

# State of the industry report

2023 Canada



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# Foreword

## The advisory industry is leaping from strength to strength – and we believe there’s much more growth to come.

Reflecting on the market conditions over the last few years, accounting and bookkeeping practices have had a hyper focus on their businesses and clients' bottom line, and as a result, the industry has taken a new shape. Most of the practices we surveyed in Canada are experiencing growth in both revenues and profits – adding clients to their rosters even as they adopt new ways of doing business to ride the waves of change. And we think they've only scratched the surface of what's possible.

The data and stories in this report reveal subtle yet potentially seismic shifts to industry norms. While each of these shifts begin to take form, practices surveyed which have embraced change are also experiencing uplift to their results and readiness for a future to help them thrive.

The first of these shifts applies to the value that practices offer to their clients. Practices we surveyed are increasingly expanding beyond core services like accountancy and bookkeeping to provide client advisory services. Steady growth into these kinds of services could see the industry entirely redefine its ABCs – Accountancy, Bookkeeping, and Client Advisory – for far greater market opportunity across all its members.

As practices move into new services, we're also seeing them adopt new billing models like value based pricing – challenging established norms to offer simpler (and sometimes more profitable) value exchange frameworks to their clients.

And perhaps most interestingly, practices are embracing technology to enhance their talent strategy. Whether it's serving to improve collaboration with clients, make work more accessible, or support flexible working, practices surveyed now see cloud software as playing a critical role in attracting and retaining talent in persistently tight labour markets.

It's encouraging to see from the data in this report that these shifts are largely driven by a desire to create better outcomes for people, both clients and employees. Practices surveyed are increasingly embracing the logic that stronger relationships and growing revenues go hand in hand.

We believe the trends described in this report have only begun to take hold in many segments of the industry, with smaller practices displaying a hesitancy towards change. Yet that only highlights the sheer opportunity for growth that remains for the industry as a whole. If practices continue on the trend of transforming how they add value and serve their clients with technology, the best is definitely yet to come.



**Faye Pang**  
Country Manager  
Canada

# Definitions used within this report

## How to read this report:

Survey was conducted between 15th May – 2nd July 2023. Past/last 12 months refers to past/last 12 months at time of survey fieldwork.

**Totals:** Percentages throughout the report may not add up to 100% due to rounding.

Throughout this report we have used terminology to compare different groups or concepts. Please find a detailed list of those we have referred to below for your reference.

The information and commentary in this report is a guide only and should not be taken as taxation, financial or legal advice. We recommend you check with an independent expert that what you're doing is right for you and your practice.

## Practice size definition:

Within the report we have referred to the following practices based on the corresponding employee size (including themselves):

Micro Practices	Small Practices	Medium Practices	Large Practices
1 (sole practitioners) – 10 employees	11 – 20 employees	21 – 50 employees	51+ employees

## Services:

In the report, we have grouped different services into the following services based on the question: What services does your practice offer to clients? Please select all that apply:

- **Bookkeeping** includes invoicing & debt collection, billing & payments, record keeping, managing sales tax and inventory management
- **Client advisory services (CAS)** includes forecasting, budgeting, and financial strategy
- **Compliance** includes managing annual taxes and managing other taxes
- **Reporting services** includes internal reporting (i.e. compiling reports, financial and operational information for internal stakeholders such as employees) and external reporting (i.e. compiling reports, accounts production and annual accounts for external stakeholders such as investors, boards)
- **Payroll processing**

**Cloud accounting users:**

Cloud accounting users are defined as those practices that selected a cloud-based accounting software in the following question:

- What software does your practice use to do work for your clients?

**Non-cloud accounting users:**

Non-cloud accounting users are defined as those practices that did not select a cloud-based accounting software in the above question.

**Xero users:**

Xero users are defined as those that selected “Xero” in the above question.

**Non-Xero cloud accounting users:**

Non-Xero cloud accounting users are defined as those that did not select “Xero” in the above question but selected another cloud accounting software.

**Offers value based pricing:**

We asked practices about how they bill their clients. We refer to practices offering “value based pricing” in this report where:

- Clients are quoted a fixed amount per piece of work; and/or
- Clients are on a fixed fee monthly/quarterly/annual service plan.

