



SMB Navigator Report 2024

Exploring the evolving role of accountants and bookkeepers in supporting the success of Australian small and medium-sized businesses.

A message from Intuit QuickBooks

In today's business environment, accountants play a vital role in guiding small and medium-sized businesses (SMBs). Amid economic challenges and technological advancements, the partnership between accountants and SMBs is crucial for sustained growth.

We understand the importance of accountants in the success of over 2.5 million small businesses in Australia. Through our commitment to innovation and leveraging technology, we aim to empower accountants to meet their clients' evolving needs and drive positive change. Recognising these relationships is essential for both accountants and SMBs to thrive in a time marked by challenges and opportunities.

This report, based on insights from 500 small business owners and 500 accountants, offers a comprehensive view of the intricacies of the accountant-SMB partnership. Understanding these dynamics is crucial for both parties to succeed in today's environment.

In the spirit of progress and collaboration, we invite accountants, business owners, and industry stakeholders to explore the SMB Navigator Report 2024. It's not just a report; it's a tool for reflection, a guide for growth, and a catalyst for the future.

As we enter 2024, let this report be a guide for accountants to embrace the transformative potential of technology, adapt to change, and redefine the landscape of financial advisory services. Together, let's shape the future of accounting and empower SMBs to achieve new levels of success.

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Setting the scene

Australia's 2.5 million small businesses provide jobs for 5.1 million people and employ 42% of all apprentices and trainees in training - nearly double the amount supported by big businesses.

Each of these businesses face unique challenges in today's economic environment that require them to make tough decisions that impact their customers, employees, clients and communities they operate within.

Supporting them in making thoughtful, well-resourced decisions with a sound understanding of their financial, tax and compliance position has always been a valued element of a small business's relationship with its accountant.

Accountants, as one of the oldest professions in the world, offer a unique vantage point to provide clarity, reassurance and support to their clients in times of uncertainty.

However, with the evolving nature of work, tools, technology and automation, the role of accountants is changing and shifting each year.

This inaugural *SMB Navigator Report* seeks to map and measure the relationships between small and medium-sized businesses (SMBs) and their accountants to understand the evolving nature of these interactions, values and priorities of SMBs as they grow.

This report offers a unique perspective for accountants to consider their relationships with their clients in different stages of their journeys to maximise the success, longevity and impact of their engagement.

Listening to the voices of over 500 small business owners and 500 practicing accountants, this report offers to give you a bird's-eye view of these relationships in today's world.

The report has been compiled by Agile Market Intelligence to showcase the critical findings collected from these quantitative studies.

We encourage you to read this inaugural report in full as an opportunity to reflect on your relationships with your business clients heading into 2024.

About the research

The *SMB Navigator Report 2024* has been compiled with insights collected from quantitative studies of business owners and accountants conducted throughout October and November 2023 by Agile Market Intelligence.

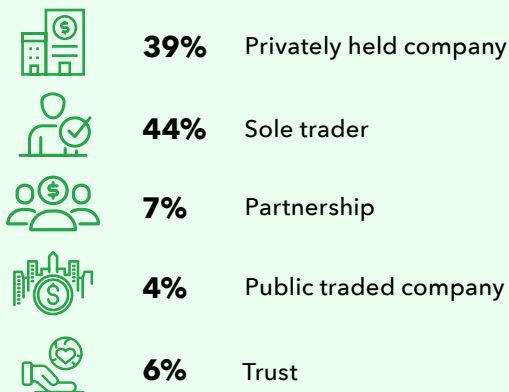
The small business survey received a usable sample of 754 responses, including 519 who are currently advised by an accountant and 235 who are not currently working with an accountant.

The survey sample has been weighted to Australian Small Business and Family Enterprise Ombudsman data on business size by employment and annual revenue.

The accountant survey captured a nationally representative sample of 502 practising Australian accountants from Agile Market Intelligence’s “Accounting Insights” market research panel.

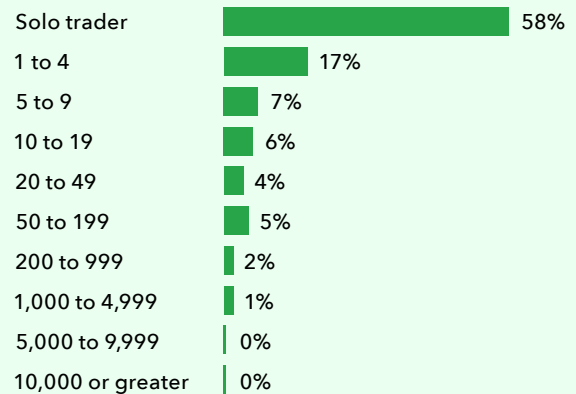
Demographics

Which of the following structures does your business operate under?



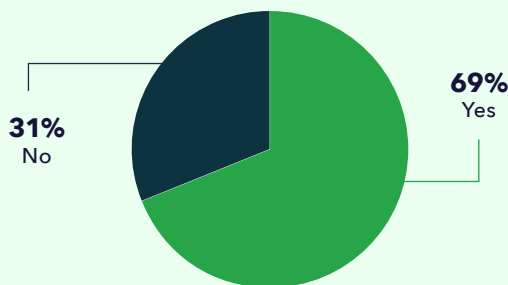
Demographics

How many people does your business employ?



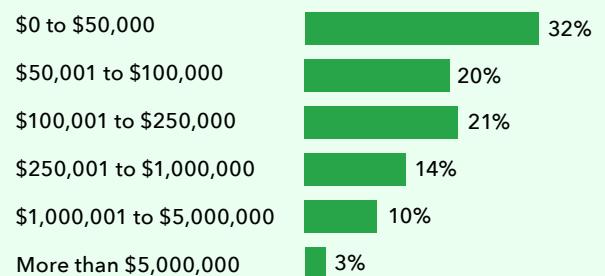
Demographics

Does your business work with an external accountant or accounting firm in any capacity?



Accountant client status by revenue

Does your business work with an external accountant or accounting firm in any capacity?



Due to rounding errors, some figures may not exactly equal 100%. All figures have been rounded to their nearest decimal for the purpose of this report.

Understanding SMB definitions

Based on their defining characteristics and the nature of their relationships with accountants, SMBs have been divided into three categories for the purpose of this report.

These categories include:



Sole trader



**Small business
(1-19 employees)**



**Medium business
(20-199 employees)**



**Large business
(200+ employees)**

These categories have been aligned to the definitions of the ASBFEO to provide clarity and a comparison to broader industry research and frameworks.

While this report focuses on the priorities and perceptions of SMBs, we have included the insights of large businesses to provide context to the results.

SECTION 01 —

SMBs and working with accountants

The majority of businesses, but only 1 in 2 sole traders, use an accountant

Of businesses surveyed, 69% engage with external accountants or accounting firms in some capacity.

By breaking this down further, we can see a clear correlation between the size of a business and its likeliness to engage an external accountant.

For sole traders, the figure stands at 59%, suggesting that more than half of individual entrepreneurs recognise the value of professional accounting support.

As we move up the scale to small businesses with 1 to 19 employees, the reliance on

accountants jumps to 79%.

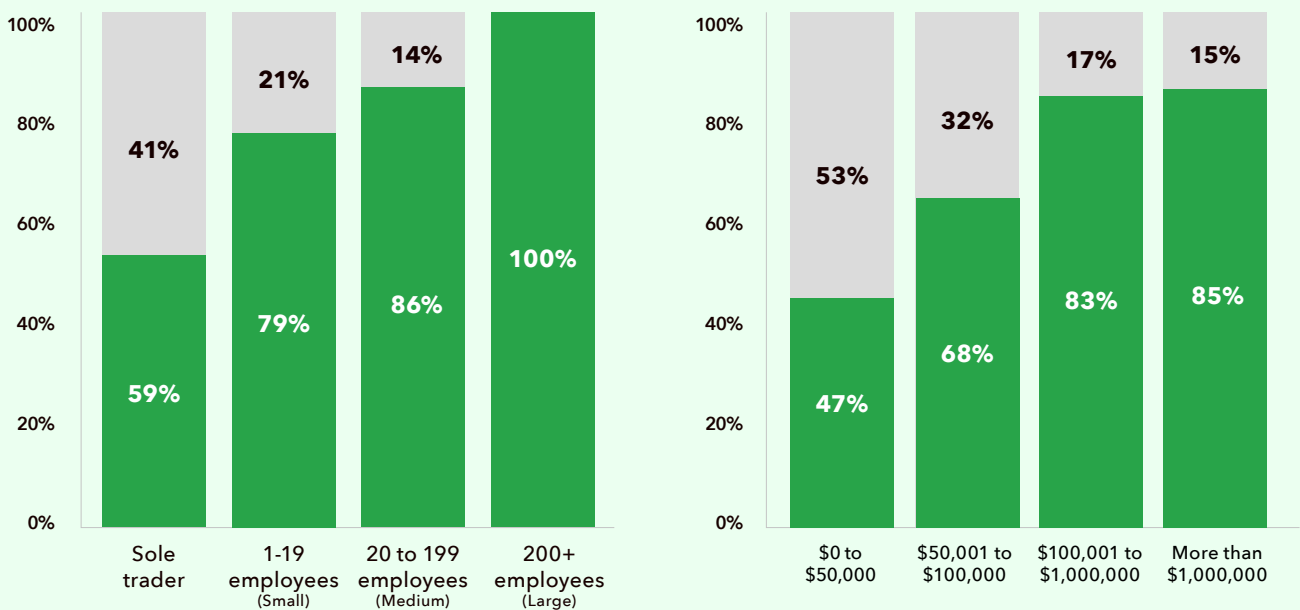
This reflects a growing need for expert financial management with increasing complexity in business operations. This upward trend continues as businesses grow in size, with medium-sized enterprises (20 to 199 employees) reporting an 86% engagement rate of accounting services.

