

Niche Development

**POSITIONING YOUR CPA
FIRM FOR GROWTH**

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Firms that want to seize the current, albeit slow, economic recovery must differentiate themselves among competitors and clearly illustrate to their prospects and clients why they should be chosen as an advisor over their competitors in a crowded market. For this reason, CPA firms should consider developing niche markets to which they can deliver expert and specialized services.

Devoting a segment of your practice to developing a niche will allow your firm to elevate its services and focus on providing clients within this segment with higher value solutions, in addition to the usual compliance work. In turn, this will deepen the relationship you have with your clients, designating you as an advisor who truly understands their unique set of challenges and is considered part of the solution to reaching their goals.

The following approach provides a roadmap for developing offerings to service a niche market, putting your firm on the path for strategic financial growth.

Look for a Natural Fit

If you were to analyze your firm's client mix, you may notice a significant percent of firm billings stemming from a particular industry or business type. This could range from restaurants to real estate to entrepreneurial companies. Firms should evaluate why any natural tendency to attract a certain business type occurs within a practice, as there may already be a natural development of a niche market without any preconceived intent. If your firm has come to excel in a specific industry, concentrate on that area as there is significant, practical experience that could be leveraged as your firm establishes itself as an expert in this niche market.

In addition, there may also be a pre-existing market demand for specialized services in this area that your firm unintentionally has delivered. Do you have a prevalence of CPAs with experience in a specific category or type of company that could be defined as a team of specialists at your firm? Evaluate your existing resources as they relate to the niche you decide to focus on, as ultimately you will need to deliver specialized services in this area.

Perform a Competitive Analysis

Just as important as identifying which niche market your firm should target is identifying any competitive firms and how many have already entered that niche space, possessing an early mover advantage. Likewise, determine how saturated that targeted niche market is (how many CPA firms are already providing targeted solutions) and how many niche providers that specific market can sustain.

The existence of many competitors building a niche practice in a specific area may indicate that the market is lucrative and sustainable. However, a firm should perform a detailed evaluation of that niche prior to any substantial investment to assess the long term sustainability of the identified niche market for the firm. Ultimately, the niche market your firm selects should successfully balance what the market demands with what it can sustain.

Identify Target Clients

Once you have identified the niche on which you'd like to focus, evaluate the characteristics of an ideal client. These may be demographic, firmographic or behavioral characteristics. Some key areas to consider are:

- Size of company - revenues
- Size of company - employee size
- Geographic location and proximity to headquarters/office
- Needs of that market vs. what you can deliver
- Key decision makers at that company
 - Hierarchy and process of decision making
- Level of accounting department sophistication

A clear understanding of the above will help you focus on which clients within your niche are most appropriate for you to target.

Create a "Product"

Once your firm has determined the appropriate niche to develop, consider ways to "productize" your firm's offerings. This may be more a matter of packaging the firm's existing services in an organized manner that addresses that niche's needs. For example, offer solutions with a menu of existing services that clients within that niche require. If your firm already has a tendency to focus on that niche area, even better - as you have some historical data to reference in determining what services appeal most to this market.

Organizing a package of services for your niche helps to define you as an expert in that field and sets you apart from firms that are not providing services targeted to that market. It also helps to substantiate the claim that you have expertise in that area, as it communicates to your targeted niche that you understand what they need.

Offering additional consulting services within that niche market that highlights this expertise also provides an additional source of revenue for your firm, one that can offset the seasonality of your firm's core accounting and bookkeeping services. Many CPA firms are trending towards providing monthly, recurring services to clients fueled by these higher valued consulting services, as opposed to less valued compliance work (tax returns, historical financials, etc.). Consider adding value-add services, such as providing industry benchmarking, trend analysis, or presentations of key performance indicators which allow ample opportunity for firm partners' to meet and discuss with your clients' CEO and CFO.

About Analytix Solutions

Analytix Solutions is a single source financial solutions provider, offering a full range of accounting and bookkeeping services for small to mid-sized businesses, including CPA firms.

Analytix has practical industry experience delivering these solutions (including benchmarking, trend analysis, etc.) to a number of specific niche markets.

If you would like to learn more on how to further build your niche practice, please call us at **781.503.9002** or email us at **sales@analytix.com**.

If you do have historical data for reference in a niche market, leverage that to further position your firm as the expert in that field. Provide more valuable solutions to this market by communicating any specific processes you use for this market, sharing any industry benchmarks you have compiled, or developing reports that track key performance indicators and metrics that are critical to this market. If you do not have access to this type of data, enlist the complementary services of a company with which you can partner for investing in these types of valuable tools.

Externally Support Niche Market Development

After identifying your CPA firm's target niche and developing the business solutions to support it, create and implement a plan to market it. Educate internal staff about the benefits your firm's solution offers to businesses within the identified niche market so that they are aware of opportunities to advance the firm's growth in that area. Establish clear and measurable goals for growing business within that niche so that you can gauge success over time.

Stay abreast of current developments and trends within that niche area which would interest prospective clients. Join membership associations, attend industry conferences, sponsor relevant networking events, and subscribe to any major industry publications, online subscriptions or forums. Although all of this may seem obvious, make it a priority and commit to it - the day to day workload can often overtake well intended plans, derailing developments of the niche market.

Conclusion

Approached correctly, developing niche markets within your CPA firm's practice can do much to advance the firm's growth and positively impact profitability. Client issues have become more complex given existing economic and regulatory conditions. Establishing your firm as an expert in a specific arena sets it apart from the competition and elevates the level of services offered providing increased value to clients.