# Key headline insights from this report

## 1 It's been a good year. Practices across the board have reported growth

70% of practices surveyed have experienced increases in revenue, with medium and large practices most likely to report such increases. Increased revenues have, in the majority of cases, been driven by growth in client numbers: 56% of practices surveyed that have seen revenue growth over the past year attribute it to an increase in clients. Perhaps most encouragingly, profits have also grown: 70% of practices we surveyed report an increase in profit, with large practices most likely to have experienced a significant increase at 35%.

## 2 Practices are looking to add value – heralding changes in operations and billing

While bookkeeping and compliance still make up the bulk of their revenues, practices we surveyed are starting to tap into strong demand for client advisory services (CAS). In fact, 22% of practices surveyed offering CAS added this service in the past year alone. This movement towards value-added service has been accompanied by adoption of value based pricing models, with 32% surveyed stating that their practice has started to bill clients in this way in the last 12 months. For now, the shift to value based pricing remains most pronounced amongst medium and large practices, with sole and micro practices more likely to maintain hourly based models.

**3**

## Practices are adopting cloud to help **empower** their people

46% of practices surveyed have started using cloud software within the last two years. On average, practices surveyed are using cloud software for 45% of work they do on behalf of clients. It appears that for these practices, employee empowerment is front of mind: their most common reasons for cloud adoption include supporting flexible working, allowing easy access to data, making work easier, and enabling effective collaboration with clients. And for most, cloud adoption plays a significant role in their talent strategy: of those surveyed, 60% agree that practices that use cloud-based software have higher staff retention, while 66% believe that practices using cloud attract more new staff.

**4**

## Cloud adoption amongst practices is **paying off** – literally

Practices surveyed using cloud accounting software are more likely to have seen both an increase in revenue (74% vs. 41% of non-cloud accounting users); and an increase in profit (75% vs. 41% of non-cloud accounting users). Those surveyed which adopted cloud accounting software are also more likely to have increased their client numbers, with an average of 42 new clients over the past year compared to 24 new clients amongst non-cloud accounting users. It's not just correlation, either: 32% of practices surveyed directly cited the use of cloud software as a reason for their increases in revenue.

**5**

## Practices surveyed that use Xero are **more likely** to experience revenue growth, compared to non-Xero cloud accounting users

In addition to the broad benefits of using cloud software, Xero users recorded revenue improvements over the past 12 months: 87% of Xero users surveyed saw their revenues increase compared to 70% of non-Xero cloud users). As well, 64% of Xero users that experience improvements due to cloud said that using Xero software directly resulted in an improved experience for their clients.

