

# United Kingdom 2018 **Accounting & Bookkeeping Industry Performance Report**

See how your practice compares and where you want to get to







Cover: Sian Kelly, Inform Accounting, Birmingham | Xero partner

Inside cover: Max Henderson, Hotpod Yoga, London | Xero customer

# Foreword

We're very pleased to share with you this accounting and bookkeeping industry performance report, the 2018 edition of Xero's partner benchmarking study for the UK market. This year's report sharpens the focus on forward planning, as partners have told us that the most valuable use of previous reports was to inform their strategic and annual planning. We've also added significantly more detail on marketing and advisory services, in line with the feedback.

We produced our first detailed benchmarking reports – for the United Kingdom, Australia, New Zealand, and the United States – in 2016 and 2017. Over 2000 practices took part in those studies, and now over 5000 accounting and bookkeeping firms globally have participated in providing the rich data that lets Xero partners compare their firm with other similar practices.

This report includes findings in two new areas.

- It shows results for practices who've taken different approaches to positioning their firm in the market (see tables 3 to 5). It's evident that raising these questions helps practices agree and articulate their firm's strategy for 2018 and the following three to five years.
- It reveals the composition of advisory services revenue and what partners are prioritising in 2018. In the 'what if' scenario in table 6, we show what the 2017 results would have been for a firm with 250 small business clients. This demonstrates the potential revenue to be gained from advisory services.

As you read through this report, you'll see illuminating patterns emerge – in client management, marketing, pricing, billing, employee compensation and advisory services.

The data shows that, across the industry, practices aren't investing much into marketing online accounting and advisory services. This provides a real opportunity for practices to improve their marketing and to be seen by – and win over – the high proportion of businesses actively looking to switch advisors.

The findings in this report point to opportunities and ways for firms to achieve their 2018 goals. We're here to help you move your practice forward and enjoy the benefits of your efforts, so get in touch with your Xero account manager for assistance to make it happen. Your account manager can also point you to more resources to assist your practice as we couldn't fit everything in here.

Please continue to share your questions and feedback with us as we plan for 2019 and beyond. You can reach me directly by email.

**Doug LaBahn, Ph.D.**

[doug.labahn@xero.com](mailto:doug.labahn@xero.com)

Xero Practice Leadership Team





We love putting reports like this together to help you plan for the future. Thanks for reading.

# Contents

Highlights.....	4
Participant profiles .....	6
Insights to help your 2018 planning .....	7
Marketing, performance and growth.....	8
Client metrics for online practices.....	14
Advisory services opportunities .....	21
Ingredients for success .....	24
Different size firms: a close-up look .....	27
How we can help .....	38

## List of figures

- Figure 1.** Sources of new clients
- Figure 2.** Investment in marketing
- Figure 3.** Growth in client numbers by age of firm
- Figure 4.** New clients in the last 12 months
- Figure 5.** Annual revenue per small business client
- Figure 6.** Revenue contribution per employee
- Figure 7.** Number of clients per employee
- Figure 8.** Increases in employee compensation
- Figure 9.** Advisory service revenue
- Figure 10.** Regretted client departures
- Figure 11.** Revenue per employee as percent of clients on Xero grows
- Figure 12.** Comparison of practices with and without advisory services

## List of tables

- Table 1.** Role and seniority of participants
- Table 2.** Growth in size and revenue over time
- Table 3.** Practice approaches
- Table 4.** Billing options
- Table 5.** Results for practices taking different approaches
- Table 6.** Contribution of advisory services to revenue
- Table 7.** Most attractive areas for firm revenue growth
- Table 8.** Comparison of different size firms
- Table 9.** Profile of sole practitioners
- Table 10.** Profile of small firms
- Table 11.** Profile of midsize firms
- Table 12.** Profile of large firms
- Table 13.** Profile of very large firms

These stats are based on an online survey we did of 939 UK accounting and bookkeeping partners. We aim to be as clear and concise as possible with this info, but we can't promise that it's free of rounding or other errors. The info and commentary in this report is just a guide and should not be taken as taxation, financial or legal advice – you should always check with an independent expert that what you're doing is right for you and your practice.

# Highlights

Results across all practices\*

**12.3%**

Average revenue growth for practices in the UK in the 12 months to December 2017\*

**£91,200**

Average revenue per employee including contractors

**£124,600**

Average advisory service revenue

\* 939 UK accounting and bookkeeping firms in December 2017



Results for pacesetting practices\*

**14%**

Average revenue growth for practices in UK in the 12 months to December 2017\*

**£113,200**

Average revenue per employee including contractors

**£382,700**

Average advisory service revenue

\* Pacesetting firms are the practices with the largest number of clients (300+) using online accounting software. These firms grew rapidly with 14% revenue growth and more than triple the advisory revenue.

# Participant profiles

## Definitions

### TYPES OF FIRMS

For the purposes of this study, we defined:

- sole practitioners as having no employees other than the owner
- small firms as having 2 to 9 employees including the owner
- midsize firms as having 10 to 19 employees including partners
- large firms as having 20 to 49 employees including partners
- very large firms as having 50 or more employees including partners

Where there were instances of only a few responses, we've omitted the results from this report.

### SMALL BUSINESSES/SMBS

When we talk about small businesses or SMBs, we mean those with up to 20 employees.

## Participants' role in their firm

This table shows the role and seniority of the 939 survey participants in their accounting firm. By and large, they hold senior positions in their firm.

	Number of participants	Owner/ Managing partner/ Partner/CEO	Practice manager /team leader	Accountant or bookkeeper	Not disclosed	Total
Not disclosed	396	0%	0%	0%	100%	100%
Sole practitioners	101	100%	0%	0%	0%	100%
Small firms	241	93%	5%	3%	0%	100%
Midsize firms	78	78%	19%	3%	0%	100%
Large firms	65	55%	40%	3%	2%	100%
Very large firms	58	45%	43%	9%	3%	100%
<b>Average</b>		<b>47%</b>	<b>8%</b>	<b>2%</b>	<b>42%</b>	<b>100%</b>

Table 1. Role and seniority of participants



# Insights to help your 2018 planning

“Last year we turned over seven million. That was about three-and-a-half million four years ago. So it's 25% growth year on year, for four years running.”

• Malcolm Pope, Shorts Chartered Accountants

“We're doing a lot of our work more cost-effectively. We're making better recovery on our jobs, we're not carrying so much work in progress, we're doing the jobs faster. All those good things are happening. We're in double figures for growth, percentage-wise.”

• Olly Evans, Evans & Partners

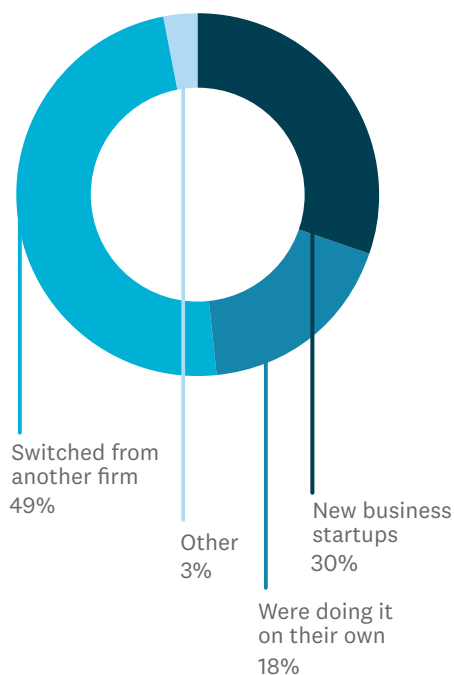
# Marketing, performance and growth

This page shows the sources of new clients for firms in 2017. The high percentage of clients switching accountants reflects the migration we're seeing as SMBs move to firms with larger cloud practices – which are also the ones that have much higher client retention rates.