Overall, this insight paints a picture of a progressive partnership between SMBs and the accounting profession - one that strengthens with the growing demands of business operations.

Accountant client status by organisation size

Does your business work with an external accountant or accounting firm in any capacity?

■ Yes ■ No



Businesses with more complex structures are more likely to engage an accountant

Data from the SMB survey shows a progressive increase in the use of accounting services correlating with the complexity of the business entity.

Sole traders, representing the most fundamental business structure, report a 54% engagement rate with accountancy services. This suggests that just over half of the individual proprietors seek external financial expertise, which might be due to the relatively straightforward nature of their accounting needs or a preference for handling financial matters independently.

The narrative changes as we move to partnerships, where 80% of the respondents indicate they work with accountants. Partnerships often entail more complex financial dealings and shared responsibility, necessitating professional financial oversight and advice.

Privately held companies show a slight uptick in accountant engagement at 77%. The survey data peaks at publicly traded companies, where a notable 88% report working with accountants.

Trusts exhibit the highest utilisation of accountancy services at 93%. The nature of a trust often requires meticulous financial management and compliance with complex tax laws, making the role of an accountant even more crucial.

The overarching message of this survey is clear: the more complex the business structure, the greater the likelihood and necessity for professional accountancy services, reflecting the essential nature of accounting support in today's diverse business landscape.



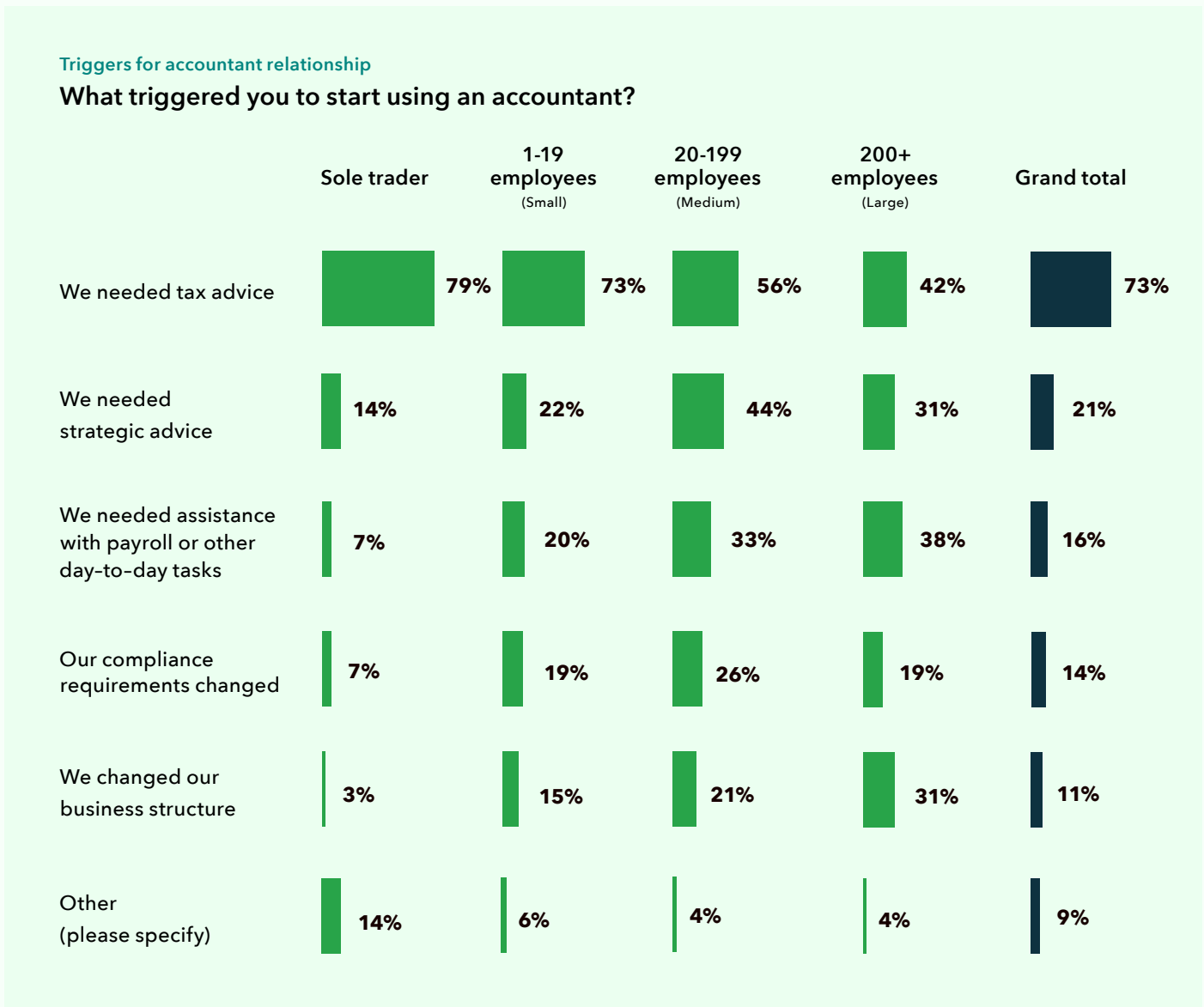
Tax advice is the primary trigger for new businesses to engage accountants, but strategic advice is critical for larger businesses

The data from the SMB survey captured the triggers that encouraged businesses to seek out an accountant.

This data highlights the evolving role of accountants as businesses grow. While tax advice is the primary entry point for most business-accountant relationships, the need for strategic financial planning and operational support increases with the size of the business.

Accountants are not just tax advisers but are increasingly seen as strategic partners that are pivotal to day-to-day operations and long-term planning.

It's critical for accountants to understand why their customers are coming to them to provide a full suite of services that could help their clients, depending on the stage of business.



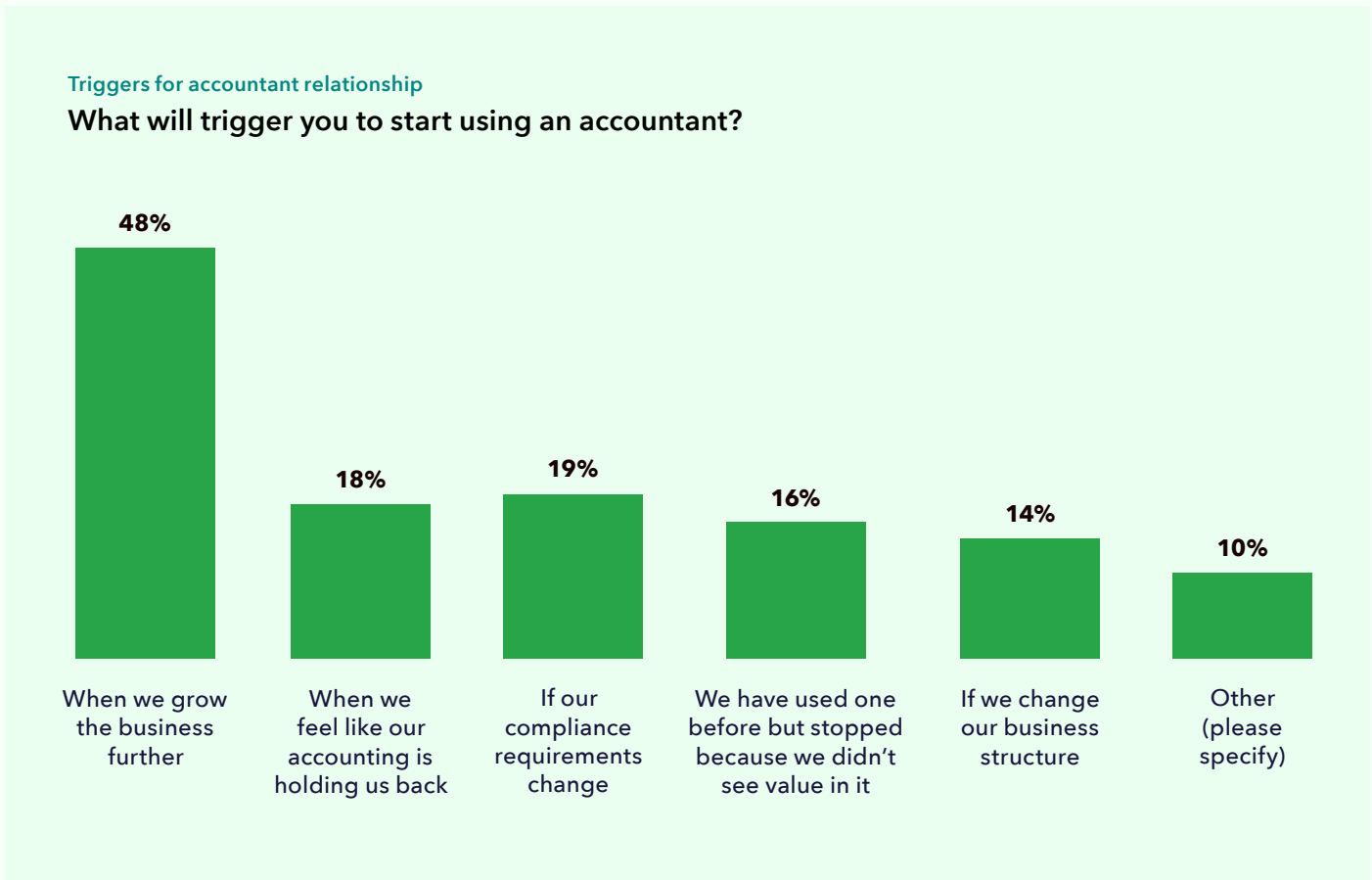
Unadvised SMBs believe their business is not large enough to justify accountant engagement

The SMB survey unpacked the motivations behind businesses considering the engagement of an accountant, for those who have yet to do so. It surfaces a predominant trigger: business expansion, with a significant 48% of respondents pinpointing growth as the prime time to start using an accountant.

