

Being a virtual accountant

Never meeting your clients face to face and telling them to do their own bookkeeping? We look at the growing popularity of online accountants

Starting any new business in the current economy, let alone an accountancy firm, is a challenge. But three years ago, having sold his digital marketing agency Pure360, this is just what Darren Fell did – although Crunch is not typical.

A team of 50 physically located in Brighton, Crunch describes itself as 'the whole accountancy solution online' that has 'shaken up the dusty old world' of traditional accounting. It has amassed 2,200 clients – freelancers, contractors, small web and PR agencies, locum doctors and other micro-businesses – since its launch in April 2009. For a monthly fee of £59.50 plus VAT, they get unlimited access to bespoke software and, via email, telephone or Skype, to an administrator and an account manager – the kind of human support Fell says you do not get from a regular accounting software provider.

They also get access to an accountant who oversees completion and filing of their company tax returns, accounts and annual returns. What they do not get is face-to-face contact but, according to Fell, this is the whole point. 'Crunch replaces the pain of dealing with traditional accountants,' says Fell. 'Gone are the days of the dreadfully costly meetings.'

How does it work in practice? The idea is that they can create invoices, manage their expenses and calculate a real-time view of their business,

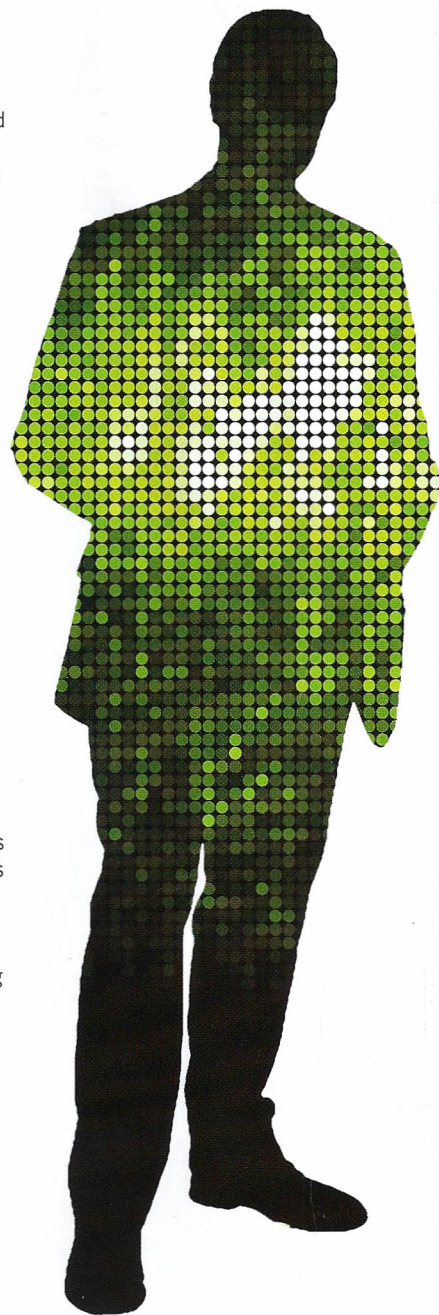
including what and how they pay themselves, from anywhere connected to the internet. 'I can log in wherever I am and fire off an invoice,' says Tim Spilman, director of TRS Technical and a Crunch client, who works in the events and entertainment industry and is 'on the road' two-thirds of the year. And what happens when clients have accountancy questions? 'They ring up their account manager who books them in for a Skype, video- or tele-meeting with one of the accountants,' says Fell.

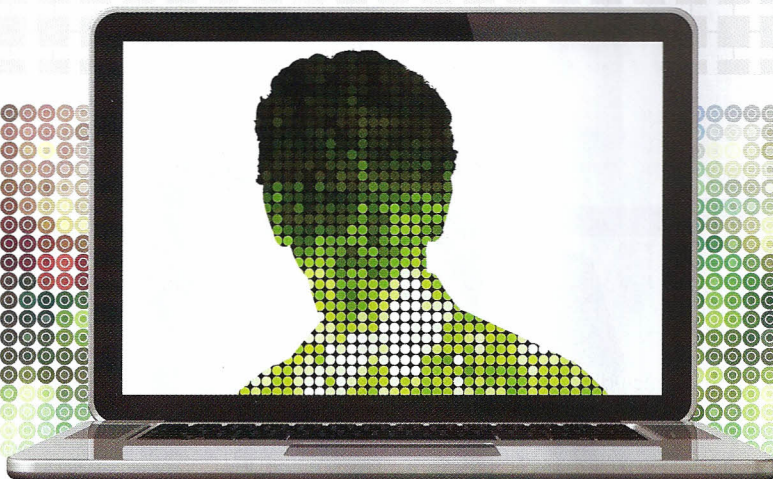
Growing interest

Spilman is among the new breed of entrepreneurs. A YouGov survey found last year that over a third of small businesses were 'in the cloud', using at least one internet-based application (excluding email), and a new survey from Sage has found that 42% of accountants say there is growing interest from clients in online collaboration. 'For the generation of entrepreneurs brought up with Google, Apple, Amazon and Facebook, sharing information online with their accountant is as natural as online banking, and there is a significant opportunity for accountants here,' says Jim Scott, managing director of Sage's Accountants' Division.

There is no doubt about it – the low-cost, volume-driven online accountancy marketplace is becoming big business and everyone wants a

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piece of the action. According to the research from Sage, nearly three-quarters of accountants predict that online services will represent the biggest shift in their working practices over the next three years and 41% say online will be a new offering for the next 12 months, with bookkeeping, final accounts and monthly management accounting as the top three services offered online.

