

# Seasonality Success

WINNING STRATEGIES FOR PROFITABLE FIRMS



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## A TOOL FOR SUCCESS FROM PCPS

*Seasonality Success, Winning Strategies for Profitable Firms*, is a quarterly PCPS newsletter dedicated to helping CPA firms enhance their peak season possibilities. Each quarter, we focus on great ideas in four key practice management areas:

- Positioning
- Client Strategies
- People
- Systems and Processes

Every article will look at practical, hands-on solutions that can make your practice more effective and efficient based on the experiences of other successful practitioners and the advice of top consultants.

## SPECIAL ISSUE: HANDLING AN UNCERTAIN ECONOMY

*Seasonality Success was created to help PCPS members make the most of busy season opportunities. Given the current economic climate, this entire special issue will cover ideas on how to weather the crisis and identify opportunities for firms and their clients.*

## Editorial Board

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## POSITIONING

### Smart Marketing Steps to Take Now

In the [2009 PCPS CPA Firm Top Issues Survey](#), client retention was the top issue for firms of all sizes, replacing staffing, which had headed the lists for more than a decade. With a lingering recession and uncertain economic future, finding and keeping good clients has emerged as a pressing concern. But many firms have not engaged in much organized marketing in years because of the strong demand for CPA service during most of the last decade. What steps should practitioners take now to get their efforts back on track? Consultant Jean Caragher offers some tips.

**Use the personal touch.** Caragher's marketing research shows that personal networking generates the most opportunities for firms, followed by outreach to professional referral sources and seminars. "All three require face-to-face meetings with prospects and clients," she says.

In addition, in their communications, Caragher recommends sending a print newsletter or other communication once every quarter to support newsletter and email efforts. "It's easy to delete an email when you're in a hurry, but when something comes in the mail it might actually attract more attention," she says. She also advises that CPAs who take the time to pen a handwritten note will distinguish themselves from the surge of email and impersonal letters that clients receive.

**Adjust to changing times.** Firms that are undertaking more active marketing efforts shouldn't expect to use the same techniques that might have worked earlier in the decade. And in many cases, practitioners have grown to rely on word-of-mouth marketing in recent years, given the robust demand and their own good reputations. Caragher advises practitioners to step back and consider how that word-of-mouth marketing got started. "First you had to do something to get people to talk about you," she says, which can happen when CPAs engage more actively in face-to-face marketing efforts.

**Dust off those niches.** Niche marketing has always been considered a great way to reinforce a firm's expertise, but many practices expanded in recent years to encompass many types of service. Caragher recommends analyzing the client base to identify the most profitable niches and specialties and focusing the firm's efforts on them. "When you have limited time and budget, you want to make sure you're spending your marketing dollars as wisely as you can." The best question for firm leaders to ask themselves: How do we describe our bread and butter clients, and how do we go about getting more?

**Consider the client's critical concern.** With clients facing their own financial troubles and scrutinizing expenses, Caragher advises that they will be asking themselves this question: Am I getting value for the fees I'm paying? Instead of being blindsided by this question when it is raised, she recommends that CPAs proactively consider how to answer it and emphasize the value they offer with clients whenever possible. Her research shows, too, that more than half of CPA firms have no client satisfaction program, leaving them unable to track or enhance client perceptions. "If you develop a program and execute it, that will differentiate your business," she says. She has also found that the most successful firms are 15 times more likely to have a marketing plan, which allows them to identify key target markets,

track their efforts and reward people for their successful marketing activities. "This kind of effort can be undertaken in firms of every size," she says.

## The PCPS Client Service Resource Center

The [PCPS Client Service Resource Center](#) was launched this summer specifically to help practitioners address concerns about holding on to clients, helping them cope with an uncertain economy, and developing and maintaining a great connection with clients. Its sections include renowned consultant Troy Waugh's Five-Star Client Service Model, as well as articles and online presentations.

### Action Agenda

- Identify the firm's most lucrative niches and services. Invest the bulk of your marketing time and dollars in these areas.
- Institute a client satisfaction program. Even for the smallest firms, a program might include taking key clients to lunch to discuss their experiences with your practice or it might involve using an inexpensive online survey to measure client attitudes.
- Differentiate yourself from the competition. This can be done through the occasional handwritten communication or by focusing the firm's energies on a niche in which your expertise is strong.

