

Serving the Mid-Market Professional Services Niche - Getting and Keeping High-value Clients

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Carla Caldwell, Caldwell Consulting & Training LLC

Can you please define Mid-Market clients?

For purposes of our conversation, mid-market clients that are typically 10-30 employees, with \$5-50 million in revenue

What are Professional Services?

Professional Services.

For the purpose of this conversation include services for which we typically think of someone who must be accredited or hold a degree for the job. This includes architects, engineers, consultants, professional speakers, real estate brokerages (and some agents), financial advisers, marketing agencies, and others. We are not counting field services such as plumbers, electricians and contractors in this, though that is an incredible group of professionals that have their own unique requirements in the mid-market as well.

What is one of the main differences between mid-market and small business clients?

Payroll.

Typically, there is a much more complex payroll process - not only a mix of hourly and salary employees, but benefit plans are more complicated and extensive. This often means that we have moved beyond the small business accounting and payroll platforms are looking at more sophisticated solutions, like ADP and others.

In addition to compliance, what is another area that accounting professionals can assist these clients?

Separation of duties.

Typically, in a mid-market company, especially one that has grown quickly, they need better accounting workflows and practices, like separation of duties. Often, they need assistance in this area, so that checks and balances can be implemented, and possible irregularities can be prevented and/or found. The analytical, skeptical mind of accounting professionals works very well in this area.

Any other areas that accounting professionals can be of value to mid-market clients?

Workflow.

There are many moving parts and pieces and often disparate systems utilized in mid-market companies. Having someone who takes the time to see the interactions holistically can be invaluable to an organization like this. Understanding the flow of information and how best to do hand-offs between staff and systems can be a real asset and valuable service to an organization.

Carla Caldwell, Caldwell Consulting & Training LLC

What challenges would a small accounting firm encounter when they take on their first mid-market client?

First, these engagements typically take more time than the average small business client. The budget, of course, is much higher, but still it will pull resources from your team to focus on this larger client. Often, being on-site with them is also needed, as a team member will need to speak with various people in the organization, as roles and responsibilities can be siloed and thus harder to see the big picture.

Second, the project itself must be managed in a different way, often with many more team members involved, each focused on a specific area of the engagement. This will require a project manager of some sort, and much more coordination within your own team. Often there are billable expenses, travel, and progress deadlines that need to be communicated and managed throughout the team.

Third, there will likely be different technology than you're used to in your firm, and your own processes may change for this client. For example, the client may have an industry-specific application that has information you need to integrate with the accounting application. Learning the app may be required to better serve that client, even if you are not supporting or implementing it.

Fourth, training may be more extensive and likely will be ongoing. Often there are power-users in a mid-market company, who may need to know an application deeply- and perhaps only in one area. There can be extensive training needed for them, and when their processes or staff changes, there can be additional training requirements, and this seems to happen more often in mid-market companies as employees are pulled into different areas, promoted, or leave the organization.

Are reporting requirements different from a small business to a mid-market company?

Yes. Not only do mid-market companies want different reports, they typically want more of them. The basic financial statements often include budgets, comparisons, and different formats than a small business client. Additionally, there can be multiple recipients, each with a different expectation of how they want to see the data. Operational reporting also becomes more critical, and may not be generated from the accounting system, and yet still need to be integrated with the financial information to provide forecasting and other more sophisticated reports.

Mario Nowogrodzki, Mendelson Consulting

Define mid-market companies:

Let's begin by understanding what is largely referred to as the "mid-market" – mid-sized organizations with approximately 10-100 employees, and revenue between \$500,000 and \$20 million.

Mid-market companies for us have represented high-value clients. Specializing in this type of businesses results in stronger client connections and often represents higher revenue potential.

Define professional services companies:

Generally, firms that provide services that require holding professional licenses such as accounting, technology, law, engineering, architecture, design, and healthcare.

Why do mid-market companies represent high value clients?