Following at a distance, 18% of the participants feel that addressing inefficiencies in their current accounting practices is a compelling reason to seek professional help. This acknowledgment reflects a proactive stance among businesses to overcome operational bottlenecks that may impede their development and competitiveness.

Compliance is another notable consideration, with 19% citing changes in compliance requirements as a factor that would lead them to employ an accountant. This is a crucial insight, as it highlights the role of accountants in navigating the ever-evolving legal and regulatory frameworks.

Interestingly, 16% of respondents had previously engaged an accountant but ceased the relationship, not seeing sufficient value in it. This statistic may point to a gap in expectations or a lack of understanding of the accountant’s role and contributions. It suggests that accountants need to clearly communicate the value they bring to a business, especially in terms of long-term financial health and stability.



SECTION 02 —

The impact of engaging an accountant

Only 10% of businesses view their accountant as a key strategic partner

In understanding the importance and impact of the accountant-client relationship, the SMB survey asked participants to choose the option that best describes their relationship with their accountant.

These three levels are designed to categorise their relationships into either:

- Key strategic partner
- Valued relationship
- Service provider

The results are striking with only 10% of all businesses indicating that their accountant is a key strategic partner, with the highest level seen in small businesses of 1 to 19 employees, highlighting the importance of this relationship as sharp increases in compliance requirements (such as payroll and GST) are triggered for businesses in their early stages.

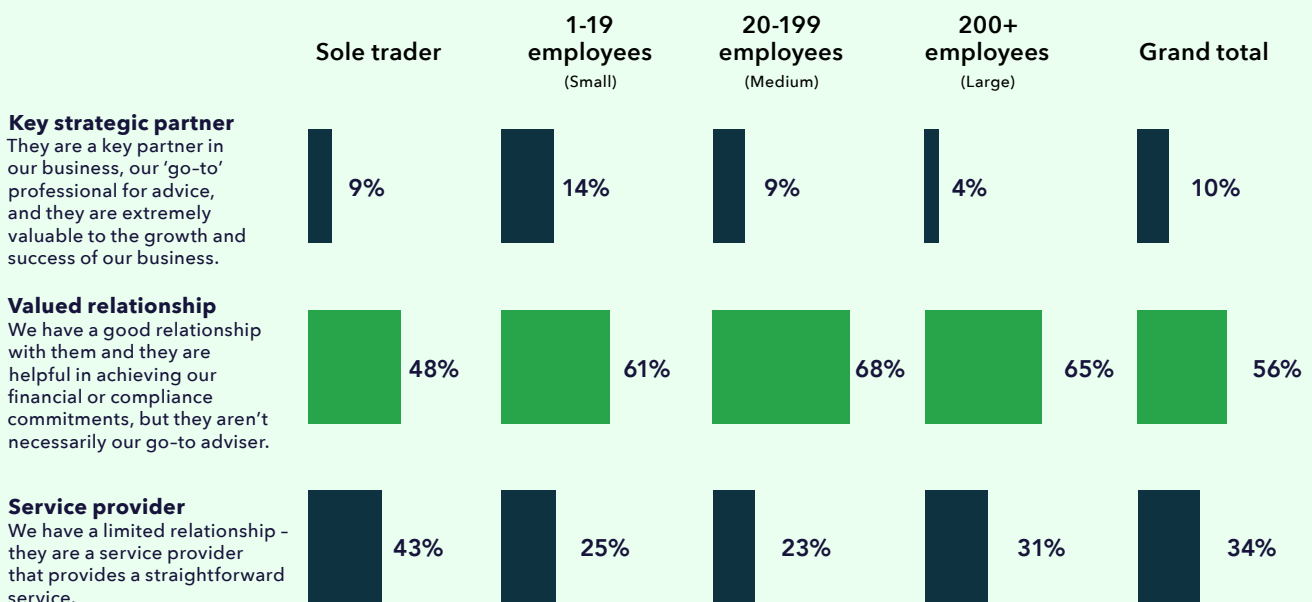
In contrast, the data presents a different picture for sole traders, where the predominant sentiment (48%) is that of having a valued relationship with their accountant, in which the latter helps to achieve financial or compliance requirements. This suggests that for sole traders, the accountant’s role is more transactional than advisory.

Meanwhile, with a top-2 view, combining the valued relationship and key strategic partner levels, we see that SMBs extract the most value from these relationships compared to sole traders or larger businesses.

It’s important to understand the depth of your relationships with your clients and to consider how you can position yourself to deepen them.

Business impact

Which of the following best describes your relationship with your accountant?



Reduction of stress, anxiety and instilling confidence in financial results are the greatest impacts of accountants on SMBs

Business owners feel that their accountants are having greater impacts on their mental and psychological state, rather than tangible financial outcomes.

As businesses grow in size, the role of accountants appears to shift, however, two core themes of confidence and reducing stress and anxiety are prominent in all business sizes.

For sole traders and small businesses (1 to 19 employees) particularly, the predominant emotional impact is a reduction in stress or anxiety over compliance.

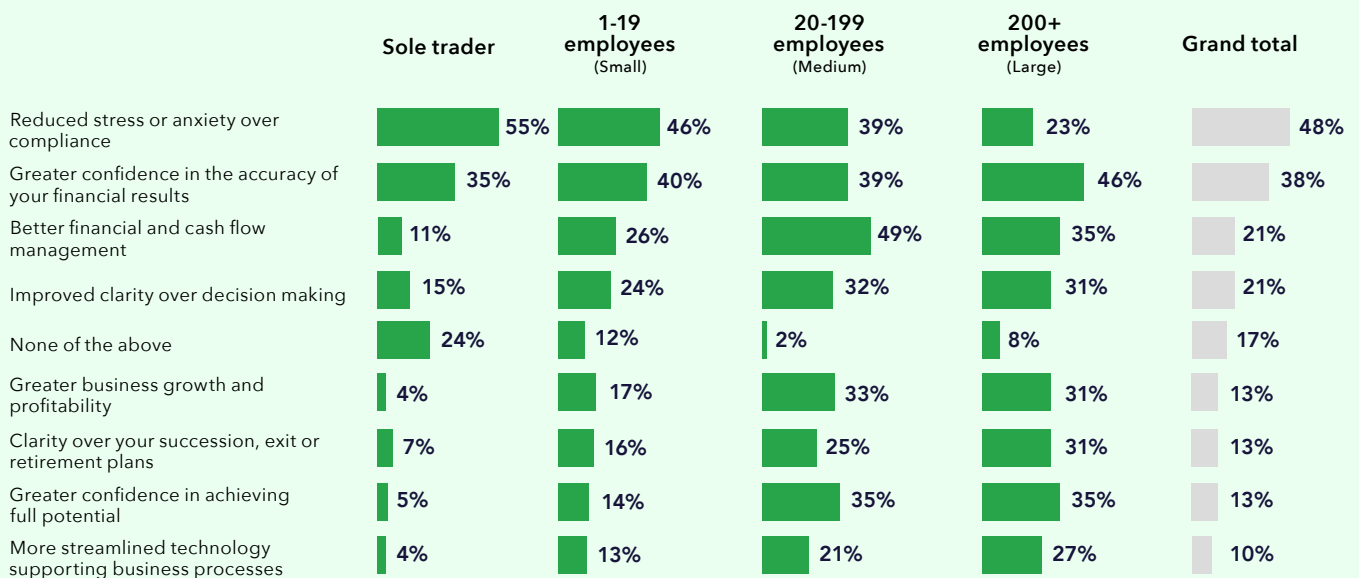
However, as businesses transition to medium size (20 to 199 employees), there is a marked emphasis on financial and cash flow management, with 49% indicating this as a key impact. This points to a shift where operational financial guidance becomes more critical as the business complexity increases.

Across all sizes, the impact on greater business growth and profitability is perceived as less (13% in the grand total), suggesting that while accountants are valued for their role in compliance and financial accuracy, their contribution to direct business growth might be under-recognised or not as prominent in the services they provide.

Overall, the data implies that while accountants consistently instil confidence in financial results across all business sizes, their role in cash flow and financial management becomes more pronounced in larger organisations. Additionally, the psychological benefit of reduced stress over compliance is significant but diminishes as businesses grow, possibly due to the development of internal capabilities to handle these issues.

Business impact by business size

What impact does your accountant have on your emotional or psychological state?



Establishing your practice as a key strategic partner for your clients and elevating their confidence in their financial results

In comparing the self-assessed relationship levels of business owners and the areas in which they feel their accountants have the greatest impact, we can start to understand the areas practices should focus on to reinforce their position as a key strategic partner.