We were surprised by the sheer number of businesses (estimated to be around 224,000) switching accountants in 2017. This is a large market for Xero partners, who can show small businesses that moving to cloud services provides them with far better value by boosting collaboration and increasing ease of use, while removing the cost, hassle and complexity of older methods for doing accounting.

## Sources of new clients

Small businesses seeking to hire new advisors were the largest source of new clients. This was followed by new business startups – who are often confused by the compliance terms and regulations they face during their first year as a business.



“Xero helps so much with taking away those worries. As a startup, we found Xero was really good for not having to think about expensive hardware and all that kind of stuff. It’s in the cloud, it’s all maintained and looked after for us. It’s an easy decision to make.”

• Jonathan Bareham, Raedan

Figure 1. Sources of new clients

## Investment in marketing

Most firms – except for the larger ones, which generally have staff dedicated to marketing and client development activities – are reluctant to invest in marketing.

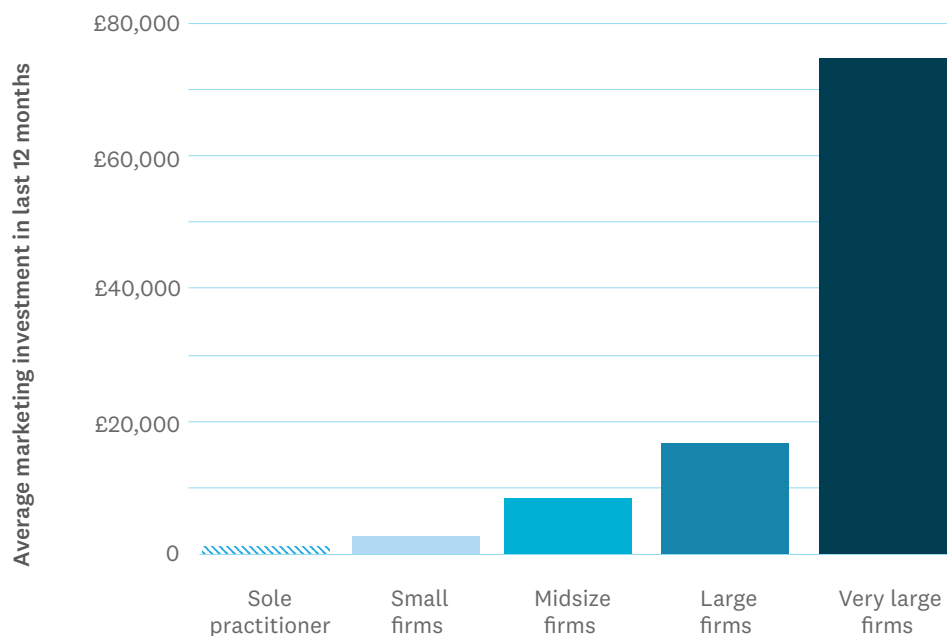


Figure 2. Average investment in marketing in the past 12 months

“A lot of accountants have got their head in the sand - we think we’re marketing the right way but really we’re not, and there’s loads of different things that we could be doing.”

• Sian Lloyd, Lewis Ballard

“In terms of marketing, it’s all about education. Educating clients about the unique selling points of Xero to say ‘Look, this is what Xero can do for you. This is how we can add value to your business if you use Xero.’”

• Daniel Lowndes, Mitten Clarke



## Growth in client numbers by age of firm

This graph compares the average number of small business clients of all respondents with that of the best group – the top 15% of each cohort. So, in effect, it shows the growth curve for average and for top practices in the UK over time.



Figure 3. Growth in small business client numbers by age of firm

## Growth in size and revenue over time

These figures can help you set revenue, staff and client goals for 2018 by knowing what the top and average firms have achieved.

Year the firm was formed	All respondents						Best group*		
	No. of firms	No. of business clients	New clients in last 12 months	Firm revenue in last 12 months	Average no. of employees	% of regretted staff departures	No. of business clients	Firm revenue in last 12 months	No. of employees
2017	32	26	11	£113,273	2.1	1.3%	114	£252,850	3.0
2016	22	46	20	£739,193	5.6	3.0%	143	£1,147,000	19.5
2015	33	79	20	£577,091	7.6	4.6%	270	£2,514,050	35.4
2014	32	55	16	£176,828	3.8	7.7%	200	£414,750	7.8
2013	43	96	27	£321,663	5.3	6.2%	383	£916,542	13.7
2010-2012	67	127	25	£321,129	6.2	3.7%	350	£749,400	17.0
2005-2009	72	223	28	£724,011	8.8	3.5%	740	£1,130,250	15.4
2000-2004	50	252	25	£764,578	12.5	3.7%	887	£2,648,438	46.3
1990-1999	56	318	39	£1,139,924	20.0	2.1%	844	£3,218,750	51.3
1970-1989	58	505	40	£1,707,649	31.4	1.6%	1,393	£4,703,125	69.4
1950-1969	12	737	48	£3,595,667	42.5	1.8%	1,500	£2,333,333	48.3
1930-1949	19	705	57	£3,268,289	59.0	2.4%	1,500	£8,250,000	108.3
Before 1930	45	832	69	£6,591,706	78.4	1.9%	1,500	£16,321,429	125.0
<b>Average</b>		<b>285</b>	<b>32</b>	<b>£1,359,210</b>	<b>19.5</b>	<b>3.4%</b>	<b>745</b>	<b>£3,385,485</b>	<b>41.7</b>

\* Top 15% in each age cohort

Table 2. Growth in size and revenue over time

## Practice performance based on approach

### PRACTICE APPROACHES

We asked participants to select the best fit for their practice from the options below, then looked at the performance of practices with each approach.

Approach	Description
Specialised surgeon	Our firm provides the highest level of expertise in a select number of important areas. We deliver exceptional service in a few areas.
Urgent care centre	Our firm provides high quality service when businesses get stuck, or are in too deep and need fast, smart resolution of their issues.
WeWork shared community, talent, team	Our firm provides services as if we are employees or members of their team with all the experience and benefits (and without the high costs and effort) of hiring full-time employees.
Business mentor/counsellor	Our firm provides the wise, experienced advice and counselling that helps businesses navigate the best path forward for their business – both now and far into the future.
All-inclusive ‘Amazon’ shopping centre	Our firm provides a full set of services that cover virtually every business need.
Fast and effective service centre	Our firm provides great value and service to businesses that want to get the job done quickly and economically.
Personal fitness trainer/coach	Our firm provides regimentation that helps businesses and business owners excel at work and in life.
Tech-loving accountants	Our firm is filled with qualified accountants who are also tech geeks or front-runners.
Holistic health centre	Our firm provides great accounting (fitness) and holistic business coaching services (nutrition and lifestyle).

Table 3. Practice approaches

### BILLING OPTIONS

We also asked participants about the different ways they billed clients and what proportion of clients they billed by each method. The options were:

Billing option	Description
Service plan	Clients are on a fixed-fee monthly or quarterly service plan and the agreed rate is automatically collected.
Service plan plus projects	Clients are on both a monthly service plan and they expect to pay for additional project work.
Bill by project	Clients are quoted a fixed amount for the service (eg, tax return, general ledger setup) and billed when the work is complete.
Bill for time	Clients are billed for the number of hours (and partial hours) of service provided.

