

Increase Profitability by Building a Micro-Niche Boutique

By David Wolfskehl

Accounting firms have been building and capitalizing on business niches for many years. Firms specialize in tax and audit, Sarbanes-Oxley compliance, bankruptcy, nonprofit organizations, or estates and trusts. Many firms provide services in more than one of these areas. They have specialized for a number of reasons, including:

- enjoyment of the particular kind of work;
- opportunity to add a new service for existing clients;
- opportunities from the marketplace;
- compelling market demand;
- prospect of generating higher top-line revenue;
- improve profits; or
- attract new clients.

It is probable that your firm has grown due to expertise and specialization in a particular type of public accounting. The firm might have niches in tax and audit, or it may specialize in corporate sales and use taxes or trusts and estates. If this is the case, your firm should understand the power of a niche built upon expertise to draw in new clients. The same principles are magnified by building a micro-niche boutique business.

Continued on page 7

Retaining Top Performers

By Jeremy Cepin

In the depths of the recent recession, many accounting firms cut staff, froze salaries, and deferred moving managers into partner positions. Nearly all firm members had to do more work with less support. However, because opportunities at other firms also were limited, even top performers stayed put, whether they liked it or not.

This “talent lock” at CPA firms is not likely to continue. In fact, a recent report by Deloitte shows dissatisfaction with working conditions in all organizations—including accounting firms—has built to the boiling point over the past three years. As a result, nearly half of employees are thinking about leaving their current jobs, and 30 percent are actively looking.

This high level of dissatisfaction among experienced accountants is not something to be taken lightly. As the economy recovers, CPA firms will have a greater need for these professionals, as well as more competition from other businesses and organizations, for their talents. Firms that can’t retain top performers will find them hard to replace and will lose ground to firms that are able to hold onto them.

Even more important for the many partners who are now approaching retirement is the threat this loss would pose to their future income. If there aren’t any rainmakers left to bring in business when current firm leaders retire, where will the money come from to fund their retirement plans?

What is driving professionals out?

When I talk to potential recruits at accounting firms around the country, I hear similar comments regarding why they are looking for something better. But the specific reasons partners and managers give for looking elsewhere differ depending on the individual’s position and the size of the firm. Typical comments are summarized in the following four categories:

1. What senior managers at midsize firms are saying:

- I’ve been told I was next in line for partner, but no one in the partner group ever takes time to let me know when that might happen or communicate with me about my progress. After three years of waiting, I’m fed up.
- Instead of getting out into the market and bringing in new business, partners are hoarding their work and looking out only for themselves. I’m feeling bored, underutilized, and ignored.

that training and guidance can unleash, but which will be lost if the firm is unwilling to nurture it.

3. *Dialog continually with top performers.* To prevent your best people from feeling ignored or unappreciated, check in with them frequently. By keeping the lines of communication open, they will feel you care about them, and you will learn about their needs and concerns, as well as how to address them.
4. *Make them partners.* If high-performing senior managers have what it takes to make partner, do not keep dangling the partner carrot in front of them in hopes of squeezing another year or two of less-compensated work out of them. The smart ones will leave before then.
5. *Create a position between senior manager and full partner.* If admitting a talented senior manager to partner seems premature, consider creating a class of nonequity partners or directors to move the person into. Or create a new position, such as “executive manager,” that recognizes the person’s abilities

and encourages him or her to stay with your firm.

6. *Hire support staff to free up your partners for business development.* The most profitable firms are the most highly leveraged, not those that minimize staff costs. If your firm significantly cuts staff to ride out the recession, consider bringing more talent on board, especially at the lower levels, to enable your rain-makers to do their thing.
7. *Weed out low-performing partners.* Nothing ruins morale more than seeing highly compensated partners cruise, while managers and other partners bear the brunt of the work. If some of your partners are just hanging on and waiting for retirement, it may be time to ask them to step down and bring fresh blood into leadership positions.

The time to act is now

If your firm doesn’t act quickly to keep top performers on board, they will leave in the next year or two. By then, growth-driven demand for talent is likely to go up, leaving your firm in the unpleasant position of trying to hire in a much more compet-

itive environment than the last three years has seen.

