



# CLIENT MIGRATION STRATEGY

A GUIDE TO IMPROVING YOUR  
FIRM'S CASH FLOW

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## Introduction

It's no surprise that many accounting practices struggle with cash flow. This is ironic, because as a small business owner, we expect our accountant, bookkeeper, or CPA to be the expert in mastering the art of cash flow management. What is some-times forgotten is that our accountant is a small business owner as well, with a lot of the same problems that we face.

This guide would be an easy read if I just said that they have problems with invoicing, collections, and expense control, but there are other issues in play that deserve your attention. Cash flow is dynamic in an accounting firm and can be as chaotic as it is predictable. Many firms have extreme seasonality centered on the tax deadlines . How do you smooth out the effects of seasonality so you aren't worried about surviving through the slower months?

Better yet, how do you thrive all year long? Another problem similar to the issues small business owners struggle with is not starting with the end in mind . Many accountants are too busy working on their cli-ents' businesses and don't give their own the same time and effort . They think that the payoff is when they sell or exit the firm in retirement.

Here's the thing: There is an active market for your firm, but with the Baby Boomers looking for ways to retire, the market may be pretty competitive. You also might not like the value of your firm. Accounting practices tend to be about 1 times gross revenues with their valuations. Therefore, if you want your firm to be worth more, you have to grow.

About 70% of firms currently produce less than \$200,000 per year in annual revenues, with profits between \$65,000 and \$80,000. So, the value of your firm might be \$200,000 or very similar to just having a job for a year or two. Therefore, the dream of funding your retirement by selling your practice isn't very likely. In fact, you need to think of selling your practice as just running the last mile of a marathon. In other words, you must put in the work every day to finish with the amount of money you need to retire. The two most basic ways to grow are get new clients or get more from your current ones.

With that in mind, let's assume you know the most common ways you can improve cash flow in your business. Here's a couple as a review:

- 1) Invoice promptly and correctly
- 2) Manage collections actively to reduce money owed and bad debt
- 3) Control overhead costs in relationship with sales fluctuations
- 4) Keep enough cash on hand (minimum of 45 days of operating expenses)

Getting new clients makes sense if you don't have very many, but if you do, why not increase the amount of money from your current client base? To do this, you have to examine the client experience at your firm. This guide will help you evaluate the steps needed to provide and receive the most value you can from each client. It starts with understanding the Stages of the Client Journey.



## The Stages of the Client Journey

### Attract and Engage



### Migration Strategy



### Advocacy Building



The client relationship is designed to last a long time. Like most relationships, you can't take it for granted, and you must understand what the client is looking for from you at any given point in time. Attracting a client is always where we put in the most work, but as time goes on, we tend to fall into a routine where we don't put forth the same amount of effort. Sound familiar? It happens in our personal lives as well. Here are some strategies to improve your cash flow by improving your client base.

## Attract and Engage



The beginning of the client relationship. How do you get your clients? Some accounting professionals have decided to “niche” their services, which isn’t a bad idea. In fact, I switched accounting firms after I determined that the first one didn’t understand restaurants. I chose to work with a firm that specialized in restaurant accounting. Here is something to understand about choosing a speciality: It

doesn’t mean turning away other business. In fact, I know of a marketing consultant who changed his own marketing to say he specialized in helping “State Farm agents increase traffic.” He attracted 10 new clients with this campaign, but only one of them was a State Farm agent. He simply let others see themselves as successful as State Farm. The biggest takeaway from this stage is to set the stage for client communication. Here are some tips to attract and engage:



People buy from people. In fact, we buy from people we trust. You have to realize that trust is the evidence of integrity over time, so you have to continually build it. In order to start the process, you have to get their attention so they are curious about your brand. The 3 steps to building brand equity are:

**1) Define your value proposition:** The value proposition is the promise you are making to the client. It is what they believe will solve a problem they have. If they are looking for tax reporting and filing or advisory services, is this something they can expect from you? Make sure you are telling the market what they can expect when they do business with you. A classic example is: Are you an internal auditing firm that does payroll, or are you a payroll firm that does internal auditing? You instantly think of these two firms differently. Your pricing structure changes based on your client’s perception of your firm.

**2) Define your competitive advantage:** I’m sure when you look around your market



you can identify competitors. If this is the case, you have to answer the question: “Why should I buy from you?” You have to have a competitive advantage on price or differentiation. If it’s price, it doesn’t have to be a global price advantage. It could be a smaller, more focused part of your service offering.