Table 4. Billing options



## RESULTS FOR PRACTICES TAKING DIFFERENT APPROACHES

See how practices taking different approaches performed on average and the billing options used to support each strategy.

Best fit for the practice	Annual revenue per client	Revenue growth in last 12 months	Popularity of the approach	No. of small business clients	% of clients on each billing option*				% of employees required to complete timesheets
					Service plan	Service plan plus projects	Bill by project	Bill for time	
Specialised surgeon	£4,980	13.7%	10%	292	25%	20%	27%	28%	57%
Urgent care centre	£4,190	11.6%	2%	75	16%	5%	26%	53%	46%
WeWork shared community, talent, team	£3,320	14.5%	14%	99	26%	23%	20%	31%	47%
Business mentor/counsellor	£2,880	13.5%	21%	308	27%	17%	29%	26%	62%
All-inclusive 'Amazon' shopping centre	£2,570	10.1%	31%	398	27%	17%	34%	20%	65%
Fast and effective service centre	£2,420	13.3%	8%	227	25%	18%	24%	33%	47%
Personal fitness trainer/coach	£2,280	16.7%	3%	249	23%	26%	24%	27%	55%
Tech-loving accountants	£2,120	17.3%	5%	237	33%	9%	32%	26%	43%
Holistic health centre	£2,060	15.8%	6%	191	43%	24%	21%	13%	52%
<b>Average</b>	<b>£2,930</b>	<b>13.0%</b>		<b>283</b>	<b>28%</b>	<b>18%</b>	<b>28%</b>	<b>25%</b>	<b>57%</b>

Table 5. How practices performed by approach

Partners often ask us what small businesses are seeking in an advisor when they search for an accountant or bookkeeper. These results show that practices that provide specialised services and urgent care are realising the highest annual revenue per client (£4,980 and £4,190), by offering expertise in solving challenging business problems.

However, these firms are in the middle of the pack in terms of growth. The approaches with the highest growth rates are personal trainer/coach, tech-loving and holistic coaching. These approaches match mentoring, coaching, and technological savviness with competitive billing rates. They also have the most clients on a service plan or a service plan augmented by charges for specific projects. Partners taking a 'WeWork' approach show a positive combination of good growth and average annual revenue per client.

It's clear that firms can achieve success pursuing different approaches. We encourage practices to align their pricing and employee time-keeping strategies to support the approach they determine is best for them.

\* Some respondents use billing methods other than the four shown in table 5, which is why the percentages don't add up to the full 100%.

# Client metrics for online practices

## New clients in the last 12 months

Firms with larger numbers of online accounting clients are onboarding more new clients. The factors that contribute to their success are the lower rates at which they're able to offer their services, and being tech savvy.

Several findings, including regretted client departures (figure 10) and practice approaches (table 5), suggest businesses are placing a priority on technological know-how when choosing a new accountant or bookkeeper.

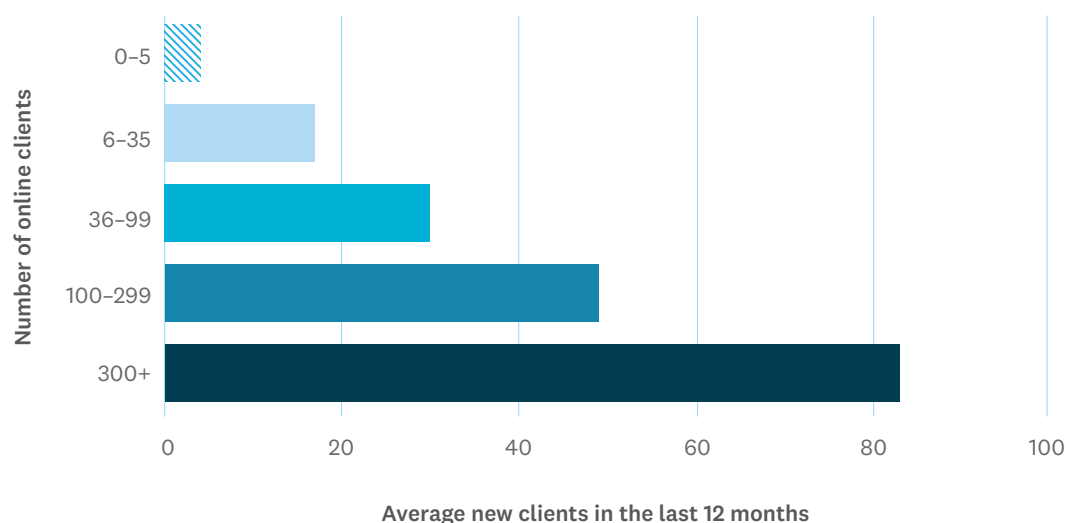


Figure 4. Average number of new clients in the last 12 months

“Going from desktop stuff and paperwork, and time sheets and all that nonsense, and moving over to Xero has just completely changed how accountants work. Xero has modernised how we do things, and it’s moved with the times.”

“For me, the most gratifying thing is the new work that’s coming in purely as a result of offering Xero to clients.”

• Paul Lodder, Sagars

## Annual revenue per small business client

With the exception of practices with only a few online clients, the prices firms charged were consistent across practices. And, while those firms with fewer online clients charged higher rates – in part to offset higher labour costs – they also experienced dramatically higher rates of client departures (see figure 10). Evidently, price-based market forces are making it more difficult for them.

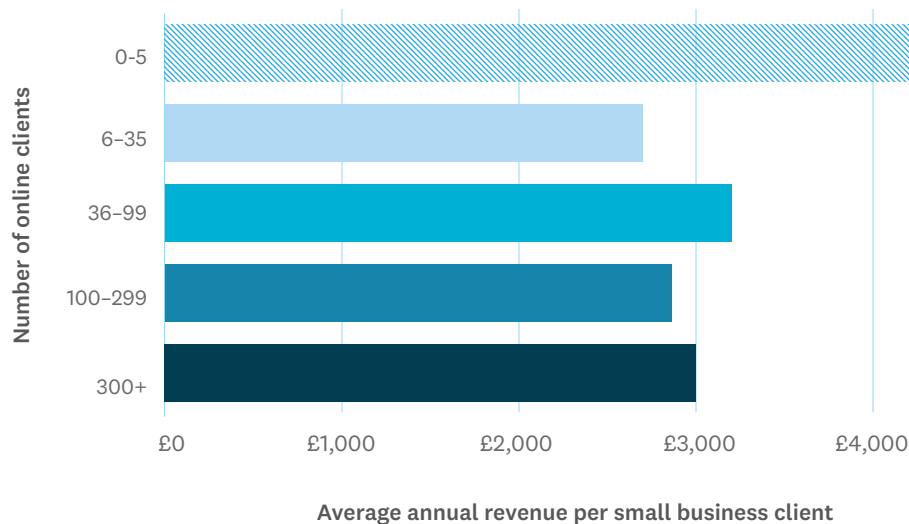


Figure 5. Average annual revenue per small business client

## Revenue contribution per employee

A substantial increase in revenue per employee is achieved as the number of online clients increases, which can be attributed to greater employee efficiency (figure 7) and higher advisory service revenue (figure 9).