The correlation of these data points suggests that accountants solidify their role as key strategic partners for their SMB clients by significantly reducing stress and anxiety over compliance, instilling confidence in the accuracy of financial results, and improving clarity over decision making.

This is evidenced by the survey data showing that among businesses that consider their

accountants as key partners, 74% report reduced stress or anxiety over compliance, while 68% have greater confidence in the accuracy of their financial results, and 51% enjoy improved clarity over decision making.

These core attributes are central to the accountant-client relationship, demonstrating the accountant’s integral role in the day-to-day operations and strategic planning within SMBs. While their impact on growth and profitability is acknowledged, it is the foundational support and strategic guidance they provide that cements their status as indispensable allies to SMBs.

Business impact by quality of relationship

What impact does your accountant have on your emotional or psychological state?



SECTION 03 —

Service offerings designed for small business

Compliance services are vital for servicing small businesses but expanded advice offerings are required for servicing larger businesses

A glance at the array of services SMBs utilise from their accountants reveals a growing complexity in their needs as they scale up.

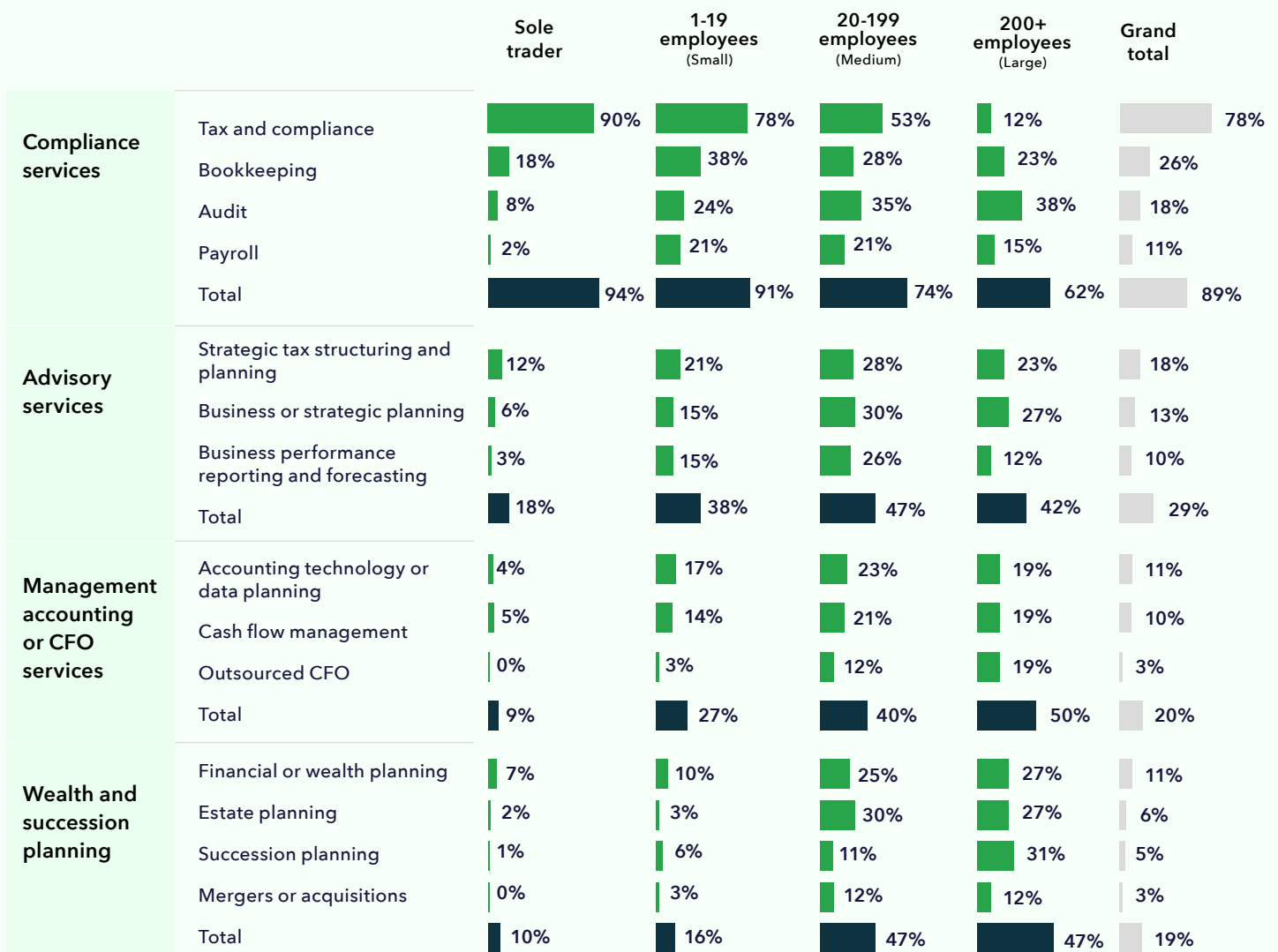
Notably, the use of compliance services tapers as the business size increases, with significant growth in the use of advisory and management accounting services as businesses grow beyond the small business stage.

The use of wealth and succession planning services also rapidly increases as organisations moving beyond 20 employees start to explore opportunities for their future.

However, as businesses evolve from sole traders to entities with more than 200 employees, there is a discernible shift in the reliance on a broader spectrum of accounting services, reflecting the intricate financial landscape they navigate.

Service offering

Which of the following services do you currently receive from your accountant?



SMBs want more strategic tax and business planning advice over the next 3 years

The future-focused outlook of SMBs showcases an eagerness for enhanced advisory services, especially in the realms of strategic tax planning and business performance forecasting.

As seen on page 17, 78% of businesses already depend on their accountants for tax and compliance services, confirming the bedrock status of these offerings. Yet, it is the aspirational data that captivates, with 35% of businesses across the board expressing a desire for more guidance in strategic tax structuring and planning.

In terms of business or strategic planning, there's an observed intent for increased advisory consumption; 25% of respondents are looking towards bolstering this area, surpassing the

current 13% engagement rate.

This foresight is particularly pronounced among sole traders, where only 6% are engaged, with 10% anticipating the need for strategic planning advice.

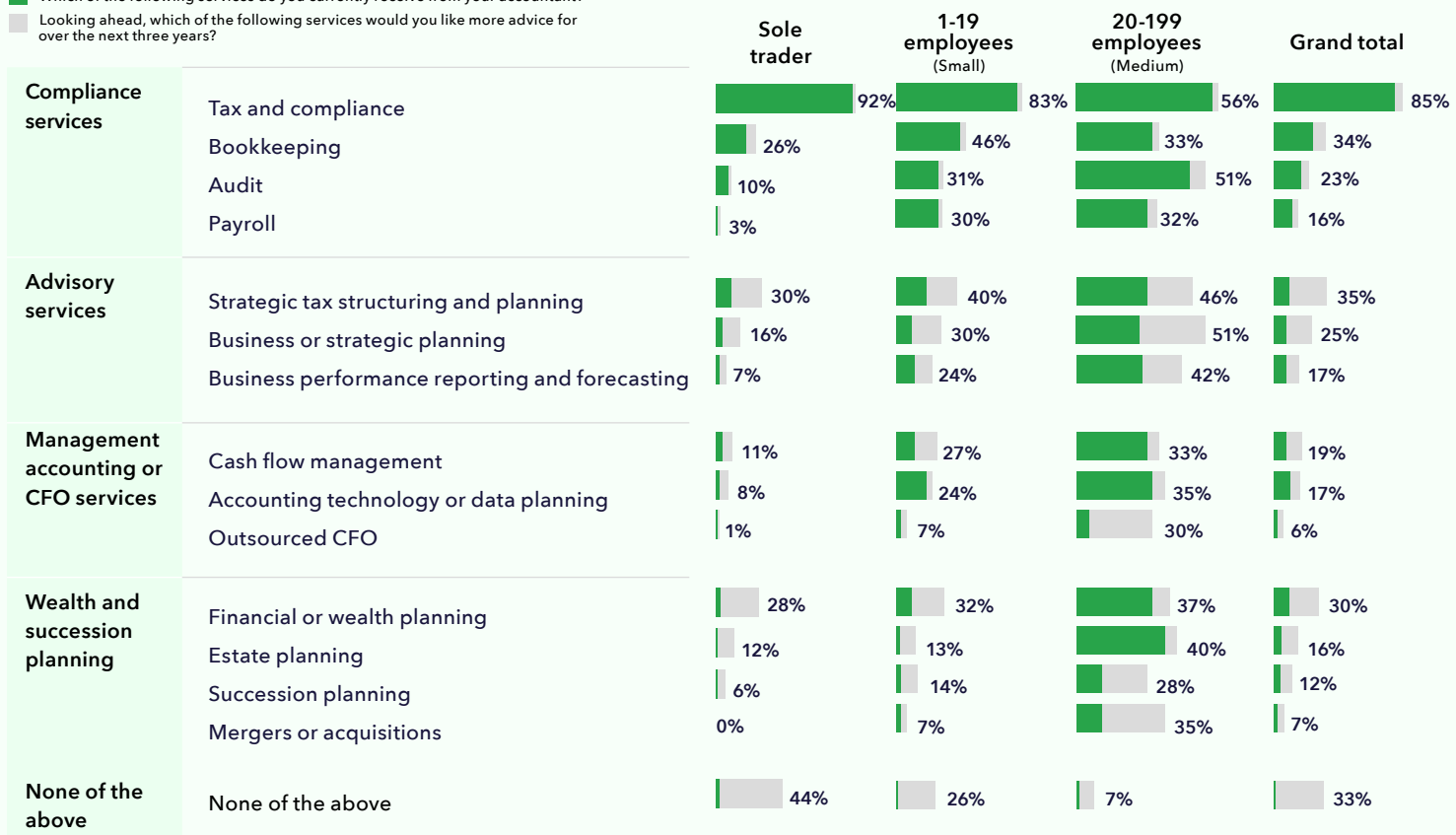
Interestingly, a considerable proportion of respondents, especially sole traders (44%), do not foresee a need for additional services. This self-reliant stance may reflect a confidence in their current operations or a potential unawareness of the benefits that advanced accounting services could bring.