London-based firm Goodman Jones seized the online opportunity five years ago, when it started to offer online bookkeeping as a 'supplement' to its advisory and tax planning services. 'The tools have been around for a while, but it's the growing awareness of cloud computing that makes it easier to introduce online accounting to our clients,' says partner Philip Woodgate. 'Five years ago we were having conversations just explaining what it was.'

The amount and type of online a practice can offer depends on its market positioning. 'To supplement' as opposed to 'everything online' is therefore what Goodman Jones does. 'Our clients are large, so their needs are different and our approach is people rather than factory-based,' says Woodgate. 'Occasionally, you do need to sit down in a meeting and discuss risks and implications.'

So, if you service micro-businesses solely online, do you, in a perverse sort of way, almost wish your clients did not prosper? Perhaps, because otherwise, 'As your clients and their needs grow and become more complex [think tax planning], what are you going to do?' asks Woodgate.

There are tax-planning and tax-saving opportunities with small businesses, too, but this is not something online accountants, on the whole, cater for. 'It's important that clients understand what they're getting as part of the deal,' says Woodgate.

Could the personal touch be missing when clients are serviced solely online? Fell disagrees. 'It is the traditional accountant who is often not very good at customer service,' he says. 'They're doing the technical work, the meetings, trying to win new business – they're doing too much and are not very fast at getting back to clients. Our model separates these functions and makes the best use of everyone's time.'

Human touch

Besides, not all online accountants are the same. 'It's not enough to buy a piece of software and give it to your customers,' says Fell. 'You also need that human factor and the customer service that comes with it – it's the "humans and software" business model of bringing people and software together that allows us to deliver good service at a fixed price.'

SJD Accountancy is in a similar market but unlike Crunch, it operates firmly on the high street. But why should someone pay £110 a month (SJD price) when they can get the same service for £60? 'It's not the same because we do not operate from a call centre environment and you get to meet your accountant,' says SJD managing director Simon Dolan. 'People don't go to accountants to use a bit of internet software and be told to do their own bookkeeping – they go for advice and to

pay as little tax as possible.'

And does it even work that well? 'Say, you're sitting on a train on your way home and want to do your bookkeeping. You get halfway through, then go through a tunnel and you lose everything because there's no Wi-Fi or the 3G is down. Or their site is down,' says Dolan. 'Because everything's online, people have naturally assumed that it'd be great to get bookkeeping online too, but it's just the next spin.'

The biggest worry, however, is the security and integrity of the client



data. 'Online accountants tell you they can't possibly get hacked. But if governments can get hacked, small private companies can too,' says Dolan. 'Bearing in mind the information they keep online – dates of birth, national insurance numbers, company names, home addresses, copies of bank statements – the hackers get everything they need to clone you with.'

What about anti-money laundering checks? 'If you accept businesses that contact you by email, and if there's no physical human contact and all you say is "pay us X and here's the access code to our software", then clearly there's a risk,' says Perry Burton, assurance partner at Grant Thornton. Fell disagrees: 'Using every conceivable database, in about 25 minutes we collect 30 to 50 different pieces of information and compare it back to the potential client's address – a far more detailed approach and way beyond what traditional accountants do.'

Global e-accountants

While it is clear that online as the whole accountancy solution is currently limited to servicing small businesses and has bookkeeping at its core, bigger firms nevertheless also reap the rewards online can bring to their service offering. 'We utilise the internet in the area of global compliance service,' says Burton. 'Multinational clients provide us with, and draw from us, information over the web.' In effect, the central server works as an information exchange and documents repository – there is no software processing involved, he adds. 'The clients use the server to electronically deposit information with us – as PDFs or spreadsheets – instead of sending it by email. And they can see online, in real time, where we are with the work.'

The real-time visibility is also key for KPMG, which introduced a web-enabled collaboration space to their clients nine years ago. 'The number of users has doubled every year since 2006 and we now have over 12,000 in 140 countries,' says Rob Baldwin, director of Global Compliance Management



Clockwise from left: Rob Baldwin, KPMG; Darren Fell, Crunch; and Simon Dolan, SJD

Services at KPMG. 'What we do is far more complex than what Crunch does, but the principles are similar – we use the internet technology to get information from clients and to support the delivery of services.' There has been a big shift in the recent years, especially in global tax compliance. 'Heads of tax are not now just interested in fancy tax planning schemes – they're more interested in what might come out of left field to upset the overall tax position of the group. They want and need the information at their fingertips to be able to plan ahead,' says Baldwin.

The future

Where are we heading to with online? 'Smaller firms need to think how they can best use the tools to help their clients,' says Woodgate. 'The tools can be about much more than just data crunching and bread-and-butter work – they can be the basis for data analysis, for sharing information with clients, and this applies to working with larger businesses too.'

There is a growing emphasis on good compliance and non-financial reporting too – social responsibility or ethical reporting, especially in extraction industries like mining. 'The press and the government cast some multinationals as evil organisations that aim to pay the least amount of tax, but most multinationals are actually keen to get it right and to be seen to be getting it right,' says Baldwin. 'So there will be more emphasis on systems, processes, adequate controls and transparency, and on being able to demonstrate that businesses are doing the right thing – online technologies can help with this.'

And what about Crunch? 'By the end of the year we'll have hired another 60 people and have 4,500 to 5,000 customers,' says Fell. 'In five year's time, we want to be number one in the UK's micro-business market with 12,000 to 15,000 customers, and will have gone into at least two other English-speaking countries.'

Iwona Tokc-Wilde, journalist

* FUTURE

73%

Percentage of accountants who say use of online services will represent the biggest shift in their working practices over the next three years.

41%

Percentage of accountants identifying online accountancy services as a new offering for the next 12 months.

Source: Sage survey