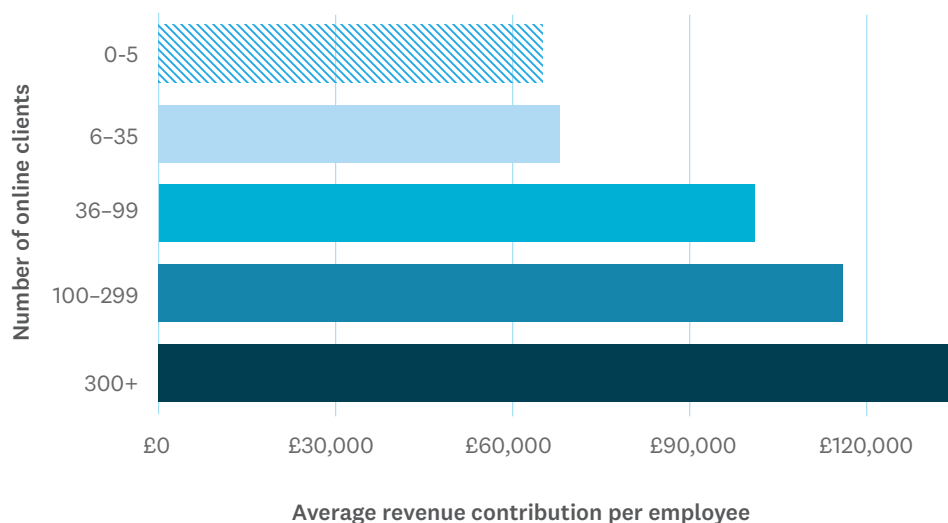


Figure 6. Average revenue contribution per employee



## Number of clients per employee

There is a substantial increase in the ability of accountants to serve clients efficiently as the number of online clients increases.

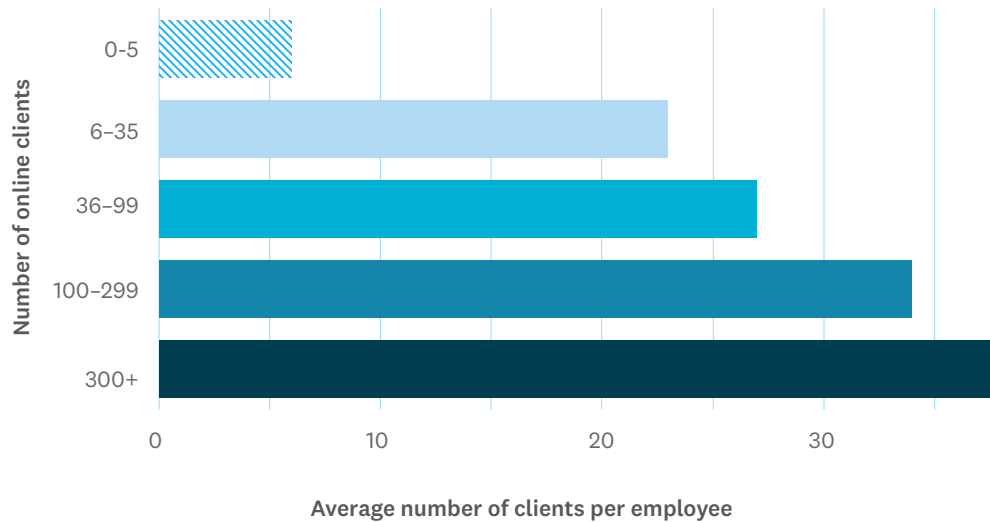


Figure 7. Average number of clients per employee

## Increases in employee compensation

Employee compensation increases as the number of online clients grows, illustrating how the benefits of greater revenue per employee flow on to staff. It also shows the risks to employee compensation in firms that are slow to move their clients online.

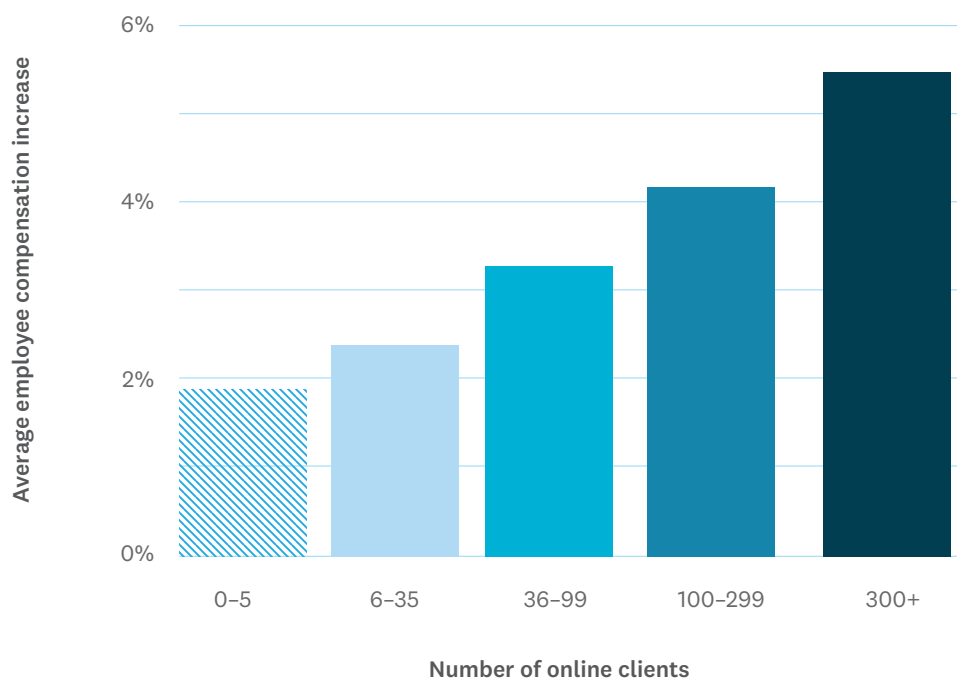


Figure 8. Average employee compensation increase in the latest review cycle in 2017 (excludes partners)

“This year we’re hoping to hit about 75% growth. But we’re getting that out of what’s still a really small team. Xero has allowed us, in a way, to punch above our weight from day one because we’ve been able to streamline so much. We can focus on doing more interesting things that make us look like a bigger firm than we are.”

• Jonathan Bareham, Raedan

“Xero moves you more to a trusted advisor role, where clients use their accountant for accountancy, but also for business software, for business software support, for talking about KPIs.”

• Nathan Keeley, MHA Carpenter Box

## Advisory service revenue

As advisors get closer to their clients due to the use of online accounting, numerous opportunities for advisory services become apparent, and they’re easier to sell and simpler to deliver. The jump shown for partners with 300 or more clients is noticeable and suggests that the scale of the online practice facilitates the uptake and delivery of advisory services.