Overall, the data underscores a proactive shift in the outlook of SMBs, highlighting an increased demand for advisory services to support their growth trajectories.

Service offering

Which of the following services would you like more advice for over the next three years? And which of the following services do you currently receive from your accountant?

■ Which of the following services do you currently receive from your accountant?
 ■ Looking ahead, which of the following services would you like more advice for over the next three years?



1 in 2 accounting practices are offering advisory services, with many looking to expand into management accounting and CFO services

While accounting practices seek to expand their relationships with business clients, many are introducing new services to meet the growing needs of their clients.

Our survey of accounting practices revealed that a substantial majority are offering advisory services, with interest in expansion evident among practitioners. Compliance services such as tax and compliance (82%) and bookkeeping (74%) remain the staple offerings.

However, advisory services are not far behind, with strategic tax structuring and planning, as

well as business performance reporting and forecasting, being offered by over half of the practices (52% and 51% respectively).

The interest in offering more strategic and forward-thinking services to business clients points to an evolving role for accountants, from traditional number-crunchers to strategic advisers.

With a significant percentage of practices either thinking about or not interested in a range of advisory services, it appears there is room for growth and diversification in the services accountants provide to their business clients.

Service offerings

Which of the following services does your accounting practice offer to business clients?



72% of SMBs are aware of the full suite of services their accountant offers, and 42% utilise them fully

Within accounting practices, there is a noticeable difference between client awareness of the full suite of services available and the actual utilisation of these services.

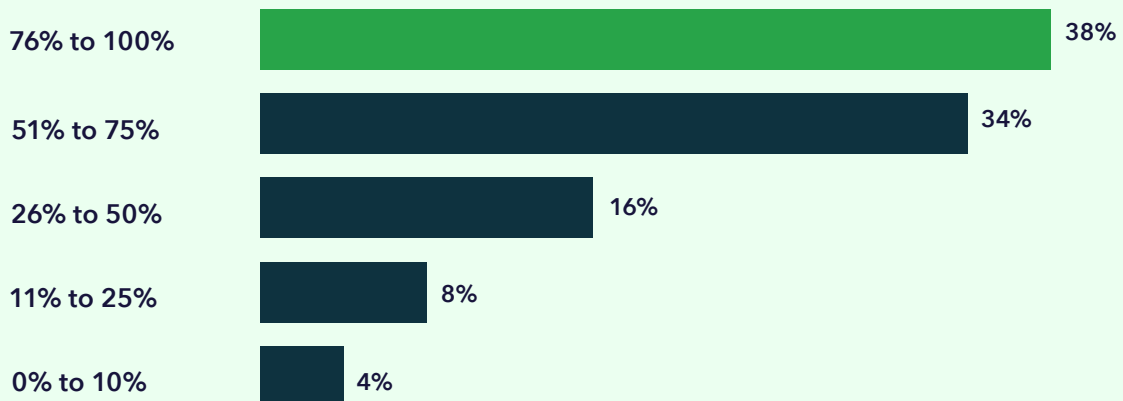
It shows that a striking 72% of business clients are well-informed about the complete array of accounting services available to them, reflecting a successful communication of offerings by the accountancy practices. This high level of awareness suggests that accountants are

effectively showcasing their services, likely through comprehensive onboarding processes, detailed service descriptions, and proactive client education.

On the other hand, the usage statistics reveal that a lower proportion, 42% of clients, are fully engaging with these services. This disparity between knowledge and action indicates that despite being aware, a significant number of business clients are not leveraging the accounting services to their fullest potential.

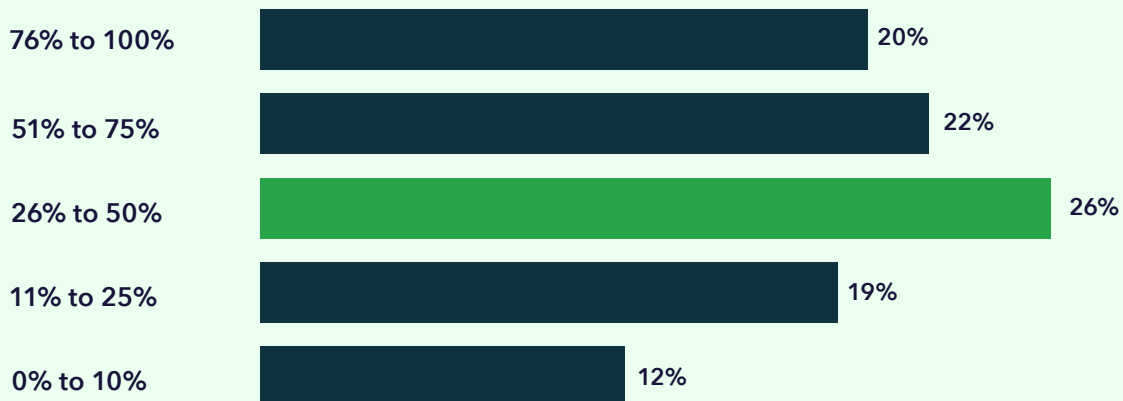
Awareness of services

What percentage of your clients are aware of your full suite of services?



Usage of services

What percentage of your clients use your full suite of services?



SECTION 04 —

Technology advice for SMBs

Around 1 in 3 businesses have received recommendations from accountants about financial or accounting tech

With accounting and finance technology becoming increasingly important to providing clarity to business owners, it is surprising to see only one in three businesses have received technology recommendations from their accountants, considering the fact that many businesses welcome this advice.

A substantial 53% of sole traders who received advice adopted the recommended technology. This figure remained consistent with the size of the business, with 50% for medium businesses, indicating a higher propensity to integrate new technologies as the complexity of the business's financial operations increase.

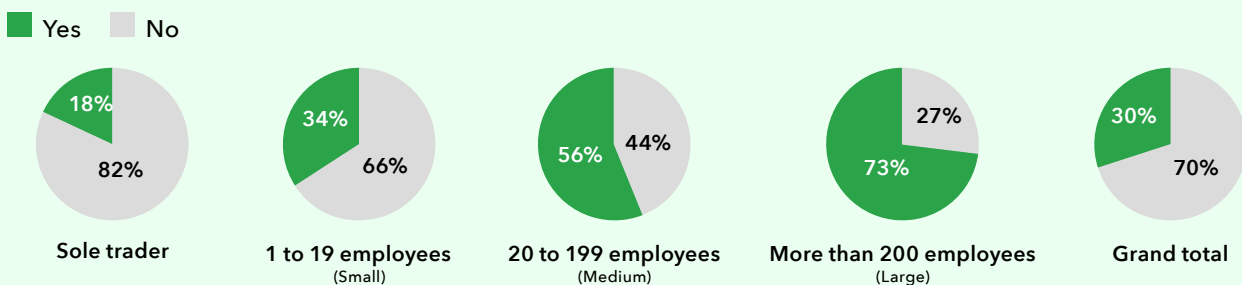
Interestingly, a large portion of business clients across all sizes found the advice useful and explored various options, with sole traders at 28% and large businesses at 37%. This could suggest that even when the recommended technology is not adopted, the advice is valued, potentially guiding future decisions or prompting businesses to seek alternative solutions that better fit their specific needs.

However, there is a notable segment of the surveyed businesses that respected the advice but ultimately decided against adopting the technology. This hesitation is more pronounced among large businesses with more than 200 employees at 21%.

Technology

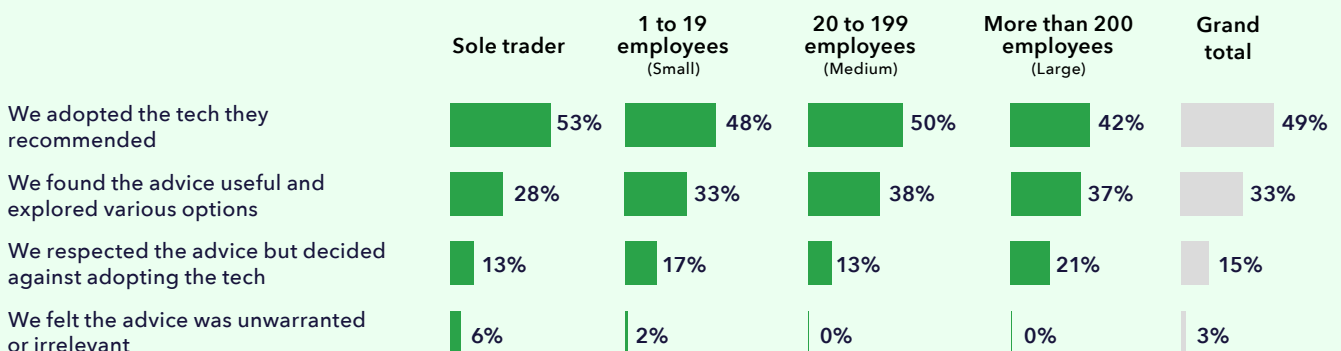
Has your accountant ever recommended that your business should adopt new financial or accounting tech?