- 3) Build your brand:** This is what you tell the market: what you do and why they should buy from you. Yes, you simply combine the first two steps. That way, the client’s expectation is being met starting with the first interaction. This is the reason that we buy Apple products. When we see the Apple logo, we know 2 things: They build great computer products, and they think differently. These two things have created their brand. It is what the market thinks they are, and they deliver on the promise.



Relationship Accounting starts with a conversation. Now that you have attracted them to evaluate your firm’s services, it’s time to set the stage that you believe that the client/advisor relationship is usually long term in nature. The initial meeting should do the following:

- 1) Address their initial problem:** They have reached out to you to solve a problem they believe they need help with. Even if there are prerequisites to solving their issue, you must start with answering their question first.
- 2) Show you care about their business:** The best way to do this is by employing the 70/30 rule of conversations. That is, you let the client talk 70% of the time by asking them open-ended questions about themselves, their goals, and their business. Remember, people don’t care what you know until they know that you care.
- 3) Give them something of value up front:** Before asking them to sign an engagement letter for your ongoing service, tell them something about their business that they may not know. A good place to start is using a tool like my Home Run

Lineup, or a set of financial ratios that shows the overall health of their business in less than 7 minutes. This is like auditioning for a job. It builds trust in what you know and opens the door to other services you can provide.



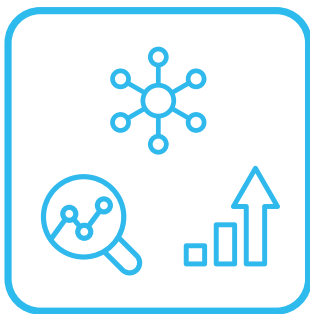
It's time to enroll the client in your services. By now, you have gotten their attention, built rapport and credibility, and shown that you can solve their problem and then some. This is the right moment to formalize your relationship:

- 1) Start with the end in mind:** If you are going to be in a long-term relationship with this client, you have to know where they want to go. After all, any good coach will use the result as a way to “call the right plays at the right time” and keep their team focused on achieving their goals.
- 2) Enroll the right clients:** Believe it or not, you may not want every client that walks through the door. I use my 9-Question Enrollment Framework to find the right client for my consulting service. I've found that if I'm not satisfied with the results of this framework, neither the client nor I will be happy with the results of working together. Find a way to select the clients that have a high likelihood of success in your program.
- 3) Formalize the relationship:** Sign on the dotted line, and start solving their problems. Your quest to build an advocate and champion for your firm starts at this moment. You have chosen each other as the best people to work with, so earn their trust.





## Migration Strategy



Up or out?! If you want to take advantage of entrepreneurial profit, you need to migrate your client base up the value chain of your firm's services. The lowerend clients will become a drain on your resources and ultimately be less profitable. For this reason, it's ok to let your lowerperforming clients go . Here's how to know .



**Define your ideal client persona per service offered:** Not everyone needs everything you offer. Some people may be succession planning candidates, while others need audited financials for the bank. My suggestion is to build an “ideal client profile” for each service and then match your current clients to those services.

- 1)** The main point here is to identify who needs or gets the most benefit from each service you provide.
- 2)** Focus on who might be the best buyer for your service. This means who is most likely to buy, who gets the most benefit, and who should be excluded. At this

stage, you are identifying a persona, not an actual client. You will match the client with the persona in a later step.

- 3) Part of your regular conversations with your clients should be identifying needs by using a needs assessment form. A good quality needs assessment will include a set of questions and financial facts that align with the services you offer.



**Bundle your services to create packages for your ideal client personas:**

Once you have a list of services with an associated ideal client persona, create a matrix of the mixture of services that your perfect client would purchase from you.

- 1) This package of services should be ones that are both required for compliance and advisory. In a perfect world, every client would need every service and be able to afford it. That's not the world we live in. So, your best bet is to build 3 to 5 packages of services that most clients can fit into.
- 2) When pricing these packages, align the costs associated with your service with the package price. Be sure to account for the time it takes to complete each task and buffer the package with technology offerings that your firm pays for. For instance, if you pay a monthly subscription for a service for unlimited use, using it with more clients makes your cost per client cheaper. Bundling these services at a full per-client price gives you an opportunity to increase the profitability of the service package.
- 3) If a person can't fit into a package, the likelihood of that client being a challenging one that eats up your time will increase exponentially. Try to avoid taking on these types of clients. You want to put clients into efficiency buckets, where portions of your services are consumed. You should now have packages of services with an ideal client in mind.