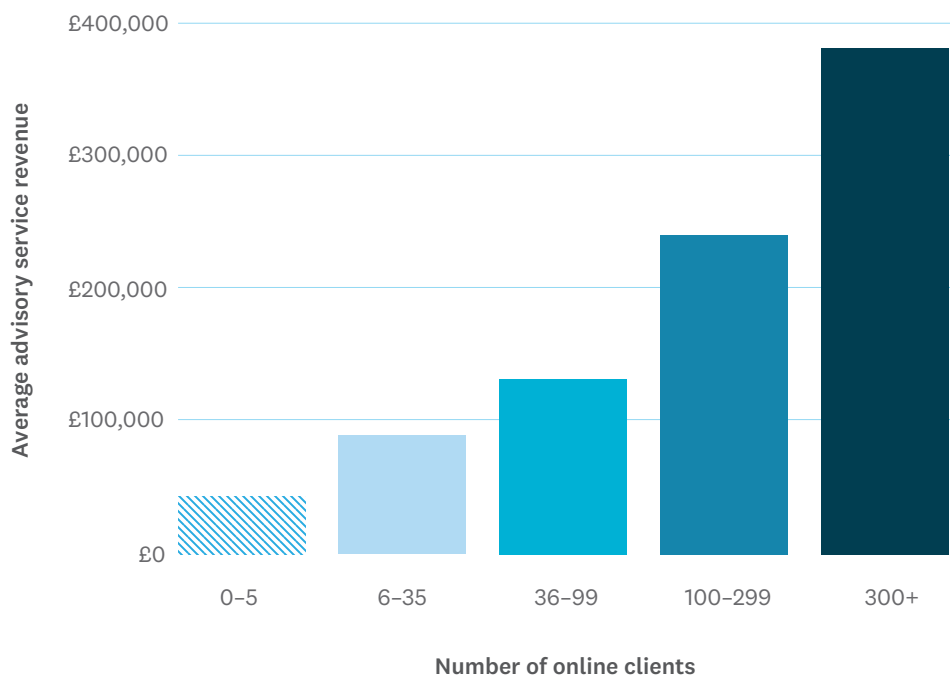


Figure 9. Average advisory service revenue in the last 12 months

## Regretted client departures

Practices with fewer numbers of online accounting clients have high rates of regretted client departures. Their ability to retain desirable clients is much weaker than for practices with larger numbers of online clients. This is one of several indicators that we see of clients moving to firms adept at using technology and away from firms who are less tech savvy. One of these indicators is the number of new clients who switched to a Xero partner from another firm (see figure 1).

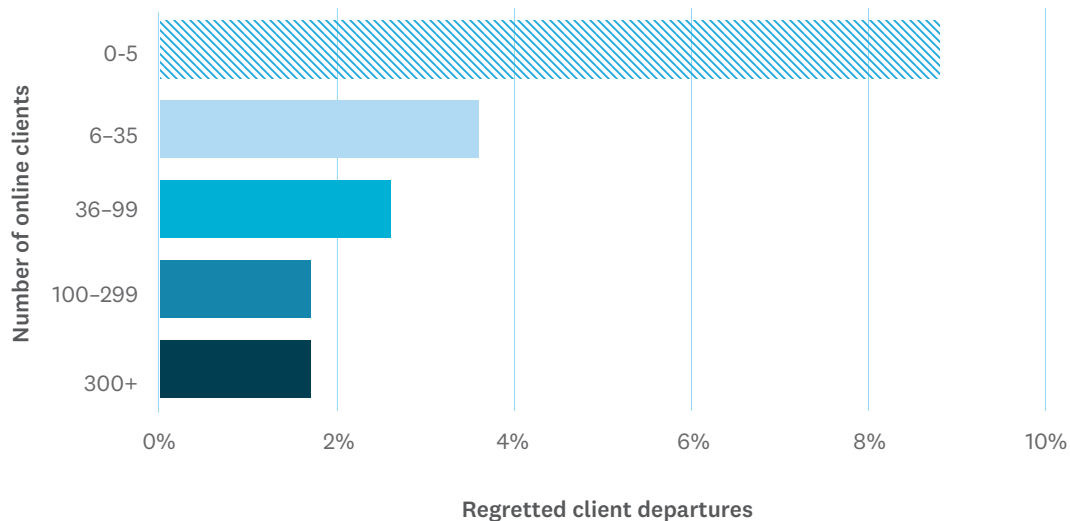


Figure 10. Regretted client departures in the last 12 months as a percentage of total clients

“I think that there will be firms out there who are scared of the change. But my view is, it's happening, and it's going to keep happening. And the danger is, if you don't move to the cloud, you will ultimately lose clients. You may have great relationships with them, but they'll become more and more aware of Xero and the apps. And if you can't deliver, you risk losing them to someone who can.”

• Paul Lodder, Sagars

## Revenue per employee as percent of clients on Xero grows

Practices that reported that 80% or more of their clients are on Xero are also reporting higher revenue per employee.

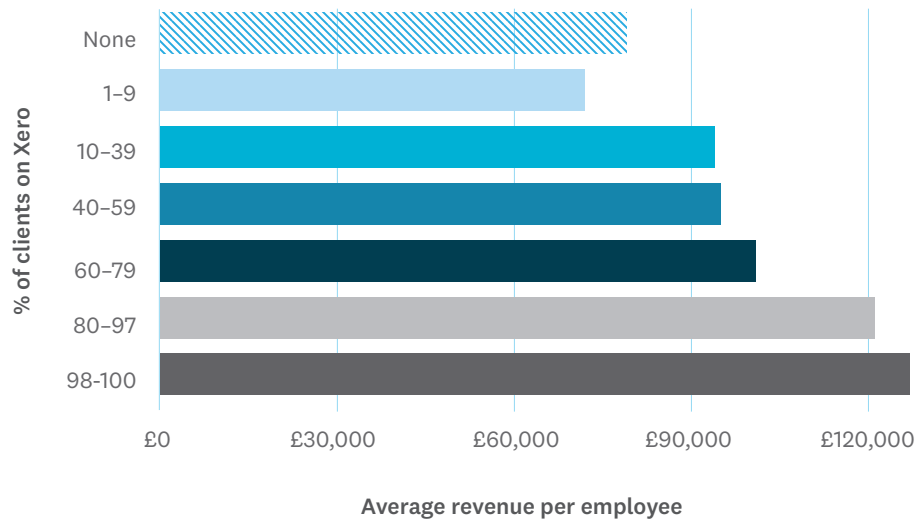


Figure 11. Average revenue per employee as the percent of clients on Xero increases

“Last year we grew our client base significantly. That surely has to be attributable, at least in good part, to what we’re doing with Xero and how we’re working.”

• Neil Stevens, Bromhead Chartered Accountants



Will Farnell, Farnell Clarke, Norwich | Xero partner



# Advisory services opportunities

This section explores the 2017 revenue of Xero partners. Here we aim to provide clarity on the often debated notion of what advisory services encompass and to assist your 2018 planning.

## Comparison of practices with and without advisory revenue

Practices that offer advisory services reported higher overall revenue per client, but lower compliance revenue. When we asked partners for details, they explained that there's a shift to charging clients separately for advisory services, instead of simply giving these services away to justify higher compliance billing.

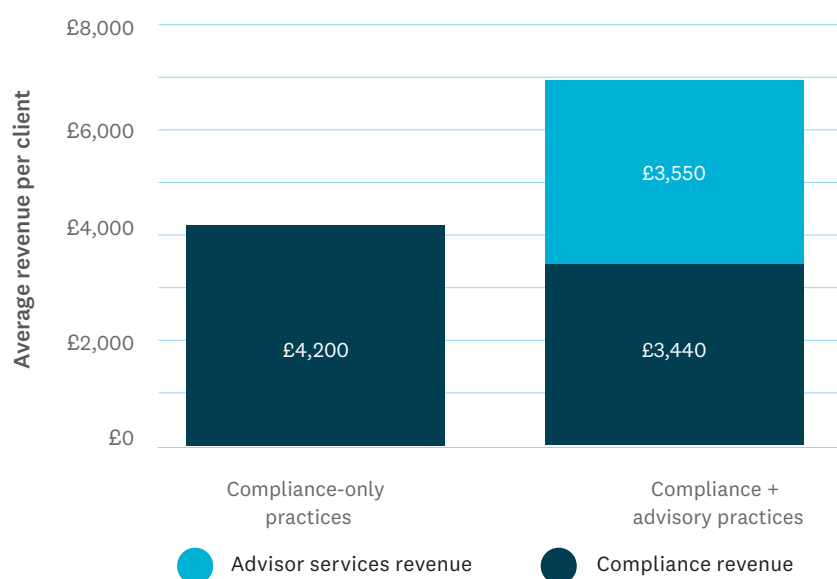


Figure 12. Comparison of average revenue per client for practices with and without advisory services

## Contribution of advisory services to revenue

We've extrapolated the revenue reported by participants to show the contribution of nine different advisory services to 2017 revenue and how this would look for a firm with 250 clients.

