

HOW TO DEVELOP AN INDUSTRY NICHE IN YOUR ACCOUNTING FIRM

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The Leader in the Financial Analysis of Privately Held Companies

INTRODUCTION

Accounting is an industry with low barriers to entry and high levels of competition, stressing the importance of differentiating your firm. Since all industries and businesses have a need for accounting firms, there's no reason to be afraid of developing an industry niche. Having that niche focus establishes your firm's credibility and expertise since you have a clearer understanding of the industry's unique challenges and pain points. Additionally, your position as an "industry insider" will allow your firm to provide clients with better services, guidance, and best practices. Develop a [niche strategy](#) today to position your firm for future growth opportunities.

Hear From Our Customers

ProfitCents reports are great take-aways to give to our clients. They find the reports interesting and very valuable because they are able to understand their financial situation better and find out how they stack up to peers in the same industry.

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How ProfitCents by Sageworks Fits In

Sageworks provides a financial analysis solution, ProfitCents, that helps accountants streamline advisory engagements and provide their clients with management tools and advice to run their businesses better. The value-added services and information offered in ProfitCents can help accountants generate more leads, decrease client turnover, and create deeper, more profitable and stable relationships.

[Watch a walkthrough of ProfitCents today!](#)

FIND NICHE OPPORTUNITIES

35% of buyers for accounting services use expertise and specialization as deciding factors in their selection of a firm

Source: [Hinge](#)

There's been a lot of media coverage in recent years on the value of targeting a [niche market in accounting](#). Clearly there are benefits to specializing, such as potentially higher price-cost margins, better utilization of existing resources, and easier scaling of operations for growth. But how can an accounting firm identify its niche?

Sometimes identification is an emergent process. Partners look up from their work after many years and realize the firm is serving every small business in town, and thus they have become small business specialists. Or the firm's longstanding relationship with a local builder leads to referrals that bring other construction companies into the practice.

Other times, a firm takes a more deliberate approach to researching and cultivating growth in a particular industry. For example, partners in a practice may decide to target a local industry that is growing quickly, is highly profitable, or is mature enough to provide added stability to firm revenues.

In either case, it is important to utilize the knowledge and the tools that you already have in place in your firm:

- **Profile your clients:** Do many of your [existing clients](#) belong to a specific industry? Tap into that market as the foundation for future growth opportunities in that niche.
- **Consider your services:** Identify an industry that you are knowledgeable about, that needs the [services](#) you enjoy providing, and that generates the type of client that you enjoy serving. For example, if you do not want to deal with inventory, perhaps manufacturing is not the best niche for you.
- **Leverage your resources:** Consider the knowledge-base of staff in your firm and how you can use that resource to position your firm and develop your niche.

CULTIVATE INDUSTRY INSIGHTS

The #1 concern for buyers of accounting services is a lack of industry knowledge

Source: [Hinge](#)

Research and evaluate your industry -- commit the time to educating yourself about that market niche and learn everything that you can. Potential resources include trade associations, industry publications, LinkedIn Groups, and even other niche service providers (such as attorneys and insurance agencies).

When [choosing your niche](#), it is also important to target one that is highly profitable and experiences consistent growth. Don't concentrate all of your business in one industry – consider complementary niches, sub-niches, or other related industries to help manage your risk and to provide some diversity to your business. Similarly, what are the related areas or businesses that someone in this industry would have relationships with or network with?

For the niche that you are considering, try to address these three general areas of inquiry:

1. What is currently going on in the industry? How has it changed in the last year? Are there regulatory issues at play or other secular changes that may be affecting sales and operations or financing?
2. How does this environment create challenges, provide opportunities, or pose questions that a business owner or manager must answer? How does the environment influence the timeline for making those decisions?
3. Which industry-specific metrics do you need to better understand this market? Which key performance indicators (KPIs) do businesses use to measure their success? What are the current and predicted trends for those metrics?

Review [industry data](#) to broaden your understanding of your chosen industry niche. When you are able to show a client or prospect that you understand not only how their business is doing but also how it compares with others in that industry, you are cultivating a business advisory relationship that can lead to more value-added services and deeper, longer lasting client relationships. This measure also demonstrates familiarity with the pain points and opportunities that members of that industry face.

MARKET YOUR INDUSTRY NICHE

Expertise and specialization are 4x more likely to be the deciding factor in choosing an accounting firm than are cost or a better value proposition

Source: [Hinge](#)

As you become more knowledgeable about a particular industry, you will gain confidence in your skill set and become more assertive in efforts to network and generate new business. Through developing this area in your firm, it will become easier to acquire new clients, retain current clients, and cross-sell your services. Having an industry focus will also simplify marketing efforts since you will have a simpler message and more targeted market. Additionally, having an industry niche often increases referrals through word of mouth marketing.

Here are four simple steps to help market your industry niche:

1. **Network.** By having an industry niche, you have already narrowed your focus and identified target clients. Figure out which venues, groups, and other networking opportunities are most promising for [reaching those prospects](#).
2. **Become a thought leader.** Your fresh perspectives will make you a resource for the client, resulting in new business generation and increased cross-selling opportunities. Further, the buyers of accounting services look for industry expertise when choosing a firm, and this knowledge can be a deciding factor for many prospects.
3. **Market specifically to your niche.** Focus your marketing efforts by creating a specialized industry website that speaks directly to that target market. Show that you understand their unique challenges and can help with their issues. The second most popular method of searching for accounting services is online, so it's important to have a website that is up to date and that speaks to your target market.
4. **Showcase your success.** Leverage your past successes to open the doors to new ones. Use testimonials and case studies to share with prospects how other members of their industry have found your services relevant and useful. You'd be surprised by how many client stories you can get just by asking!

CONCLUSION

Narrowing your focus may seem counterproductive to growing your firm, but this is simply not the case. Having an industry niche focus allows you to target your services and become more efficient at meeting those clients' needs. Further, having that industry specialization differentiates your firm from the competing generalist firms who likely do not have the same industry insights and understandings. Finding and developing a niche can mean the difference between success and struggle for your accounting firm.

About Sageworks

Sageworks provides private-company financial information and develops financial analysis solutions. By doing so, we hope to give people data they can understand and use, which helps them make better financial decisions. We currently work with thousands of financial institutions, private companies and accounting firms across North America. For more information about Sageworks, our financial database or our solutions, visit

<https://www.sageworks.com>