Also, now is the time to go after the talent your firm will need to move forward. As I know from my work, a lot of experienced accounting professionals are seriously looking for something better. If your firm can offer the challenge, respect, and opportunity these professionals want, you will have a number of highly qualified candidates to choose from.

Most important, do not think the next three years will be like the last three years. The “talent lock” is about to spring open. Make sure that is a gain for your firm, not a loss.

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Boutique Firms

Continued from page 5

Building a micro-niche within your firm and turning it into a boutique business will attract more clients who are willing to pay premium prices for this expertise in addressing their specific is-

sues. Building a micro-niche will make it difficult (if not impossible) for other firms to compete with your firm, regardless of the size of these firms. When the micro-niche is turned into a boutique business, the customer experience can eliminate the competition. Your firm should think of the

micro-niche boutique as niche building on steroids!

What is a micro-niche?

The Business Dictionary at www.allbusiness.com defines a “micro-niche” as:

[T]he particular specialty in which a firm or person

finds they prosper. Micro-niche strategy in marketing is to market to a small but lucrative portion of the market. The small size of the micro-niche generally ensures efficient marketing efforts and few if any direct competitors.

This definition can be expanded by the following observations:

- A micro-niche is a sub-category within the practice area.
- A micro-niche is an area in which the firm has significant experience and knowledge (or in which the firm can acquire knowledge).
- A micro-niche meets the particular needs of a defined group of potential clients or customers.
- A micro-niche is characterized by special knowledge and experience for which clients will pay a premium price.

A micro-niche is a specialized business focus within or alongside an existing type of product or service offered by a firm. One way to view a micro-niche boutique is to look at the types of services your firm currently offers. Is there a more focused area within that service in which your firm has expertise or can develop expertise quickly? Consider the following example:

A Senior/Managing Partner in a mid-sized accounting firm wants to grow his book of business. He currently works with a number of companies that produce technologies used in several key manufacturing processes. He is surprised

when he looks at these technology companies and learns that they focus on the oil and gas business and that his clients export to Arab countries. Because he has special expertise in the international laws of these countries through working with these clients, he decides to focus on international tax issues with the Arab countries. When he looks at his competitors, he realizes that many have international tax niches, yet none specify that they focus on the Arab countries. He does some research and finds no articles on this micro-niche. Could he own the micro-niche? We think he can.

Building a micro-niche within your firm and turning it into a boutique business will attract more clients who are willing to pay premium prices for this expertise in addressing their specific issues.

What is a boutique business?

Any micro-niche business can also be made into a boutique business within the firm. A micro-niche boutique business is a place offering premium services with a premium experience at premium prices. Webster's Dictionary defines "boutique" as "a small company that offers highly specialized services or products." A boutique busi-

ness within an accounting firm would be a micro-niche business catering to a select market segment. The boutique would be singularly focused on a specific and narrowly defined group of clients (and prospective clients) about whom they know a great deal. The boutique also would focus on offering the particular expertise-driven products and/or services needed or desired by the client base. Further, the boutique business would provide a unique and highly personalized client experience. This part of the business would be differentiated by both specialized services and products offered only by experts, but also by the unique client experience of doing business with your firm.

A boutique within a firm is a segment of the firm's business built around the expertise of one or more individual members of the firm and catering to the specific and specialized needs of clients. Because these clients pay premium pricing for the micro-niche boutique services, they are treated differently. Each firm must decide what it means to treat boutique clients differently. It might include some or all of the following:

- Boutique clients are given special telephone numbers that are always answered by a CPA between the hours of 8 a.m. to 6 p.m. in all time zones.
- Boutique clients are offered specialized training by other industry experts.
- Boutique clients have a special dinner/reception at major trade shows.
- Work is always delivered to the boutique client (e.g., the client never comes back to the office to pick up reports), and

it is provided in multiple formats (*e.g.*, electronic format on CD, print format in a special folder, or binder printed or embossed with the firm and boutique name).

- Boutique clients are sent a thank-you note or card when appropriate, a birthday or anniversary card when appropriate, holiday cards, and a high-quality meeting reminder notification.

A micro-niche is the ideal focus for a boutique business that attracts clients who have selected your firm because it offers the expertise they require to meet their special needs. They will be prepared to pay more for the expertise and experience, but expect to be treated as special and highly valued clients.