Service	Share of advisory revenue	What revenue would look like for a firm with 250 clients
Advisory services, eg, budgeting, cash flow forecasting, business planning	29%	£259,000
Virtual or outsourced CFO services	16%	£143,000
Startup mentoring, advice, and networking or assistance with business development	12%	£110,000
Capital-raising/assistance moving to better interest, terms or financing options	11%	£95,000
Succession planning services	10%	£92,000
App/software (other than accounting) setup, configuration and support services	7%	£65,000
Business performance benchmarking	6%	£53,000
For-fee implementations of accounting software for businesses that are unlikely to become long-term clients	5%	£40,000
HR advisory services, eg, assistance setting employee compensation, planning to add/reduce employees	3%	£30,000
<b>Total</b>		<b>£887,000</b>

Table 6. Contribution of advisory services to revenue

## Most attractive areas for firm revenue growth

This table shows the areas rated most attractive for advisory services revenue growth in 2018.

The top opportunity is commonly known as ‘compliance plus services’. The second service – app/software setup, configuration and support – is showing great promise for firms as an important differentiator, something that small businesses are looking for, and a potentially large advisory revenue opportunity. It’s also the one we’ll be watching in 2018 to see how quickly it becomes a large service line for Xero partners.

The third area – startup mentoring – reflects the importance of this large source of new clients (see figure 1).

Service	Rated as the top service	Rated as one of the top three	Rated as one of the top five
Advisory services, eg, budgeting, cash flow forecasting, business planning	57%	92%	98%
App/software (other than accounting) setup, configuration and support services	12%	51%	69%
Startup mentoring, advice, and networking or assistance with business development	11%	60%	84%
Virtual or outsourced CFO services	9%	51%	72%
For-fee implementations of accounting software for businesses that are unlikely to become long-term clients	5%	30%	48%
Business performance benchmarking	3%	38%	68%
Succession planning services	2%	29%	47%
Capital-raising/assistance moving to better interest, terms or financing options	1%	30%	57%
HR advisory services, eg, assistance setting employee compensation, planning to add/reduce employees	1%	22%	32%

Table 7. Most attractive areas for firm revenue growth

“When we started working with Xero clients, we realised that they didn’t expect us to just engage with them once a year. They would come to us with a lot of questions. So we’re doing a lot more day-to-day support, and we’re turning that into a service as well.”

• Olly Evans, Evans & Partners

# Ingredients for success

The survey results suggest four factors that lead to positive outcomes and higher growth for accounting firms.

## 1.

Firms that have larger numbers of online accounting clients grow faster and have an easier time signing on new clients.

“We’re winning clients. They’re coming to us, because we proactively tell them about Xero. Pretty much all of our sales staff would say that their conversion rates have gone up because they can speak about Xero and it’s an easy win.”

• Andrew Perrett, Taylorcocks

## 2.

Firms that provide advisory services earn considerably more revenue per client than firms that offer only compliance.

“Xero is an opportunity to bring in new work, bring in new opportunities, and develop the advisory side more.”

• Paul Lodder, Sagars

# 3.

Firms that serve a larger number of online accounting clients generate significantly more revenue per employee.

“A job that might have taken us three days to do, we can now do in a day. That means we can leverage our staff and get more clients in, without bringing in more staff.”

• Neil Stevens, Bromhead Chartered Accountants

# 4.

Firms with the largest numbers of online accounting clients have the lowest rates of regretted client departures.

“Clients haven’t looked back. They’ve loved online accounting. I think selling it to clients has been one of the easiest parts, really. Xero sells itself. And it’s really adaptable, versatile. We’ve got lots of different kinds of businesses on it, using all the features.”

• Sam Howells, Lewis Ballard



Jon Dudgeon, Blu Sky Chartered Accountants, North Shields | Xero partner



# Different size firms: a close-up look

In this section, we profile different size firms, from sole practitioners to very large firms, as measured by the number of employees and contractors they employ.

## Comparison of different size firms

This table compares firms of different sizes, allowing you to see things like how your practice's operations, marketing and performance stack up against those of your peers.

Practice size	No. of respondents	Revenue growth in the last 12 months	No. of smaller businesses* served in the last 12 months	% of clients already using online accounting	No. of new clients in the last 12 months	Firm revenue in the last 12 months
Sole practitioners	101	10.9%	33	65%	9	£152,689
Small firms	241	16.1%	124	62%	21	£371,722
Midsized firms	78	9.5%	387	43%	42	£847,709
Large firms	65	9.5%	546	36%	52	£1,972,504
Very large firms	58	9.6%	1,006	29%	82	£8,226,425
<b>Average</b>		<b>12.7%</b>	<b>288</b>	<b>53%</b>	<b>32</b>	<b>£1,417,457</b>

\* Businesses with up to 20 employees

Table 8. Averages for different size accounting firms

## Profile of sole practitioners

This table profiles sole practitioners according to their number of online business clients. It shows averages for the firms in each group

	Firms by number of business clients using online accounting		
	0-5	6-35	36-99
<b>Practice profile</b>			
Number of firms participating	37	54	6
Revenue growth in the last 12 months	6.5%	14.4%	6.5%
Annual revenue per small business client	£4,377	£2,453	£3,183
% of business clients using online accounting today	55%	69%	75%
Number of small business clients served in the last 12 months	8	30	75
<b>People performance and management</b>			
Revenue per employee including contractors	£78,000	£106,000	£283,000
Number of small business clients per employee	8	30	75
Employees required to complete timesheets for any purpose	11%	32%	33%
Employees required to complete timesheets for billing clients	17%	29%	33%
Number of clients talked to or chatted with online on a typical day	2.1	2.6	3.3
Practices actively looking to add staff	30%	35%	30%
<b>Clients and marketing</b>			
Number of new clients in the last 12 months	3	11	13
Regretted client departures in the last 12 months (as a % of all clients)	9.8%	2.8%	2.3%
Marketing investment or spend in the last 12 months	£400	£1,100	£2,300
Advisory revenue in the last 12 months (for all types of advisory)	£28,000	£49,000	£57,000
<b>Pricing and billing (% of clients)</b>			
Bill for the number of hours (and partial hours) of service provided	34%	39%	49%
Quote a fixed amount for a service and bill when the work is complete	37%	20%	33%
Fixed-fee monthly or quarterly service plan and automatic payment	15%	25%	15%
Monthly service plan and clients pay for additional project work	14%	15%	3%
Another method of billing	0%	0%	0%

	Firms by number of business clients using online accounting		
	0-5	6-35	36-99
<b>Approach/positioning in the marketplace</b>			
WeWork shared community, talent, team	22%	21%	33%
Business mentor/counsellor	19%	19%	17%
Fast and effective service centre	19%	15%	17%
All-inclusive 'Amazon' shopping centre	16%	13%	17%
Specialised surgeon	13%	8%	17%
Holistic health centre	6%	8%	0%
Tech-loving accountants	3%	10%	0%
Urgent care centre	3%	6%	0%
Personal fitness trainer/coach	0%	0%	0%
<b>Services offered</b>			
Bookkeeping	92%	93%	100%
Payroll	73%	87%	100%
Accounting	68%	65%	100%
Tax preparation	54%	65%	100%
Advisory services, eg, budgeting, cash flow forecasting, business planning	41%	57%	83%
Accounts receivable/control	38%	41%	17%
App/software (other than accounting) setup, configuration and support services	19%	35%	17%
Audit	3%	0%	0%

Table 9. Profile of sole practitioners

## Profile of small firms

This table profiles small firms (those with 2 to 9 employees including the owner) according to their number of online business clients. It shows averages for the firms in each group.