Sample size: 26 to 519 (Working with accountant)



Which of the following statements best describe your reaction towards this recommendation?

Sample size: 19 to 158 (Working with accountant and accountant recommended technology)



Majority of businesses expect tech recommendations from their clients and larger SMBs and enterprises want onboarding and integration support

There is a prevailing trend across businesses of various sizes that accountants are expected to provide recommendations on beneficial technologies, with 68% of all respondents aligning on this need.

However, as businesses grow, their needs become more nuanced, with larger firms emphasising the importance of integration and onboarding support.

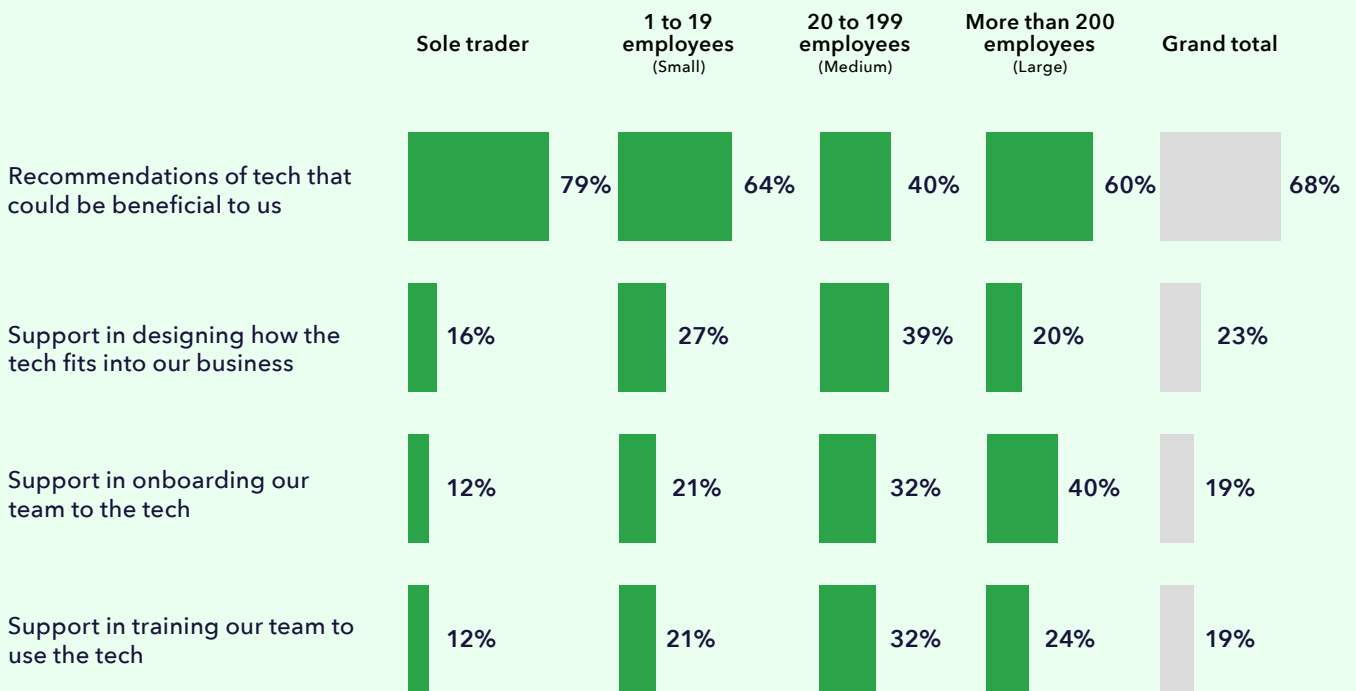
For accountancy practices, this means that offering technology recommendations should be complemented with a readiness to provide hands-on support in integrating and onboarding these technologies, especially for medium-sized to large business clients.

The data suggests that accounting firms that can offer a comprehensive support package for new technologies might be better positioned to meet the evolving needs of their diverse client base.

Technology

What level of support do you expect from your accountant in regards to financial and accounting tech?

Sample size: 25 to 441 (Working with accountant)



Accountants frequently recommend tech, with general ledger software viewed as most impactful

The data from accountants regarding their recommendation habits of financial or accounting tools, apps, or software to their business clients paints a clear picture: technology is a key component of modern accounting advisory services.

The majority of accountants are proactive in this domain, with 45% recommending such technologies frequently and 37% doing so occasionally, indicating that these professionals see significant value in the adoption of these tools for their clients.

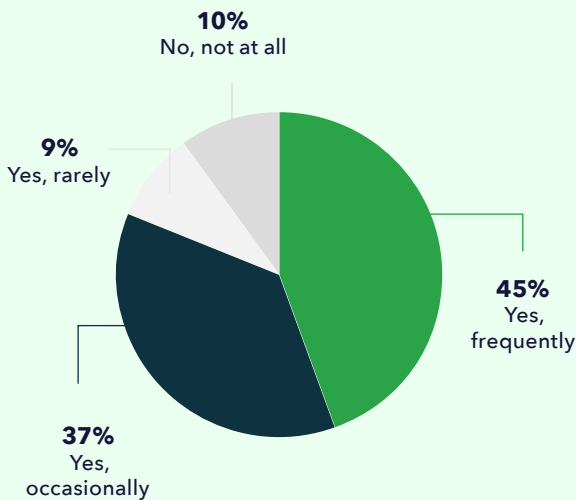
When considering the type of technologies that accountants find to have the greatest positive impact on their clients' businesses, general ledger software stands out significantly, with 51% of the responses.

This software, fundamental for recording all of a company's financial transactions, evidently plays a critical role in the financial health and operational efficiency of businesses. The robust nature of general ledger systems, often offering real-time financial data, integration with other business functions, and compliance with accounting standards likely contributes to perceived value.

Reporting or dashboard apps are considered to have the second greatest impact, with 16% of accountants recognising their importance. These applications can transform raw data into actionable insights, providing businesses with the ability to make informed decisions quickly.

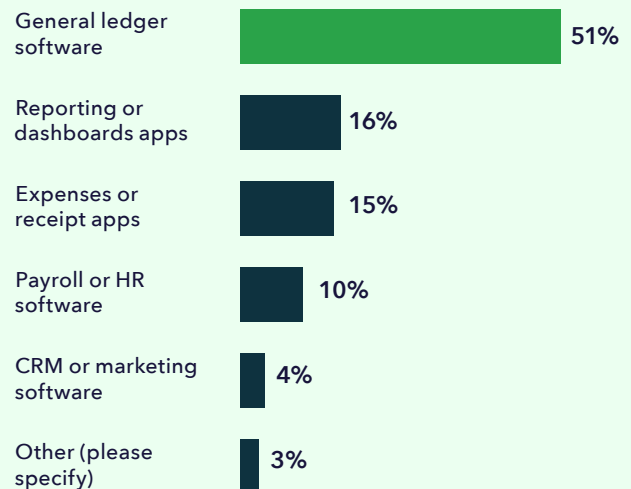
Business impact

Have you ever recommended financial or accounting tools, apps or software to your business clients?



Business impact

Which type of financial or accounting tools, apps or softwares do you find has the greatest positive impact on your client's business?



SECTION 05 —

Pricing for SMB accounting services

Value for money recognition is a challenge for some business owners, presenting an opportunity for growth-minded accounting practices

Less than half of all business owners surveyed believe that they “definitely” receive value for money for their accountant’s services, with 48% of all respondents across business sizes feeling they definitely get value for money.