## CLIENT STRATEGIES

### Helping Clients in Uncertain Times

Despite all the news about the troubled economy, the recession's actual impact on clients has been mixed. Some companies have seen their business slashed in half or worse from its recent peak, while others are quietly doing just fine. Individuals, too, may have lost jobs or seen their investments decline, or they may have escaped the recession's impact entirely. Even those who are prospering are often looking over their shoulder, however, concerned that the worst is yet to come. These are some observations from CPAs across the country as they take stock of their clients' situation in a lingering recession. Three CPAs describe what they're seeing and their advice for helping clients in uncertain times.

### Meeting the Challenges

In South Bend, Indiana, sole practitioner Chris Lauber's workload has basically been unchanged in recent months. "Even if a client is hurting, they still need their financial statement or their tax return," she notes. Clients have even been open to consulting engagements that help them survive and even thrive in tough times. "In one case, we went right down their general ledger, asking which expenses were necessary and what could be cut. We have also been redoing some of their costing numbers when they submit bids." She has also advised clients on wrestling with challenges surrounding financing and line-of-credit concerns. "We're helping them adjust to the world we live in."

### Gaining a Perspective

In some cases, CPAs are faced with pointing out grim realities to clients. "With a few clients, we've had to tell them that they might need to give up the ship," says Mike Shost, a Dallas sole practitioner. "You have to act as a conscience for someone and tell them they can't keep borrowing from their IRA or that they have to lower their salary."

In most cases, though, communication alone can go a long way toward addressing client needs and reinforcing the bond between CPAs and clients. "Some clients will simply appreciate your help in getting a perspective on where they stand," he says. "Set up a meeting and ask how their business is going. Besides providing your clients a valuable service at a critical time,

you will likely see your fee revenue increase with the special projects they need.” Engagements he has taken on because of client meetings include help in renewing or restructuring credit lines and restructuring debt; reviewing breakeven points; and analysis of labor costs. “I would not have known they needed me if we hadn’t talked.”

### Sending the Right Message

Sole practitioner Bob Fay advises using the firm’s communication to send targeted messages to clients. “I want to tell them to look to me for impartial, reliable knowledge and information,” he says. “I want them to understand that I will be more objective than other professionals, such as a stockbroker or insurance agent.”

To that end, the Canton, Ohio-based CPA plans to circulate a newsletter in the late summer or early fall that will include his comments on new changes in tax laws and how they will affect clients as well as his general observations on the local and state economy. “My clients are looking for more information from a source they can trust,” he says. “We as CPAs can fill that niche.”

### The PCPS Economic Podcast Series

This informative [series](#) of podcasts addresses ways that firms can help clients improve their operations, tackle financing and liquidity issues and enhance their own internal operations. The last series, on firm practice management concerns, includes advice on developing engagements to help clients with economic uncertainties.

## PEOPLE

### Why Staffing Still Matters

Many CPA firms experienced a welcome change during the last busy season: Their staffing situation was not as challenging as it had been in recent years. “For the first time in three years, I had the staff I wanted,” says Christine Lauber, a sole practitioner in South Bend, Indiana. “People were available and there was a better chance at getting who you wanted.”

For many years, practitioners in firms of all sizes have agreed that getting and keeping the best people was their chief headache. In fact, in the [2009 PCPS CPA Firm Top Issues Survey](#), staffing dropped from the number one spot for most firms for the first time since the study’s inception over a decade ago. The economy seems to have changed all that, however, as employers get more cautious about hiring and employees are less likely to jump ship.

But as recruiting season swings into action, should firms continue to jockey for the best candidates or tone down their efforts? Since firm members are a practice’s greatest assets, the best choice is to continue to seek out and hire the top people whenever possible. Consultant Rita Keller offers some tips on how to do it.

### Action Agenda

- Create services that address client needs. CPAs report that clients are willing to pay for services that help them cut expenses, obtain financing or improve operations.
- Communicate often and candidly. Many clients don’t understand that their CPA firm can offer services to help them weather the recession.
- Stress your objectivity and expertise. Written and oral communications should highlight what the firm’s knowledge and impartiality.

### Action Agenda

- Plan to maintain the firm's campus recruiting efforts. This will preserve your visibility and keep the firm in touch with the best people. That includes interns, who could turn into good hiring prospects down the road when the economy revives.
- Communicate often with your most promising recruits—and their parents.
- Assess precautionary or other cutbacks you've made—in salaries, training and other areas—and determine if they are still necessary or if restoring them would improve morale.