	Firms by number of business clients using online accounting			
	0-5	6-35	36-99	100-299
<b>Practice profile</b>				
Number of firms participating	23	110	50	54
Number of employees including contractors	3.5	4.4	5.0	6.3
Revenue growth in the last 12 months	14.8%	14.8%	17.2%	17.5%
Annual revenue per small business client	£4,337	£2,407	£3,084	£2,469
Business clients using online accounting today	50%	55%	70%	70%
Number of small business clients served in the last 12 months	14	97	109	227
<b>People performance and management</b>				
Revenue per employee including contractors	£41,500	£50,000	£95,000	£110,000
Number of small business clients per employee	4	22	25	44
Increase in employee compensation in most recent cycle, excl. partners	3.6%	2.6%	4.3%	4.9%
Regretted staff departures in the last 12 months (as a % of all employees)	4.3%	4.5%	8.7%	8.6%
Employees required to complete timesheets for any purpose	42%	51%	48%	47%
Employees required to complete timesheets for billing clients	43%	48%	43%	33%
Number of clients talked to or chatted with online on a typical day	2	3	3.9	5
Practices actively looking to add staff	49%	67%	69%	81%
<b>Clients and marketing</b>				
Number of new clients in the last 12 months	5	15	23	37
New clients per employee	1.4	3.8	5.1	6.5
Regretted client departures in the last 12 months (as a % of all clients)	7.1%	4.3%	2.7%	1.5%
Marketing investment or spend in the last 12 months	£1,600	£1,800	£2,900	£4,400
Advisory revenue in the last 12 months (for all types of advisory)	£69,000	£80,000	£88,000	£122,000



	Firms by number of business clients using online accounting			
	0-5	6-35	36-99	100-299
<b>Pricing and billing (% of clients)</b>				
Bill for the number of hours (and partial hours) of service provided	21%	27%	15%	8%
Quote a fixed amount for a service and bill when the work is complete	16%	30%	23%	27%
Fixed-fee monthly or quarterly service plan and automatic payment	31%	30%	41%	33%
Monthly service plan and clients pay for additional project work	31%	13%	20%	32%
Another method of billing	2%	0%	1%	1%
<b>Approach/positioning in the marketplace</b>				
All-inclusive 'Amazon' shopping centre	17%	25%	23%	33%
Business mentor/counsellor	13%	19%	26%	20%
WeWork shared community, talent, team	30%	16%	15%	12%
Specialised surgeon	22%	10%	6%	12%
Fast and effective service centre	13%	7%	4%	8%
Holistic health centre	0%	10%	13%	8%
Tech-loving accountants	4%	6%	6%	4%
Personal fitness trainer/coach	0%	8%	4%	2%
Urgent care centre	0%	1%	2%	0%
<b>Services offered</b>				
Bookkeeping	96%	95%	96%	100%
Payroll	83%	94%	100%	98%
Accounting	74%	87%	92%	96%
Advisory services, eg, budgeting, cash flow forecasting, business planning	74%	86%	80%	96%
Tax preparation	65%	82%	92%	93%
App/software (other than accounting) setup, configuration and support services	43%	37%	48%	61%
Accounts receivable/control	48%	44%	34%	31%
Audit	4%	15%	12%	11%

Table 10. Profile of small firms

## Profile of midsize firms

This table profiles midsize firms (those with 10 to 19 employees including the partners) according to their number of online business clients. It shows averages for the firms in each group.

	Firms by number of business clients using online accounting			
	6-35	36-99	100-299	300+
<b>Practice profile</b>				
Number of firms participating	17	15	36	9
Number of employees including contractors	15	15	15	15
Revenue growth in the last 12 months	2.6%	8.8%	11.9%	15.8%
Annual revenue per small business client	£1,559	£3,133	£1,972	£1,325
Business clients using online accounting today	14%	41%	50%	75%
Number of small business clients served in the last 12 months	275	325	398	655
<b>People performance and management</b>				
Revenue per employee including contractors	£61,000	£76,000	£73,000	£80,000
Number of small business clients per employee	23.0	27.0	33.0	55.0
Increase in employee compensation in most recent cycle, excl. partners	3.1%	2.8%	4.9%	4.2%
Regretted staff departures in the last 12 months (as a % of total employees)	5.9%	11.1%	6.5%	7.4%
Employees required to complete timesheets for any purpose	82%	77%	78%	64%
Employees required to complete timesheets for billing clients	79%	69%	70%	59%
Number of clients talked to or chatted with online on a typical day	3.4	3.5	4.5	6.3
Practices actively looking to add staff	59%	64%	87%	89%
<b>Clients and marketing</b>				
Number of new clients in the last 12 months	26	26	48	75
New clients per employee	1.7	1.7	3.2	5.0
Regretted client departures in the last 12 months (as a % of all clients)	2.4%	2.9%	1.9%	1.7%
Marketing investment or spend in the last 12 months	£5,200	£6,600	£10,600	£9,300
Advisory revenue in the last 12 months (for all types of advisory)	£124,000	£163,000	£177,000	£195,000

	Firms by number of business clients using online accounting			
	6-35	36-99	100-299	300+
<b>Pricing and billing (% of clients)</b>				
Bill for the number of hours (and partial hours) of service provided	44%	26%	16%	18%
Quote a fixed amount for a service and bill when the work is complete	32%	20%	25%	21%
Fixed-fee monthly or quarterly service plan and automatic payment	19%	24%	35%	33%
Monthly service plan and clients pay for additional project work	5%	23%	24%	28%
Another method of billing	0%	7%	0%	1%
<b>Approach/positioning in the marketplace</b>				
All-inclusive 'Amazon' shopping centre	53%	29%	33%	25%
Business mentor/counsellor	13%	36%	31%	0%
Specialised surgeon	7%	14%	3%	13%
Fast and effective service centre	7%	7%	8%	13%
WeWork shared community, talent, team	20%	7%	6%	0%
Tech-loving accountants	0%	0%	6%	25%
Holistic health centre	0%	7%	8%	13%
Urgent care centre	0%	0%	0%	13%
Personal fitness trainer/coach	0%	0%	6%	0%
<b>Services offered</b>				
Accounting	100%	100%	100%	100%
Payroll	100%	100%	97%	100%
Bookkeeping	100%	93%	100%	100%
Tax preparation	100%	100%	100%	89%
Advisory services, eg, budgeting, cash flow forecasting, business planning	100%	93%	94%	89%
Audit	76%	53%	50%	22%
App/software (other than accounting) setup, configuration and support services	29%	33%	53%	22%
Accounts receivable/control	24%	27%	33%	44%

Table 11. Profile of midsize firms

## Profile of large firms

This table profiles large firms (those with 20 to 49 employees including the partners) according to their number of online business clients. It shows averages for the firms in each group.