Mid-sized clients open the opportunity for additional services you may not be providing today:

- Custom workflow training, and personalized training for the client; training that can be leveraged and used across multiple organizations.
- Custom support packages offered to highly trained clients, geared to organizations with high-level accounting or workflow questions.
- Advisory reporting such as multi-company consolidations and comparisons, industry benchmarking, growth, and trend analyses.

Just like a mid-market client is willing to hire you to help them meet their goals and make wise decisions while they are growing – and are not afraid to pay for it – a high value accounting professional is one that seeks out and nurtures high-value clients.

What are some of the areas where mid-market companies need the most help?

Mid-sized organizations need help with the complexity in finance and operations that accompanies their high growth. More importantly, this high-growth mindset makes these companies more willing to pay for the help. In fundamental terms, these are companies accustomed to writing bigger checks and will not question your billings as some smaller organizations might ... let's face it, we have all been there.

These companies will likely need more advanced systems to help manage their complex operations, including:

- Added functionality beyond simple income and expense tracking.
- Custom fields in their system to track additional data points.
- More users and varying degrees of access permissions.
- Better reporting and insights.

On top of this, they generally need overall advisory services to better manage their business. Because of these and other needs, they are often willing to spend on time-saving systems and processes.

Mario Nowogrodzki, Mendelson Consulting

What advanced system features do mid-market companies need?

QuickBooks Desktop Enterprise and QuickBooks Online Advanced are intended to serve larger businesses, or those that have more complex needs. Admittedly, QuickBooks Enterprise, with its inventory functionality, for example, may be more geared toward businesses that are in manufacturing and wholesale, while QuickBooks Online Advanced may be better for larger small businesses that want to be on a Software as a Service (SaaS) model or need access to the larger app ecosystem of QuickBooks Online. Professional services firms, educational institutions, construction and maintenance companies, as well as nonprofit entities are a good fit for QuickBooks Online Advanced.

QuickBooks Online Advanced is designed for growing businesses. Some of the features that help boost productivity include:

- An unlimited chart of accounts, unlimited classes and locations, and up to 25 simultaneous users.
- Custom user permissions, allowing for better segregation of duties.
- Accelerated Invoicing: Importing of invoices from external sources and creating invoices across multiple customers at once.
- Additional transaction custom fields, available for searching, sorting, and filtering in custom reports.
- Advanced reporting, including consolidated reporting across multiple entities, and useful key performance indicators (KPI) such as profitability and cash flow.

What services are mid-market companies more willing to pay for?

Mid-sized clients open the opportunity for additional services you may not be providing today:

- Custom workflow training, and personalized training for the client; training that can be leveraged and used across multiple organizations.
- Custom support packages offered to highly trained clients, geared to organizations with high-level accounting or workflow questions.
- Advisory reporting such as multi-company consolidations and comparisons, industry benchmarking, growth, and trend analyses.

Hector Garcia, Garcia & Company, PA

How would you define the term mid-market?

There are several ways:

Revenue Size: Companies between \$5mm and \$25mm in annual sales.

Employee Size: Companies with 10-50 employees.

Payroll: Companies with over \$1mm in non-owner payroll expenses.

Complexity of operation: requiring segregation of duties (ARC) for all material transactions.

Size of C-suite: 3 or more unrelated parties.

How is mid-market different than other sectors such as "small business"?

Most common differences:

- Longer sales cycle for B2B transactions
- Multiple sources/channels of income
- Operations span different states or countries
- More than 2 decision makers for significant investments
- Number of transactions
- Number people involved in every transaction

Mid-market has overall more complex operations and needs that span outside of accounting and into operations/marketing/pricing/finance. Technology (and digital breadcrumbs) dominate every aspect of the operation

How do we market to professional services firms in the mid-market?

Typically, not to the CEO/Owner, it is likely to be the company comptroller or CFO that makes this hiring decision. Building relationships in the CFO circles, sponsoring events ran by the professional associations that promote/lobby for the profession. C-suite level educational marketing. Becoming an expert/authority in the implementation of integrated ERP systems.

What applications or other non-accounting software are typical for these types of businesses?

