

How accountants are preparing for the digital challenge

With the transition to cloud accounting, the commoditisation of compliance and the migration to a new digital tax regime, the UK profession faces a period of unprecedented change.

In the autumn of 2016, AccountingWEB in association with Intuit QuickBooks undertook a survey of 271 accountants to establish a benchmark for the current state of the profession. We then hosted [a video discussion about the results](#) with three accountants to identify how their firms were preparing themselves.

This guide summarises our findings. With so much change on the horizon, our aim is let other practices draw on these insights as they prepare for their own digital challenges.

The report covers

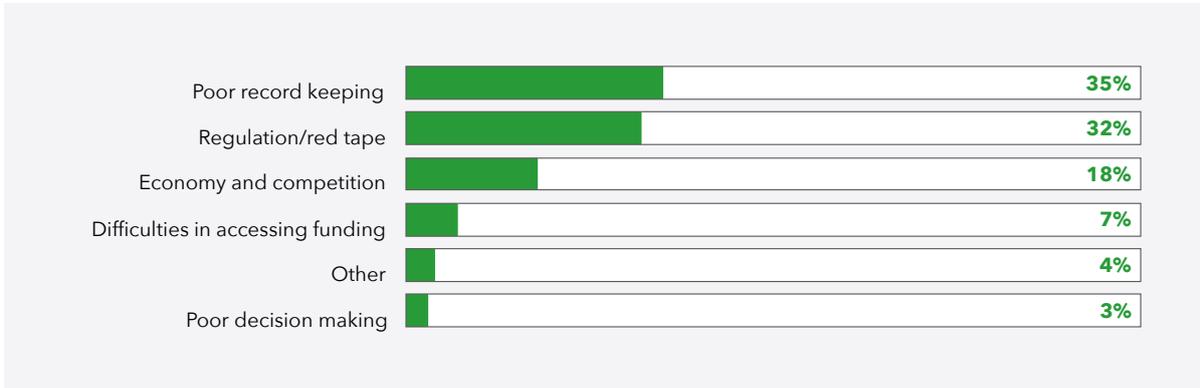
- 1.** The biggest problems currently affecting small business clients, including digital tax: will it be a threat or an opportunity for accountants?
- 2.** How quickly practices and their clients are adapting to cloud accounting.
- 3.** How practices are meeting demand for advisory services and pushing for growth.

This reality check is intended to encourage practices to explore the implications of the impending change. Recognition is the first step on the path to action.

Insights into how these challenges affect other firms, and how they are responding to them, should help you identify where your firm stands now, and what you need to do to make your firm digital.

Small business challenges

What is the biggest problem small business clients face?



As it might be expected the shadow of Making Tax Digital is apparent as UK accountants dig in ahead of the 31 January 2017 self-assessment deadline. As might be expected at this time of year for practitioners, the quality of clients' record-keeping tops the list of concerns with 35%.

Compared to the figures collected in previous quarters for the Bankstream index, "Regulation and red tape" has risen up the agenda to 32%. In contrast, economic concerns have fallen away by about a fifth after the relatively benign economic aftershocks that followed June's EU referendum result.

From the perspective of managing small business clients, these two concerns will weave into a major challenge for practices over the next 2-3 years. Not only will accountants have to stay on top of their annual self-assessment work processes, they will also need to design new workflows, migrate and train clients on new bookkeeping procedures and implement quarterly reporting to meet HMRC's digital tax requirements by the estimated 2018-19 deadline.

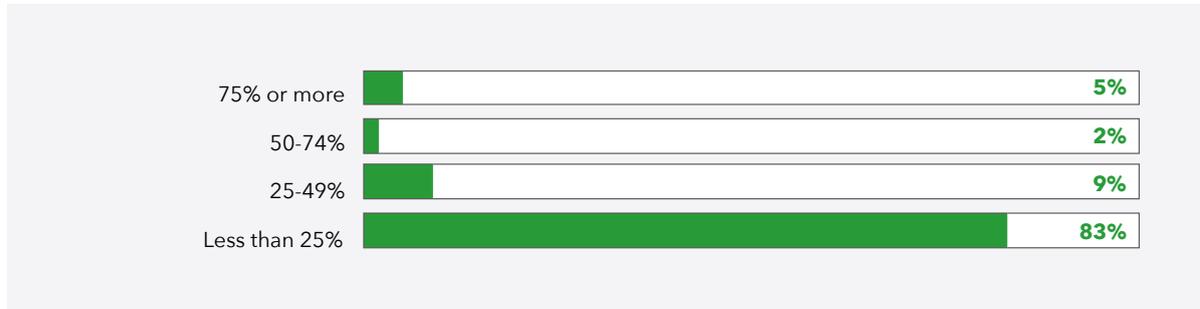
As of early 2017, the profession faces an administrative marathon. Some elite firms have already begun their race, but the great majority of firms are still huddling in a crowd by the starting line.

