An Eye on the Future: Business-Building Ideas for Sole Proprietors at Every Stage
No matter where you are in your business’ lifecycle, you probably have big plans. As a sole proprietor, achieving those goals rests squarely on your shoulders.

To better understand how accounting firms—particularly those run by sole proprietors—are poised for the future, HD Vest commissioned SourceMedia Research to conduct a survey of 325 accounting professionals. Respondents who identified their firms as sole proprietor practices were segmented into three groups to further discern their experiences and needs: emerging, established and maturing.

While there are some overlaps between the three groups, there are also important differences. Accounting professionals with emerging practices are more likely to be growth-oriented and less likely to have recurring revenue. Established practices, meanwhile, often have older clients and more concentrated financial service offerings. And maturing practices tend to have the oldest clients, with sole proprietors eyeing retirement.

The following white paper explores these diverse perspectives and offers sole proprietors ideas for building and growing a more successful practice throughout their business lifecycle.

**EMERGING: LEARNING TO MANAGE GROWTH**

Growth is a defining characteristic of accounting professionals with emerging businesses—61% favor steady growth and 28% favor significant growth as a business goal over the next five years. These respondents are also the least likely of the three segments to be satisfied with maintaining their current firm size over a five-year period.

To achieve this growth, three-quarters say they want to add new clients to existing categories (Figure 1). They also plan to sell additional services to current clients, thereby making each client more profitable.

As a primary way to attract clients, accounting professionals with emerging practices will offer personalized service. As one respondent notes, “We take a lot of time with clients to determine their needs.” However, while this group has strategies in place for growth, responses point to struggles targeting high-net-worth prospects and efficient time allocation.

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**FIGURE 1: Top growth strategies for sole proprietors with emerging tax practices**

*Q. What are your most important growth strategies for the next 1 to 5 years? Please rank your top strategies in order from 1 to 3.*

- **76%** Add new clients to existing categories
- **6%** Add new service offerings
- **9%** Raise fees
- **9%** Sell more services to existing clients

Base: Sole proprietors with emerging businesses (n=67)
Source: SourceMedia Research, Accountant Business Plans Study, April 2016
Sixty-one percent of established sole proprietors report that almost all of their revenue comes from recurring business.

**ESTABLISHED: BENEFITTING FROM CLIENT LOYALTY**

By mid-career, sole proprietors have the benefit of a dedicated client base and predictable revenue streams. As might be expected, these accounting professionals target older clients with higher household incomes. As these professionals age, their clients age alongside them and hit their peak earning years.

Sixty-one percent of respondents in this group report that almost all of their revenue comes from recurring business (Figure 2).

This group’s top goal for the next five years is maintaining its current size and growing steadily. In the mid-term, however, they are focused on increasing business referrals and technology investments. Managing costs, technology investment and time allocation are their top long-term goals.

**FIGURE 2: Established accountants see a big jump in recurring revenue**

Q. What percent of your business is recurring business? Please select one choice.

- 16% Partly recurring
- 41% Some recurring
- 30% Mostly recurring
- 5% Nearly all recurring

Base: Sole proprietors (n=160, excluding "don’t know" responses)
Source: SourceMedia Research, Accountant Business Plans Study, April 2016

**NEXT STEPS FOR EMERGING FIRMS: Lay a foundation for steady growth to create a sustainable business model.**

- **Accentuate top qualities.** Accounting professionals with emerging practices say personalized advice is their top value to clients. Reiterate your concern about your clients’ well-being.
- **Find your niche.** Zero in on your best clients and target more of them. A unique niche gives you deeper knowledge about your clients’ challenges and helps you serve them better.
- **Help solve financial problems.** Provide additional value by helping clients solve complex financial challenges. HD Vest’s V4 Client Experience™ tool leads with taxes to help you prioritize clients’ financial issues, create a plan and bring the plan to life.
- **Measure success.** Growing your client base and revenue stream are key measures of success you should record and track over time.
Sole proprietors with maturing businesses have a well-articulated value proposition—three out of four say that personalization is their key value offering.

At this point in their careers, established sole proprietors have figured out what works and have concentrated their service offerings, the survey shows. For example, fewer of these professionals offer forensic accounting, back-office services and financial budgeting when compared with the emerging group.

And, as one respondent summarizes, streamlining may not be just about services. “We are re-evaluating a certain percentage of clients who are continuing to be lax in their requirements, thus creating an additional burden during the height of tax season.”

Attracting high-net-worth clients is less of a challenge for established accounting professionals; however more than half say they struggle with pricing their services.

**MATURING: SLOWER GROWTH, BUT FEW OBSTACLES**

When compared with emerging and established accounting professionals, sole proprietors with maturing practices offer a narrower range of services and have a large number of older clients on their rosters. These professionals are also targeting twice the number of clients approaching retirement (65 to 74 years old) than those with emerging practices.

At the same time, these sole proprietors face fewer competitive threats. They have a loyal client base that is likely to stay with them for the long haul. And they have developed a well-articulated value proposition—three out of four say that personalization is their key value offering.

Not surprisingly, respondents in this group are less growth-oriented—a large portion of these professionals is focused on retirement in the coming year (Figure 3).

**FIGURE 3: Accountants with maturing practices are less likely to focus on growth**

Q. Which of the following best describes your primary business goal over the next 1 to 5 years?

- Retire: 40%
- Maintain current size: 25%
- Other (e.g., partner with another firm): 20%
- Steady or significant growth: 15%

Base: Sole proprietors with maturing practices (n=20)
Source: SourceMedia Research, Accountant Business Plans Study, April 2016
Professionals with maturing practices find few aspects of their business challenging because they’ve had many years to perfect them. Thirty percent of this group says they have a stable practice, which is higher than the other two groups.

However, maturing firms may find it hard to make changes. Fifty-seven percent say new pricing models are difficult to implement, which is higher than numbers reported by respondents from emerging or established practices.

**CONCLUSION**

The goals and challenges sole proprietors face change throughout a practice’s lifecycle. Emerging businesses struggle with attracting and retaining clients as they grow. Established practices benefit from recurring revenue, but grapple with technology investments and managing costs. And professionals with maturing practices strive to balance impending retirement with a robust business that delivers the services their older clients need.

No matter where your business is in its lifecycle, be sure you are always keeping an eye on growth and taking advantage of opportunities that arise.

And don’t overlook important resources from a trusted partner like HD Vest. By tapping into these resources, you can nurture your business, meet challenges and seize opportunities—helping you provide even better service to your clients.

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**NEXT STEPS FOR MATURING FIRMS:** Retirement may be around the corner, but your business can still benefit from some smart moves.

- **Focus on succession planning.** A growth mindset makes your business most attractive to potential buyers as you contemplate a succession plan. HD Vest provides coaching and support throughout the process through its Strategic Partnerships Program.

- **Explore new pricing models.** Accounting professionals typically charge by the hour, but there are other options. For example, consider value-based pricing. The higher your demonstrated value, the more your services are worth.

- **Consider strategic partnerships.** Those with maturing practices are least likely to prioritize technology investments. But a technology partnership can help you identify high-value clients and automate processes that free up time to offer more of your signature, personalized service.
METHODOLOGY

In April 2016, SourceMedia Research conducted an online survey among 325 accounting professionals from firms with 250 or fewer employees, drawn from Accounting Today’s opt-in subscriber base. The study segmented and profiled the audience according to key predictors related to financial planning adoption, number of employees, business lifestyle stage and business goals.

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¹Think Advisor 2015 Broker-Dealer Reference Guide, which measured/ranked the top 25 independent broker-dealers by annual revenue. ²As of January 1, 2016

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