**Maintain your campus visibility.** “Don’t take a low profile. The people shortage is still there,” she advises, referring to the declining size of younger generations as the Baby Boomers retire. “All the demographics tell you that the people shortage will continue. You just had a breather for a year.” If the firm’s goal is to work with a leaner operation, finding and grooming high-quality people is an important part of that strategy. Campus visits also often introduce firms to potential interns, who will not become actual hires until a few years down the road, so don’t close off this pipeline.

**Don’t forget to recruit the parents.** Parents of the Millennial generation are notorious for being deeply involved in their children’s lives, and the recession has not changed that. Keller advises sending them firm newsletters or other communications to cement their interest in the practice.

**Treat your top people right.** “It’s important to consider how to treat star performers right now,” she says. “They will begin getting offers as soon as the economy picks up and companies become more confident once again.” Employers appear to agree with this assessment. A recent Robert Half survey found that companies believed retention was their top staffing issue (39%), with recruiting a distant second (22%) and productivity coming in third (17%).

As part of this effort, consider how you handled any layoffs that might have occurred earlier in the year. “Was the company caring and supportive?,” Keller asks. “The good people who you kept watched that process,” and it will affect their perception of your firm as an employer.

**Reassess your cutbacks.** “Many companies instituted pay freezes as a precaution when the economy first went sour,” Keller says. “Now that firms have seen they could weather the storm, it may be time to reinstitute raises or any other morale boosters that were dropped.” That would include any training and development programs that might have been slashed.

**Stay in touch.** Keller notes that some firms that offered staff members jobs as of September 1 may have decided to defer the hire date until January. In that case, “be sure to remain in touch with those people to maintain their sense of commitment to their firm so they’re not snapped up by someone else,” Keller says. She advises inviting them to firm events and sending them firm newsletters.

### The PCPS Human Capital Center

The [PCPS Human Capital Center \(HCC\)](#)—a free benefit of PCPS membership—contains a wealth of materials to help practitioners with all their staffing concerns. The HCC has recently launched a new section—Reward & Compensation & Incentives. Among other great tools, it includes a 10-step action plan that helps CPAs design a firm-wide compensation philosophy based on the firm’s mission, values and strategic plan.

# SYSTEMS AND PROCESSES

## Trimming the IT Budget in a Down Economy

by Roman H. Kepczyk, CPA.CITP

In the current economy, everyone's budget is under fire, but cutting information technology costs can have a profoundly negative impact on a company's operations. That's why it is imperative to cut with a scalpel rather than a machete. Here are four places where firms can make cuts and still provide solid IT services.

1. **Evaluate hosted services vs. new servers.** Traditionally, companies set up servers for each application, which has a higher upfront cost. For commodity applications such as Exchange/Outlook or CRM, there are secure service providers available via the Web that can be more cost effective on a month-to-month basis than the traditional in-firm environment. These SaaS (Software as a Service) application service providers can actually reduce overall IT support and disaster recovery costs as they are integral to the service.
2. **Re-evaluate service contracts.** For recurring IT support and infrastructure costs (Internet access and offsite digital storage), it's a good idea to consider actual utilization and re-negotiate contracts accordingly. In most parts of the country, broadband Internet access has either doubled in bandwidth or the cost has been cut in half over the past few years, so companies should set their calendars to renegotiate every 18-24 months. If you use Internet data backup, new providers in the marketplace are driving down costs for everyone.
3. **Extend replacement cycle.** While laptops take a beating and must be replaced every three years, it may be possible to extend the traditional replacement cycle of desktops and servers by one or two years for less critical applications. The key to extending the life of machines is determining which are still functioning effectively with low utilization and which you can easily add to the warranty. In most cases adding a warranty on a solid less-critical server is much less expensive than the cost of replacing and installing a new server, and often additional RAM or hard disk space will get the machine through one more year if it is solid. Please note that this does not apply to mission-critical services the company needs to function on a daily basis.
4. **Eliminate unnecessary and redundant licenses.** Many applications are charged based on user count. As firms streamline their staffing or go to job sharing, it is important to make sure that you are paying only for those licenses you absolutely need. In addition, during periods of expansion, companies can end up having duplicate or redundant applications. Moving to one standardized application makes it easier to provide training in the long run, in addition to the cost savings.

In a downturn, firms look to every department to cut expenses and IT is not immune to this reality. Rather than trimming critical services, firms can control costs in a way that will still allow the organization to function well and be prepared for the eventual turnaround in the economy.

*Roman H. Kepczyk, CPA.CITP is President of InfoTech Partners North America, Inc. and works exclusively with CPA firms to optimize production processes within their tax, audit, client services, and administrative areas through the effective use of information technology.*

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