“Firms are going to have to push their clients quite hard towards digital record-keeping. That puts you alongside clients, being there and available to answer simple questions”

Rebecca Benneyworth, Tax lecturer and small business practitioner

Cloud migration

Percentage of accountants' SME clients supported in the cloud



Some 16% of survey respondents already support 25% or more of their clients within cloud environments. With access to live figures from these businesses, the accountants are able to plan adjustments to final accounts and tax reporting processes to meet the anticipated requirements of Making Tax Digital.

For the other 83% of respondents, it's going to be a major undertaking - one that 35% of respondents plan to start in the next year. Another 32% anticipate the migration will start in 2018. The last-minute contingent who will wait until it's absolutely necessary amount to 17%.

Thanks to MTD, however, there is no turning back down this road - 88% of respondents acknowledge that the percentage of clients moving towards the cloud will increase by 2020. MTD is kick-starting a second wave of cloud adoption, but there will be some potential traps for those that leave it late.

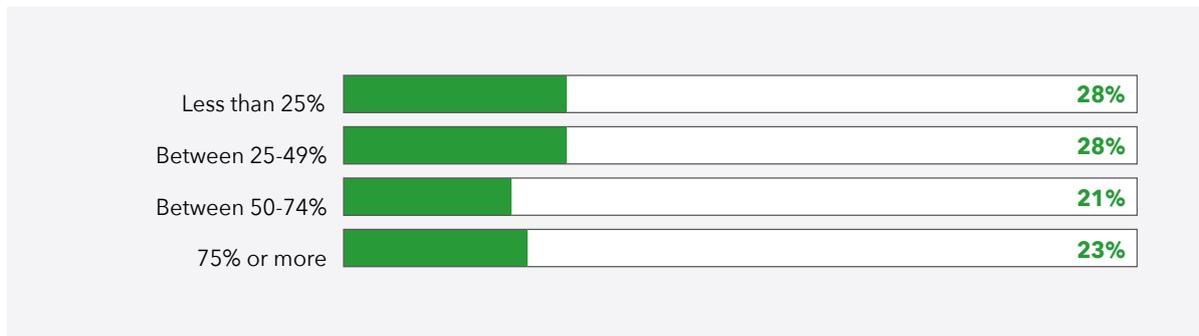
Undertaking any kind of change on this scale requires a lot of careful planning and education, for which time may not be available if firms delay their efforts in this area for too long. And if they focus mainly on the compliance requirements of the solutions, they may miss the opportunity to introduce more efficient workflows or more collaborative and proactive ways of working with clients.

“It really does take time to transition clients. It’s something you need to plan well ahead”

Lexy Shore, Partner, AC Mole & Co, QuickBooks Platinum ProAdvisor

Business advisory services

What percentage of SME clients ask for business advisory services from your firm?



The survey confirms that an increasing number of small businesses are looking for advisory services from their accountants, looking beyond bookkeeping and tax services: 44% of firms are already supporting more than half their clients in this way.