Your firm might decide to create one or more micro-niche boutiques. If it creates more than one boutique, your firm will need to define the special touches and perquisites of each boutique differently, if appropriate.

Why are micro-niche boutiques a good practice-development idea for CPA firms?

Building a micro-niche boutique will create the following advantages for your firm:

- The firm's status and value are increased by these services.
- A client is more willing to listen to what your firm has to say because it provides experts in a specific area that the client has concerns about or needs assistance with.
- The firm will earn higher profits on these specific services and products because clients expect to pay premium rates for them.
- Revenue for the firm will increase, and the practice will grow.
- Once your firm has been identified as the expert in a particular area, clients are less likely to use a different firm for other services (people like one-stop shopping).
- The geographical range of the firm's outreach for new clients increases because people are willing to travel farther to see an expert.
- Potential clients will be willing to wait longer for an appointment.
- The firm may receive more referral business.
- The firm incurs little additional cost to offer boutique services, which allows the additional revenue to drop immediately to the bottom line.
- The firm will complete the specialized work efficiently because it provides these services on a regular basis.
- The firm's marketing will be more effective because it is tightly targeted.

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- The firm's recruiting/retention will improve because it is different from other firms.

People enjoy knowing that the needs they consider "special" are understood within the accounting profession as "special needs" requiring the assistance of an expert. Your firm will grow if you can learn how to create a micro-niche boutique and deliver consistently and repeatedly on the value proposition.

How to get started building a micro-niche boutique

The market has a way of pinpointing the best services that a firm provides. The following specific information should be determined:

- What are the best services that the firm provides?
- In which types of products and services does the firm have the greatest demand?
- Which CPAs in the firm are the experts in these designated areas?
- Are there other areas in which the CPAs would like to cultivate expertise and build a boutique business?

Once the areas of expertise and the experts have been determined, the micro-niches that are appropriate for boutique status should be defined. The following questions should be considered:

- Does the firm have the marketing ability to sell these boutique services?
- What is the size of the market for the product or service?
- How does the firm enhance these skills and knowledge?
- How does the firm advertise this area of expertise?
- How does the firm grow the industry connections to re-

main on the cusp of new developments and client needs in the micro-niche?

- How does the firm attain the right staff to support the client need that is defined for the boutique?
- Does the firm have a strategy in place to make its CPAs experts in the designated niches?

Most firms discover that they have everything they need to begin marketing a boutique business almost immediately. Many firms have the core pieces already in place. What firms need is help defining the client experience and making the micro-niche leader the *known/recognized expert*. Some firms need assistance analyzing the market potential. Other firms simply lack the customer experience training or the marketing skills. These skills can be learned relatively quickly.

The firm should look to the following people to be the experts or the leader of the micro-niche boutique:

- partners looking to re-energize a successful book;
- technical partners;
- new partners/directors/principals; or
- a partner of the future.

Building a micro-niche boutique is an ideal strategy for a partner who has outstanding

technical skills that have not yet translated into business. The focus on being the expert enables these individuals to believe they are the best, they are premium-worthy, and potential clients will want to work with them. An important element of recognizing a partner's expertise and marketing is for the partner to learn to "own" his or her expertise. Once this belief, or "ownership," is internalized, these partners can quickly become (with coaching) highly effective at business development.

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The first step in creating a micro-niche boutique within your CPA firm is to begin the analysis of your firm. The time required to build the boutique business will depend upon the skills and experience of the individuals that are already in the firm. A micro-

niche boutique business can help the firm achieve practice-development goals by bringing in new clients, up selling and cross selling other products and services, requesting referrals, and building the firm's presence and visibility in the industry. The premium pricing charged for these boutique products and services will boost top-line revenue and bottom-line profits for the firm. In fact, a micro-niche boutique development plan that creates one or more new micro-niches each year can jumpstart growth and continue to maximize it for years to come.

About the author: David Wolfskehl is currently on the board of the Institute for Entrepreneurial Leadership, The Somerset County Business Partnership, and a former president of the Entrepreneur Organization in N.J. He founded The Practice Building Team, which he now leads as President and CEO. The Practice Building Team is a consulting firm dedicated to helping professional and financial services firms accelerate their growth. Although David co-originated the concept of "The Five Pillars of Practice Growth," his current focus is on helping firms maximize their growth potential by building micro-niche boutiques within firms. ✦