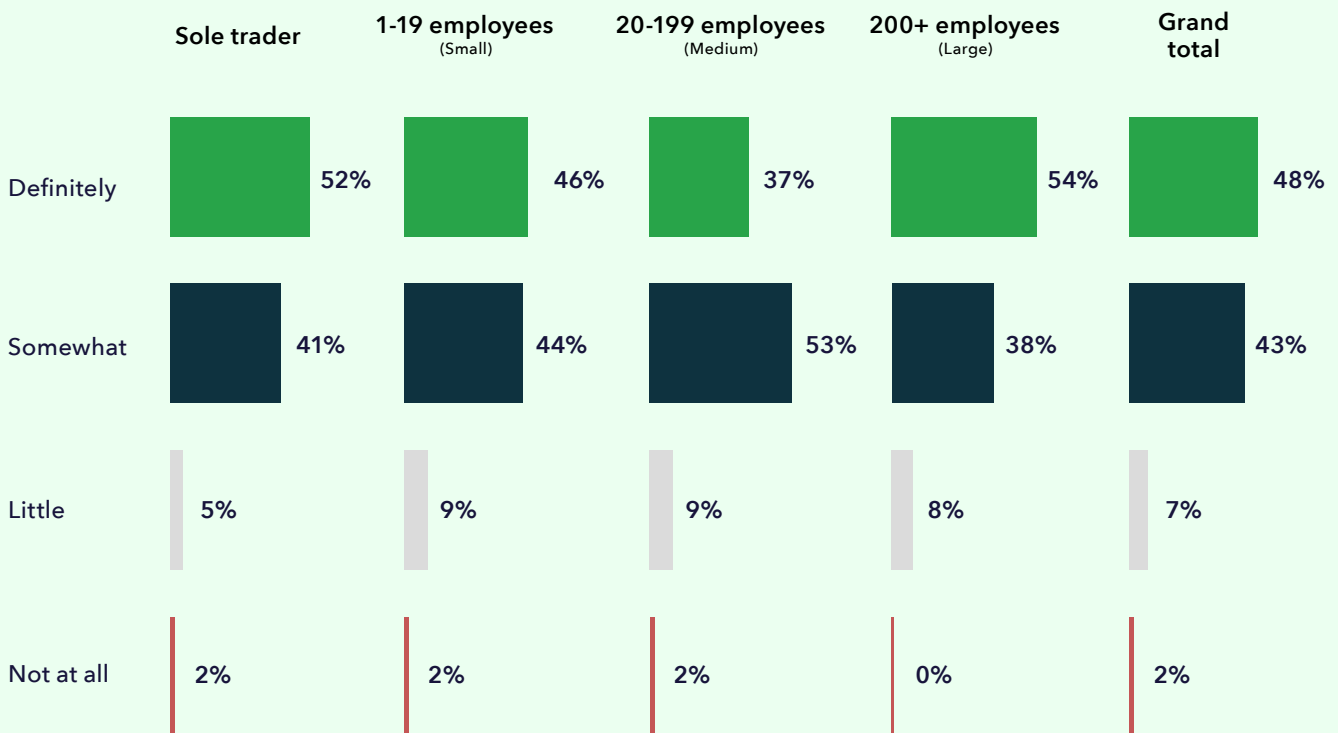
However, this sentiment is matched by an identical percentage who only feel somewhat satisfied, indicating a pervasive sense of ambivalence about costs versus benefits.

The data indicates a clear divergence in perceived value for money from accountancy services, with sole traders and large businesses at the higher end of satisfaction, medium-sized businesses at the lower end, and small businesses caught in a state of equilibrium.

These insights present an opportunity for growth-minded accounting practices that are able to demonstrate clear value for money to their existing and prospective clients.

Pricing

Do you feel your business gets value for money for the services that your accountants provide?



Value for money is abundantly clear when accountants are seen as key strategic partners

Value for money is the perceived balance of the value received from services and the price paid. Often, we think about improving value for money but reducing the cost or pricing of an offering.

However, by comparing the self-assessed relationships business owners have with their accountants alongside their perceptions of value for money, we see a clear correlation.

Business owners who view their accountant as a key strategic partner - often driven by their ability to support the business owner's emotional needs by reducing anxiety, stress,

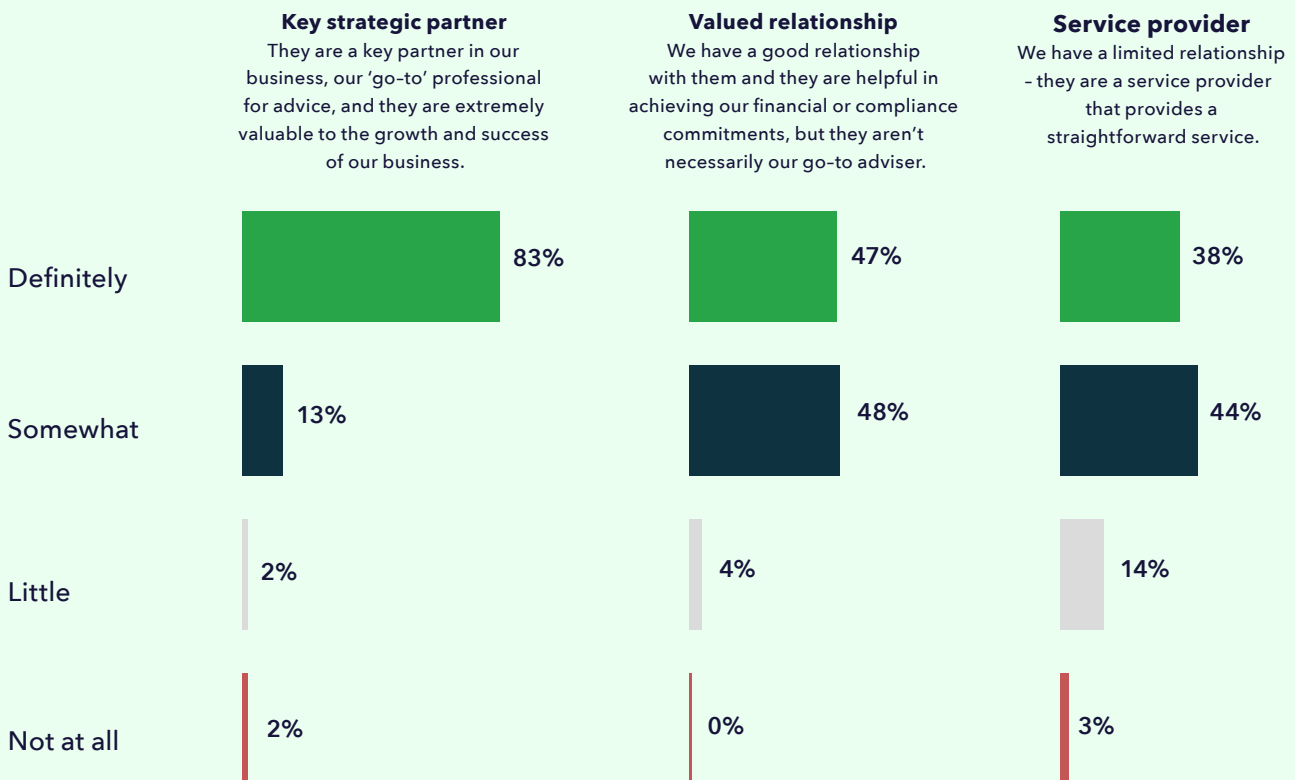
and creating clarity over financial results and decisions - are significantly more likely to feel like they're receiving value for money.

This fundamental correlation highlights the fact that pricing of services or deliverables is in some cases less important than an ability to connect with clients emotionally and psychologically.

This further reinforces the fact strategic partnerships yield a strong positive perception, while transactional service models are at risk of being undervalued.

Pricing

Do you feel your business gets value for money for the services your accountant provides?



Almost 3 in 5 businesses prefer fixed price billing over hourly rates for accounting services

More than seven in 10 business clients across all sizes prefer to be billed at a fixed price over hourly rate by their accountant, with medium-sized businesses strongly preferring fixed prices at 79%.

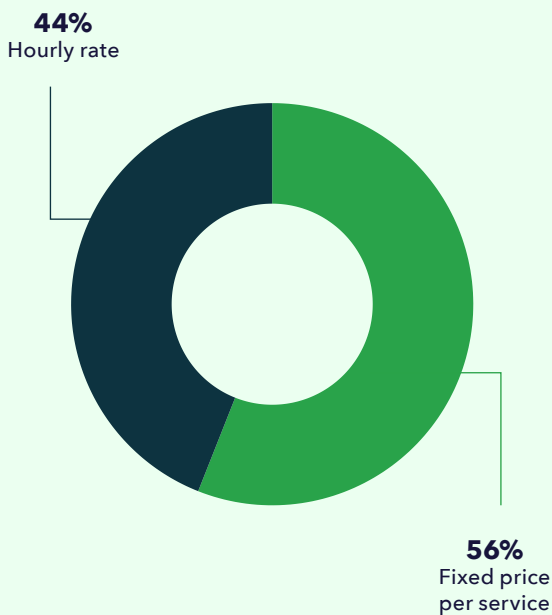
This is also in line with the preferences of accounting firms, with 56% of accountants preferring to bill business clients at a fixed price (44%).

Businesses' preference towards fixed price per service may be a result of clarity in their cost upfront as they may reduce the risk of running over budget.

However, although the majority of accounting firms prefer to bill fixed price, there are still many firms that prefer hourly rates (44%).

Pricing

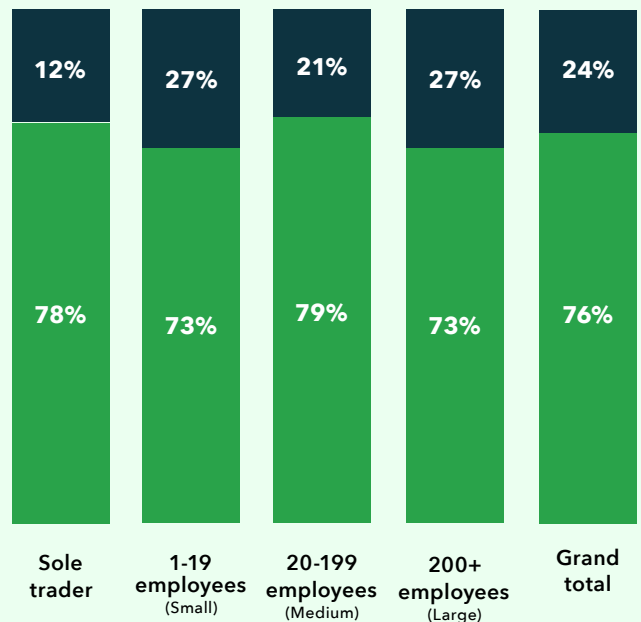
Do you prefer to bill your business clients at a fixed price for a service or an hourly rate?



