ▶ Use the ANZSIC list to generate categories. The ABS data and the Australia and New Zealand Standard Industrial Classification (ANZSIC) lists the types of businesses and opens up your eyes to new possibilities.

## Practical considerations

- ▶ You don't need to fire existing clients or turn away great opportunities.
- ▶ Your goal is to get 50% - 80% of your client base in the specialized niche
- ▶ Specializing simply puts you in a position of power.

As these niche specializations become more and better defined, we will continue to see important changes in the profession. The days when any untrained person can post an ad in the phone book under 'bookkeeper' and get clients without any sort of qualification are coming to an end. There is a rise in continuing education and certifications across the profession.

While certifications are not currently required for the bookkeeping profession, educating clients and colleagues about the changing business environment will raise the standards and value of the bookkeeping profession as a whole.



Position or Die

## Assessing the size of your niche market

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There could 5000 small to medium enterprises that employ 1 -19 employees in your area if you live in one of the major cities. You don't need very business out there in your niche to be a customer; if you can pick up 20-30 as a bookkeeping business with specialized, skilled bookkeepers, you could build a very profitable business that can be efficiently serviced.

### No competitors?

You might be first in a niche but that is not very likely. Google for competitors: 'Bookkeepers for [industry/niche]'. If nothing comes up; you need to reconsider the potential for your niche. Why is it not being serviced? If you find one or two of them, that might be the best position to be in!

### Do you qualify to be a specialist/ niche provider?

Size matters. If you are just starting out or are only servicing 4, 5 clients, it may be in your best interest to continue and build the base and gain more traction as a sustainable business. However, if your bookkeeping business has a critical mass of business that enables you to build a new niche specialization, then you are well-placed to absorb the initial period of research, positioning (developing a service profile - pricing etc.) and client onboarding. You may well be in that center part of the profession where you are a general practitioner with more than five clients and you feel you are trapped in an hourly billing cycle and not making any headway in terms of business profit and net income. The niche-specialization strategy may be perfect for you.

### Know the needs of your niche

Remember we are not talking about compliance here. You will have a sense that your niche needs a deeper level of engagement from its trusted advisors. Cash flow, funding and profit are big problems in the small business world but so too are the drivers of profit. Many, for example in the hospitality sector do not maintain adequate data on the contributors to the bottom line and can be debilitated by poor cost controls and supplier terms.

So too can law firms be disadvantaged by competitors who are more tech savvy and who have adopted more efficient practice management tools. There is a cornucopia of opportunity sitting in the niche specialization area. At this stage you identify a key problem area and they position your firm in front of that problems to help that niche and quickly become the go-to expert firm.

Make it clear on your brochure/website what the distinguishing purpose your business that sets you apart. And gather knowledge from your niche so you can always provide new information for them.



## The key to scaling your business: replication

Scaling is about replicating and expanding what works in your business. It's about organizing the system at optimal levels for the niche specialization and relocating. That might mean recruiting or it might mean letting some existing clients go to focus on the niche. It might also mean upskilling – for example in business development skills sets which include 'soft' skills (presenting, negotiating, and communicating). Remember the 'benchmark' for the niche component of your business is in the 50% - 75% range and the remainder are your easing clients that may not be in your niche. The niche complement may well become the major profit contributor as it is expected (indeed, promoted) that higher value advisory work will be engaged in.

## Collaboration

There are complimentary opportunities in collaborating with competitors. This could be as simple as referring clients to one another or by open conversation with competitors as peers. Niches and specialization help by removing the element of competition between colleagues from the equation. A client that is not a good fit for my business may be a perfect fit for yours, and by knowing you and referring that client your way, everyone benefits. It creates a supportive relationship among peers, and professional networks are established to share education and ideas.