Microsoft Office for Business
Adobe Creative Suite / PDF Software
G-Suite
ShareFile
SalesForce
SQL/POWERBI/Crystal Reports/Tableau
Slack
Microsoft Teams
HubSpot

Mailchimp/Constant Contact
Zenefits HR
Smartsheet
Knowledgebase Software
AirTable /MS Access
Integrify workflow
Zapier
Monday.com
Asana

Hector Garcia, Garcia & Company, PA

What are some of the differences between the talent acquisition and management processes between small businesses and mid-market companies?

How do you retain your talent?

Recruiting for talent, having stable HR, having a competitive compensation package, and benefits management.

How do you document your procedures?

Building a knowledge-based, documenting variances, iterations, and innovations in processes. Monitoring/Enforcing segregation of duties, internal audits of process/workflow execution

What are some of the HR differences involved?

Fast response and resolution to HR issues, dealing with diversity, compensation packages and benefits.

Brittany Malidore, Peterson Sullivan LLP

Can you please define Mid-Market Clients?

As it pertains to our conversation here today, I would define Mid-Market as businesses whose revenue falls between \$5-50 million in revenue with 25+ employees.

What are Professional Services?

In general, the Professional Service Industry is quite large and will typically include businesses that provide intangible services such as financial advisors, CPAs, bookkeepers, real estate brokers, attorneys, chiropractors, dentists, consultants, entertainers (speakers, etc.), engineers and more. As the industry has grown, there are certain states that have moved certain types of "professional services" into retail categories such as installation, cleaning and decorating - so you would want to double check each state's laws and regulations.

What is one of the main differences between mid-market and small business clients?

Great question and it would depend on the type of professional service business, the transaction volume including frequency of how revenue is received, how bills are processed, what the payroll structure looks like and how many states the business does business in. Often, Mid-Market companies are larger any they are more highly scrutinized and quite frankly complicated. For example, the SMB how has a 3-person, salary only payroll is different than the Mid-Market business that has 75 employees with extensive pre-tax and post-tax fringe benefits, employees in 10 states, and hourly/contractor/salary individuals.

Do you scope SMBs differently than Mid-Market business?

Yes, absolutely. As you continue to grow your client base and practice, you will define your scoping process along the way. For example, as you scope Mid-Market clients you will need to spend a significant on how information is obtained, what are the workflows, do they need financial reporting and dashboarding, what systems do they have in place, do they have internal controls, etc.? Inherently, you will find that you will find more of your time scoping is spent on operations, processes and workflow.

What does the RFP process look like for a Mid-Market business?

Step 1: Introduction Call that allows you to learn about the business, what goals do they have, what team is in place, where are they succeeding and where are they failing, budget, etc.

Step 2: Email follow up requesting the necessary documents that you need to review prior to sitting down with the client formally. This step can vary based on your comfort level. Personally, I request access or information, digest and review then draft up my conclusions to provide to the client after interviews of staff.

Step 3: If possible, meet with internal staff to see how they are processing the accounting, what are their constraints, what changes would they like to see. For this step, trust what the client says at a high-level but try to verify.

Step 4: Formal meeting with client to review conclusions, plan, timeline and extra value adds. Here is your chance to show the client your value, what you can help modify and how choosing your services will better their company. Don't leave them hanging!

Brittany Malidore, Peterson Sullivan LLP

Step 5: Close the deal, agree on fees and set and onboarding date with a timeline for completion.

What are a couple tips or tricks that can help you spot a potential bad client?

Great question! I always keep in mind the three R's - Realistic, Responsive and Rate.

1. **Is the client realistic?** Often, we are asked to be magicians and the services or expectations are unattainable.
2. **Is the client responsive?** From the moment you are connected, do they respond to your emails, do they have thoughtful answers, do they make time for you to meetings, etc.?
3. **Is the client focused on the rate?** Beware of clients that's focus too much on the rate. There is nothing wrong with negotiating but know your value and know when a client is just bargain shopping. Your time and skills are worth it!

Meet Your Panel



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