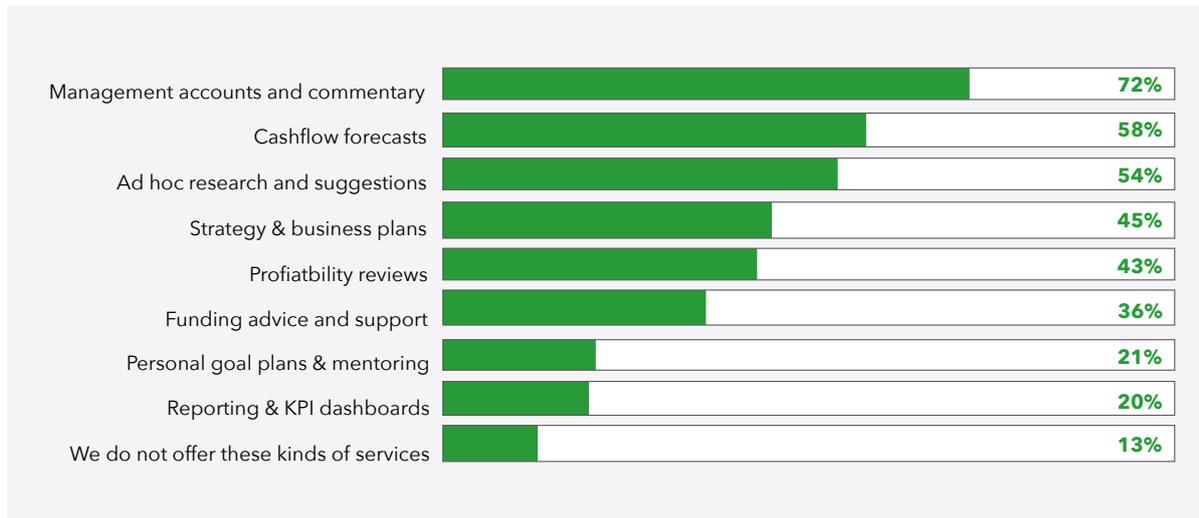
While 12% of respondents said they do not currently provide these kinds of services, an overwhelming majority of respondents (91%) anticipated that more of their clients would be asking for business advice in between now and 2020.

Although the shift is not universal yet, the transition to the advisory model has clearly taken root among UK firms: the proportion of firms offering management reporting, cash flow forecasts and other ad hoc advisory is 74%, while 45% of respondents offer strategic reviews and business planning.

“The practice has grown. It’s more profitable and we’re able to do much better services because we’re in the cloud”

Alan Hemingway, Partner, Hemingway Bailey, QuickBooks Platinum ProAdvisor

Percentage of firms that support clients with business advisory services



These services are precursors to proactive advice. Those 44% of firms that lag behind the majority may act in an advisory role for many of their clients, but may not be making it clear that this is what they are doing.

This blind spot indicates that some firms still see themselves as general practitioners with traditional business models even when they're doing more proactive, engaged work with small business clients.

As small businesses and their advisers adapt to the new compliance environment, these accountancy firms will need to articulate what they offer clients besides accounts and tax updates. They will also need to build awareness of the business value they offer.

“Having access to real time financial information is transforming the relationship, because you have that information to support to business decisions”

Lexy Shore, Partner, AC Mole & Co, QuickBooks Platinum ProAdvisor

Marketing strategies and techniques

Current marketing techniques used by firms to grow their practice



The AccountingWEB/QuickBooks survey investigated how much digital marketing firms are using to grow their client base. Websites and SEO are most common at 53%, yet surprisingly almost half of the accounting firms haven't started to promote their practice online.

Ad hoc social media was the second most common technique at 48%, but only 19% of accounting firms do their social media activities in a structured and planned approach to grow their practice.

The majority at 70% of respondents expect to increase the amount of marketing between now and 2020.

Websites and social media are the bedrock of modern accountancy marketing, but email (31%) and direct mail (27%) are still popular ways to reach out to clients and prospects. Content-based initiatives where practices produce their own blogs (15%), online events (7%) and videos (3%) are less prevalent now, but are likely to gain ground as practices look for new ways to communicate their messages to clients and prospects.

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Planning the way forward

The AccountingWEB/QuickBooks digital challenge survey found signs of a two-stream profession in the UK. In each of the fields surveyed - cloud adoption, business advice and marketing activity - smaller subsets were moving faster than their peers. These leadership groups ranged from the 16% catering for more than half their clients in the cloud, to the 20% offering clients a full package of advisory services, and 15%-25% pushing ahead with content-driven digital marketing initiatives.

The survey found significant overlaps between these groups, with roughly 12% of the most active business advisory practitioners also showing up among the most enthusiastic marketers, both in what they do now and in their plans for the future.

What is clear from their responses is that these firms are fully aware of the changes happening around tax and technology, and are putting in the effort now to ensure they stay relevant to their clients' needs and expectations.

The most successful firms are actively planning for a more interactive and engaged digital future. To find out more about how you can do this, see what Rebecca Benneyworth, Lexy Shore and Alan Hemingway have to say in our short [Preparing for the digital challenge video](#) and visit the AccountingWEB and QuickBooks sites for further support.

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