## A step-by-step Process to Niche Specialisation

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*1. Assess the opportunity. Find a niche that appeals or that you have had some exposure to or know about which you consider has possibilities. You would ask the questions: is it big enough to get into? Is saturated by competition or are there only a few competitors? Is there a group or association where you can market your services and reach these types of businesses in the niche?*

*2. Drill down into the business demographics. Do some investigation: the size of individual businesses and the industry groups local businesses belong to. This really assists in determining the opportunity for business to business marketing and assistance as to which local area marketing promotion will be most successful.*

*3. Test the market. You need to validate the assumption made in #1. Generate a business 'Hit List' with contact points into which to follow up. Speak to people; find a potential client that you can work with on a 'trial' basis (basic bookkeeping with value-add).*

*4. Prove your business case. Committing effort to develop the market; that is, start concentrating marketing through a channel that is visible to the niche players and see the response. Offer a free service as a lead generator. If this works go to implementation stage*

*5. Implementation. Build it and they will come. Once a few clients on board, start pushing for momentum to achieve the 50% to 80% of clients in that category*

*6. Promote, promote, promote. Even if you're a natural introvert, you can still promote effectively. That's what we at Bookkeepers Hub are here for: to provide the forum for you to pick up techniques, and channels for you to tell your story. How? Check in on our Blog posts and follow us on.*

The quickest way to transition is to look at existing client base. You should analyse each client's revenue and sort highest to lowest and look for any commonality and industry that stands out. For sure volume of business alone is not sufficient: analyse the profitability of the clients and establish a benchmark by dividing the revenue you've made to get a simple profit analysis for each client (hourly return). You might try a 'sweet spot' analysis

## Finding your 'sweet spot'

Take a look at the chart below. In the bottom right hand corner you have a valuable product or service, but its' not unique, so you always have to compete on price. In the upper left corner, you have a mediocre product that unique – but you own a market that doesn't exist!

In the bottom left corner, you have a mediocre product or service and other firms are doing the same mediocre thing. You want to be in the upper right corner, where you have a great service that's also unique. That's' the place where margins are higher and where profits are made.

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### Framework



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It may be an iterative process to discover your sweet spot, where you can settle on a great service; once found, let it bloom.

**Let's look at a mythical character** – Leslie – who runs The Café Bookkeeper. Leslie started life owning a café with her boyfriend but found the hours punishing, so sold up and retrained as a Bookkeeper, did her time working for a few friends in the hospitality sector but, again, came face to face with long hours and unproductive time moving between the premises of her clientele.

Leslie has been transitioning her local, non-virtual bookkeeping business into a lean, efficient and highly profitable virtual bookkeeping service. She recognized a gap in the industry where owners needed help and had already cut her teeth on the financial management of a hospitality business. She also learned some hard lessons when she transitioned to the bookkeeping business: her biggest challenge in the beginning was pricing her work and that's where she made the biggest mistakes. She also had to learn how to choose the right clients.

In the above illustration, all of the clients came from people she knew and by word of mouth and established relationships within the industry community. Not all were 'ideal' clients. Leslie is now focusing on upgrading her business further as the 'category authority' – not just built on referrals. She is focusing on building her virtual delivery system by equipping her clients with appropriate systems to enable her to work virtually and focus on marketing.

Why not focus on being expert in an industry category and this be one of a few experts, or, better still, the only professional clients can obtain that service or specialised knowledge from? Being better than the incumbents is tough; but the rewards of being a leader in a specialised niche in a not-too-crowded market are manifold:

- ▶ Choose one or two industries as your assessment of options. This is your starting point. You now have an edge in the market because you can interview your clients to learn more about the market. They will appreciate your level of interest.
- ▶ Always seek out the congregation points in the niche groups such as annual conferences or association networking meetings or blogs.
- ▶ Seek out influencers in the industry; you can use LinkedIn as a starting point by searching for industry groups. Reach out via LinkedIn to get to the influencers and get to know them.

For a practical guide to find and exploit your niche or specialisation see our [\*Business Owners Guide: the Complete Niche Marketing System\*](#)

## ABOUT BUSINESS OWNERS COLLECTIVE

The Business Owners Collective ('BOC') is Australia and New Zealand's first alliance of bookkeepers who are also business owners with at least one employee. We believe business owners have unique needs that the profession does not cater for. Our mission is to support the business development of bookkeeping business owners through unique array of resources, programs and processes. Our mission is to help you develop the skill sets and practices to grow your business, grow your profits and the value of your business. Our methodology and resources are specifically designed to overcome the key challenges that bookkeeping businesses face.

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