	Firms by number of business clients using online accounting			
	6-35	36-99	100-299	300+
<b>Practice profile</b>				
Number of firms participating	17	15	36	9
Number of employees including contractors	35	35	35	35
Revenue growth in the last 12 months	2.6%	8.8%	11.9%	15.8%
Annual revenue per small business client	£6,400	£4,206	£2,035	£3,019
Business clients using online accounting today	14%	41%	50%	75%
Number of small business clients served in the last 12 months	275	325	398	655
<b>People performance and management</b>				
Revenue per employee including contractors	£75,000	£93,000	£51,000	£84,000
Number of small business clients per employee	11	21	16	30
Increase in employee compensation in most recent cycle, excl. partners	2.9%	2.7%	2.5%	5.8%
Regretted staff departures in the last 12 months (as a % of total employees)	3.6%	5.9%	5.4%	4.4%
Employees required to complete timesheets for any purpose	87%	85%	92%	53%
Employees required to complete timesheets for billing clients	88%	84%	92%	48%
Number of clients talked to or chatted with online on a typical day	2.6	4.2	3.4	6.3
Practices actively looking to add staff	98%	89%	85%	97%
<b>Clients and marketing</b>				
Number of new clients in the last 12 months	43	52	44	74
New clients per employee	1.2	1.5	1.3	2.1
Regretted client departures in the last 12 months (as a % of all clients)	2.2%	2.3%	1.9%	1.8%
Marketing investment or spend in the last 12 months	£11,100	£16,400	£16,900	£21,400
Advisory revenue in the last 12 months (for all types of advisory)	£74,000	£227,000	£165,000	£387,000

	Firms by number of business clients using online accounting			
	6-35	36-99	100-299	300+
<b>Pricing and billing (% of clients)</b>				
Bill for the number of hours (and partial hours) of service provided	26%	39%	23%	11%
Quote a fixed amount for a service and bill when the work is complete	48%	33%	40%	28%
Fixed-fee monthly or quarterly service plan and automatic payment	17%	12%	19%	33%
Monthly service plan and clients pay for additional project work	10%	16%	17%	26%
Another method of billing	0%	1%	1%	2%
<b>Approach/positioning in the marketplace</b>				
All-inclusive 'Amazon' shopping centre	40%	53%	57%	45%
Business mentor/counsellor	50%	24%	13%	27%
WeWork shared community, talent, team	10%	18%	4%	0%
Tech-loving accountants	0%	0%	0%	18%
Fast and effective service centre	0%	0%	9%	9%
Specialised surgeon	0%	0%	13%	0%
Personal fitness trainer/coach	0%	6%	4%	0%
Holistic health centre	0%	0%	0%	0%
Urgent care centre	0%	0%	0%	0%
<b>Services offered</b>				
Payroll	100%	100%	100%	100%
Bookkeeping	100%	100%	96%	100%
Accounting	90%	94%	100%	100%
Tax preparation	90%	94%	100%	100%
Advisory services, eg, budgeting, cash flow forecasting, business planning	90%	94%	96%	100%
Audit	80%	88%	88%	54%
App/software (other than accounting) setup, configuration and support services	50%	41%	46%	62%
Accounts receivable/control	50%	41%	17%	31%

Table 12. Profile of large firms



## Profile of very large firms

This table profiles very large firms (those with 50 or more employees including the partners) according to their number of online business clients. It shows averages for the firms in each group.

	Firms by number of business clients using online accounting			
	6-35	36-99	100-299	300+
<b>Practice profile</b>				
Number of firms participating	6	6	26	19
Number of employees including contractors	92	100	108	101
Revenue growth in the last 12 months	8%	11%	10.7%	8.4%
Annual revenue per small business client	£7,292	£1,542	£5,148	£3,987
Business clients using online accounting today	10%	17%	25%	43%
Number of small business clients served in the last 12 months	350	650	1038	1282
<b>People performance and management</b>				
Revenue per employee including contractors	£75,000	£54,000	£99,000	£106,000
Number of small business clients per employee	5	9	12	16
Increase in employee compensation in most recent cycle, excl. partners	3.5%	2%	3.5%	3.6%
Regretted staff departures in the last 12 months (as a % of total employees)	4.9%	4.9%	6.8%	6.9%
Employees required to complete timesheets for any purpose	81%	96%	90%	95%
Employees required to complete timesheets for billing clients	83%	86%	81%	93%
Number of clients talked to or chatted with online on a typical day	2.5	2.3	5.2	4.7
Practices actively looking to add staff	93%	83%	99%	89%
<b>Clients and marketing</b>				
Number of new clients in the last 12 months	52	62	84	96
New clients per employee	0.6	0.7	0.8	1.0
Regretted client departures in the last 12 months (as a % of all clients)	3%	1.9%	1.8%	1.8%
Marketing investment or spend in the last 12 months	£66,200	£61,500	£81,000	£74,800
Advisory revenue in the last 12 months (for all types of advisory)	£575,000	£247,000	£667,000	£591,000

	Firms by number of business clients using online accounting			
	6-35	36-99	100-299	300+
<b>Pricing and billing (% of clients)</b>				
Bill for the number of hours (and partial hours) of service provided	34%	22%	30%	36%
Quote a fixed amount for a service and bill when the work is complete	37%	48%	42%	32%
Fixed-fee monthly or quarterly service plan and automatic payment	5%	11%	13%	15%
Monthly service plan and clients pay for additional project work	23%	19%	9%	17%
Another method of billing	2%	0%	6%	0%
<b>Approach/positioning in the marketplace</b>				
All-inclusive 'Amazon' shopping centre	80%	67%	48%	41%
Business mentor/counsellor	20%	17%	20%	35%
Specialised surgeon	0%	17%	16%	24%
Tech-loving accountants	0%	0%	4%	0%
WeWork shared community, talent, team	0%	0%	4%	0%
Holistic health centre	0%	0%	4%	0%
Personal fitness trainer/coach	0%	0%	4%	0%
Urgent care centre	0%	0%	0%	0%
Fast and effective service centre	0%	0%	0%	0%
<b>Services offered</b>				
Accounting	100%	100%	100%	100%
Payroll	100%	100%	100%	100%
Tax preparation	100%	100%	100%	100%
Bookkeeping	83%	100%	100%	100%
Advisory services, eg, budgeting, cash flow forecasting, business planning	100%	100%	96%	100%
Audit	100%	100%	96%	100%
App/software (other than accounting) setup, configuration and support services	50%	50%	54%	58%
Accounts receivable/control	33%	17%	54%	37%

Table 13. Profile of very large firms

# How we can help

Once you've decided that Xero is the way forward for your practice, a Xero account manager is the perfect person to help you get going. It's their job to help you with every aspect of the transition to Xero, and be there for you every step of the way. If you're not already a Xero partner, sign up to the Xero partner programme at [xero.com/partners](https://xero.com/partners) or get in touch by emailing [partnerteam@xero.com](mailto:partnerteam@xero.com).

Once you've become a Xero partner, getting yourself and your team certified is key to ensuring your practice understands Xero and how it can help your clients. Our most successful partners are the ones whose teams are certified and where everyone is singing from the same sheet. Many practices adopt a model where staff can dedicate a percentage of their work hours (say 10%) to getting certified and staying up to date on Xero. This quickly becomes productive, as certified staff are much more effective when helping clients or working on Xero-related tasks in the business.

We understand that making a significant change within your practice isn't easy, which is why we've launched migration certification. [Migration certification](#) is perfect for the person at your practice responsible for migrating large numbers of clients to Xero, and is filled with guidance, resources and tools to support the switch.

Of course, you need to keep your books current when you're changing software, and we have several really good options to help you.

## **Talk to a Xero account manager today**

We're here to help, with Xero account managers and practice consultants standing by ready to help you create a business plan for moving your practice forward in 2018 and beyond.





© 2018 Xero Limited | All rights reserved.

Xero and the Xero logo are registered trademarks of Xero Limited and its affiliates.