**Migrate your client base up the value chain:** In business, we tend to spend 90% of our time with 10% of our clients. Guess which 10%? The ones who are the most challenging and are the exceptions to our processes and procedures.

- 1) In general, you are probably losing money with this customer, but you fear losing their business. Don't. Clients need your help, but they don't get the opportunity to change the way your business works.
- 2) During this phase, you are going to offer your service packages to the client that is the best fit for the services. You will improve your cash flow by enrolling your clients in your efficient service offerings and reducing the amount of time it takes to maintain their account.
- 3) They become part of your process that you can scale and replicate. Businesses that employ a successful migration strategy let go up to 10% of their low or unprofitable clients each year.

## Advocacy Building



Real growth and real improvements in cash flow come from a well-curated client base, those who are evangelists of your services. The goal is to have “fans” who love to tell others how much better their service experience is than expected. In this phase of the client journey, you build a base of advocates.



**One bad experience can damage your brand:** This should be at the fore front of your interaction with your clients. If a person is happy with you, they may not tell anyone . But when they have had a bad experience, they tell everyone .

In my business, I follow an acronym to help ensure that every client’s experience with my team is a great one . It’s called creating an A.U.R.A . (Acknowledge, Update, Resolve, and Approach) .

- » Acknowledge the client’s contact within hours of them reaching out. Just a short note saying you got their message starts the interaction off on the right foot. When hours turn to days, you have failed.
- » Update the client about the progress you made or failed to make within days. No one wants to think that they have been forgotten. A quick note lets them know you are still working on their issue. When days turn to weeks, you have failed if you have not updated them.
- » Resolve the client’s issue. After all, this is why they contacted you in the first place. My goal is to resolve every issue in weeks. When weeks turn to months, I have failed.
- » Approach your client on a regular basis. You must establish a regular line of communication with your clients to let them know you care about them  
This step is



just a simple touch point, where you reach your entire client base every month. Staying front of mind keeps them from wanting to see who else can provide the services you do. Call, text, email, newsletter, or stop by their business. These are all ways to stay in front of your client.



**Building a relationship will unlock their heart:** People love to be connected to each other, and the best way to do that is to build real relationships. All real relationships are built on trust. In my opinion, trust is boiled down to a simple mathematical equation. Trust is the evidence of integrity over time. This means the more often you do what you say you're going to do or continue to delight your clients with more value than they expect, the more they will trust you. When you have someone's trust, you have an intangible asset that no competitor can replace. Your competitors can replace a tax filing service, but they can't replace a rocksolid relationship . Once your client gives you their trust, it is yours to protect.



**Deploy your champions:** Once you have clients who believe the things you believe, and you have been able to solve their problems, they will be ready to help build your business. Every time they interact with other small business owners, they will promote your brand. Believe it or not, it won't be compliance work that will grow an army of champions. It will be the enthusiasm they feel about working with you . Here are a couple of good examples I have seen where professionals have successfully built their advocacy program:

- 1) One professional in Texas maintains constant communication with her clients (past and present), treating them all equally . She hosts regular customer appreciation events, sends personal notes, and donates a percentage of certain projects to a charity of the client's choice . The reward? A steady stream of referrals and the reputation of being the "best" in her niche.

2) Another professional in Iowa conducts “portfolio pop-ins.” He chooses to make it a point of stopping by 1 to 3 clients’ businesses a week unannounced. This might not seem like that big of deal at first glance, but his secret is he doesn’t try to sell them anything. He simply talks to them about their business and their life. He takes the extra time on his way home from work to chat with a “friend.” His reward is that he is the most well-known professional in 14 counties . People drive from all over to work with a person that puts so much extra effort into the relationship. What they don’t know is that it only amounts to about an hour or two a week, and he stops at businesses where he can also be a consumer.

Nurturing and improving your relationships with your clients, combined with curating your client base, will yield results today and long into the future. When you work with the right clients on the activities you can provide with the greatest efficiency, this is a double win. Your client gets the exact services that fit their needs, and you work more efficiently, make more money, and develop a lifestyle-friendly practice.

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# About The Author

## Mike Milan “Cash Flow Mike”

Mike is one of the highest-rated instructors at the nation’s most prestigious banking schools on the topic of financial management for small business owners. He has built or helped build multiple companies from the ground up by transforming ideas into multi-million dollar enterprises . In the last 6 years he has trained bankers, accountants, and business owners on the art of managing cashing in a business . This experience has had a positive impact thousands of business owners and their advisers.

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