Pricing

Would you prefer to be billed by your accountant at a fixed price for a service or an hourly rate?

■ Fixed price ■ Hourly rate



SECTION 06 —

SMB client loyalty, longevity and success

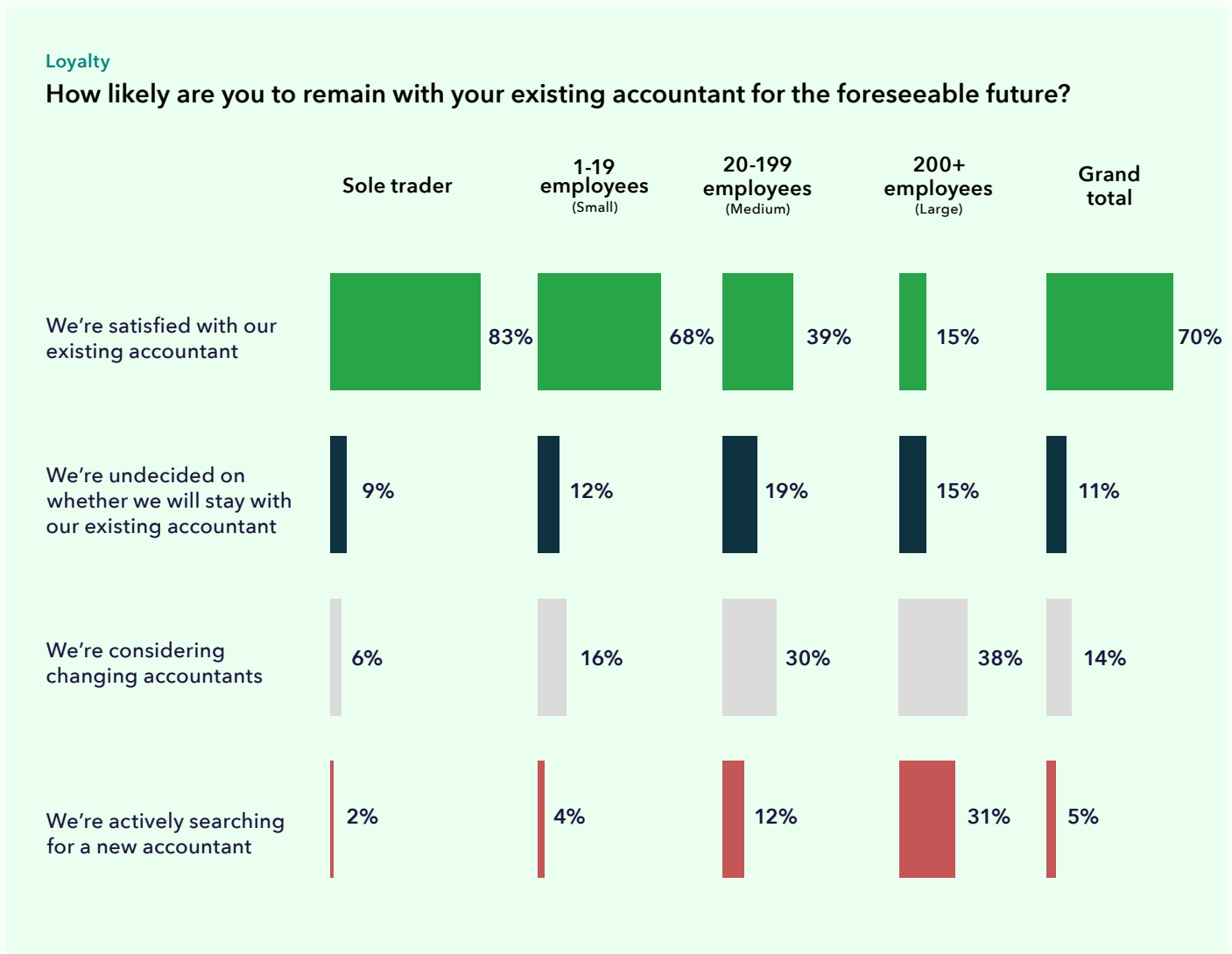
Medium-sized to large businesses are more likely to change accountants due to more complex needs

The majority of businesses are satisfied with their existing accountant (70%), while sole traders are the most satisfied at 83%.

However, as businesses grow in size, their needs become more complex and may surpass the capabilities or offerings that their existing accountant can provide, with a strong correlation between business size and businesses that are considering changing or are actively searching for new accountants.

While sole traders and small businesses with 1 to 19 employees have the highest rates of satisfaction, the services they require may be minimal, and their relationship with accountants are seen as a 'service provider'.

Meanwhile, as the business size and complexity increases, the role of accountants changes to an adviser, and the relationship between them is seen as a 'valued relationship'.



Cost of services and limited expertise are major reasons for changing accountants

Cost of services is a predominant factor for changing accountants, with almost one in three businesses finding their existing accountant too expensive.

One in four (25%) businesses are changing accountants due to more complex needs and believe their current accountant does not have the necessary expertise to help them.

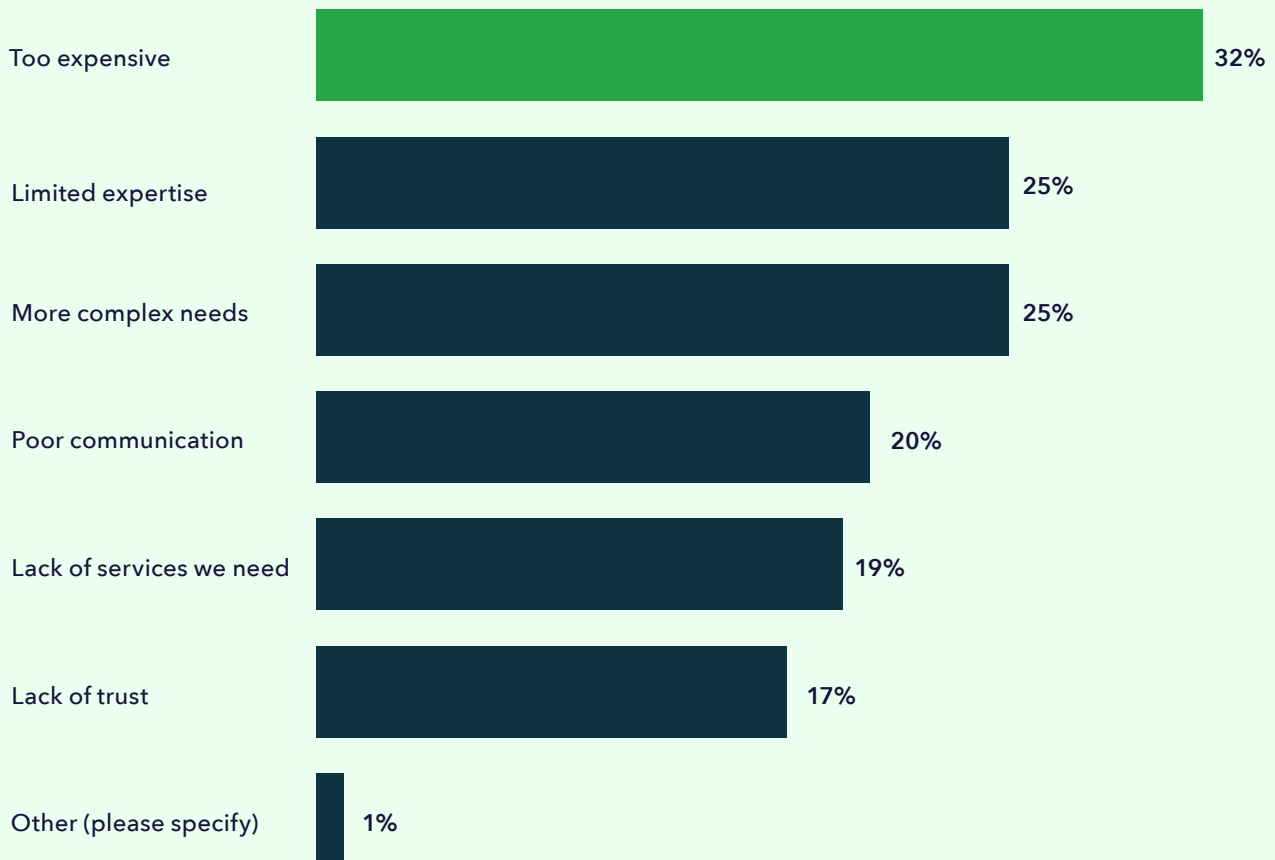
The data reveals business growth and profitability as the biggest contributing factors for changing accountants.

For accounting practices, the data suggests offering more complex services to their smaller sized business clients may result in higher retention levels.

Loyalty

Why are you thinking about changing accountants?

Sample size: 155 (Not satisfied with existing accountant)



Demonstrating better value for money should be the highest priority

More than half of accountants (55%) believe better communication will strengthen client relationships and meet client needs, although business clients cited the key reasons for changing accountants as ‘too expensive’ and ‘limited expertise’.

This reveals that accountants are increasingly becoming more aware of how important value for money and the complexity of services are for their clients.

The insights suggest that demonstrating better value for money through frequent communication with clients should be a high priority for accounting firms, followed by expanding services across all business sizes.

This will enable a higher level of loyalty as we see a clear correlation between satisfied clients and the role accountants play in their business increasing.

Loyalty

How do you feel you could improve your service offering to meet the needs of your business clients and deepen your relationships?