# The 2023 accounting and bookkeeping landscape

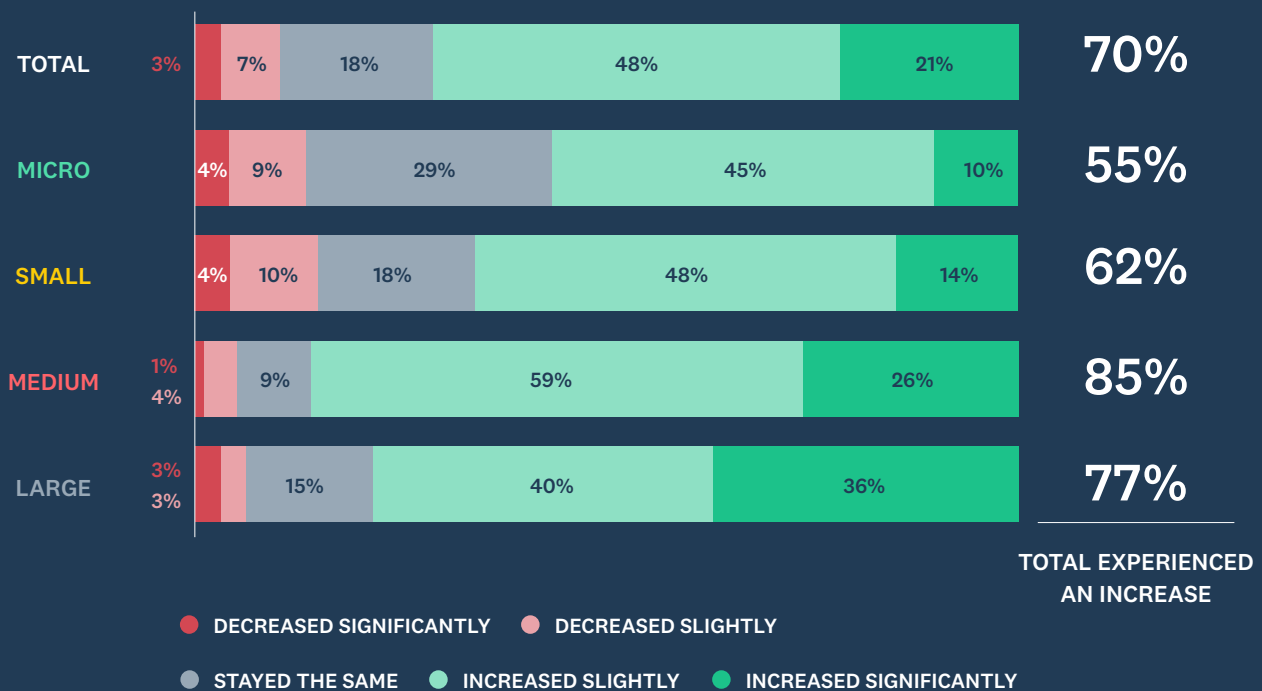
## Section 1: Growth

### ➔ 1.1 Revenue change

**The majority of practices surveyed have seen their revenues grow over the past 12 months**

Good news: most practices we surveyed in Canada are flourishing. Over the course of the last 12 months, 70% of practices surveyed have witnessed an increase in revenue, with medium and large practices more likely to have witnessed an increase in revenue. Notably, micro practices were most likely to see flat revenues in the past year, with 29% surveyed claiming no change in revenue.

*Thinking about the past 12 months, how has your practice's revenue changed?*

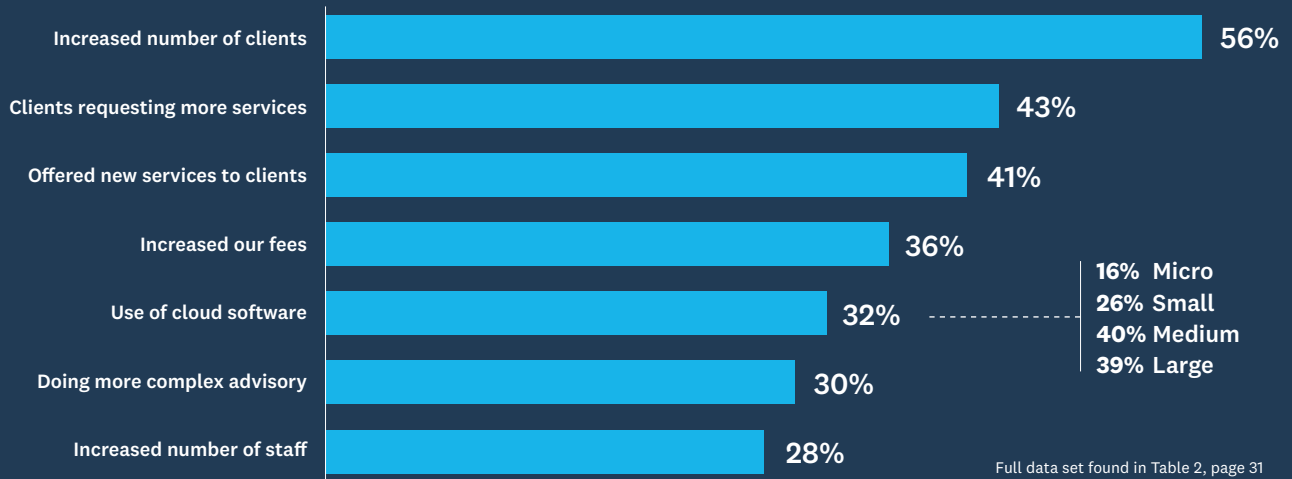


Full data set found in Table 1, page 31



These practices attribute this growth to clients requesting more services; changing the services they offer; and increasing their client base. In addition, more than a third of medium and large practices surveyed attribute their increase in revenue to the use of cloud-based software (40% and 39% respectively).

*In your opinion, why has your practice experienced an increase in revenue?*

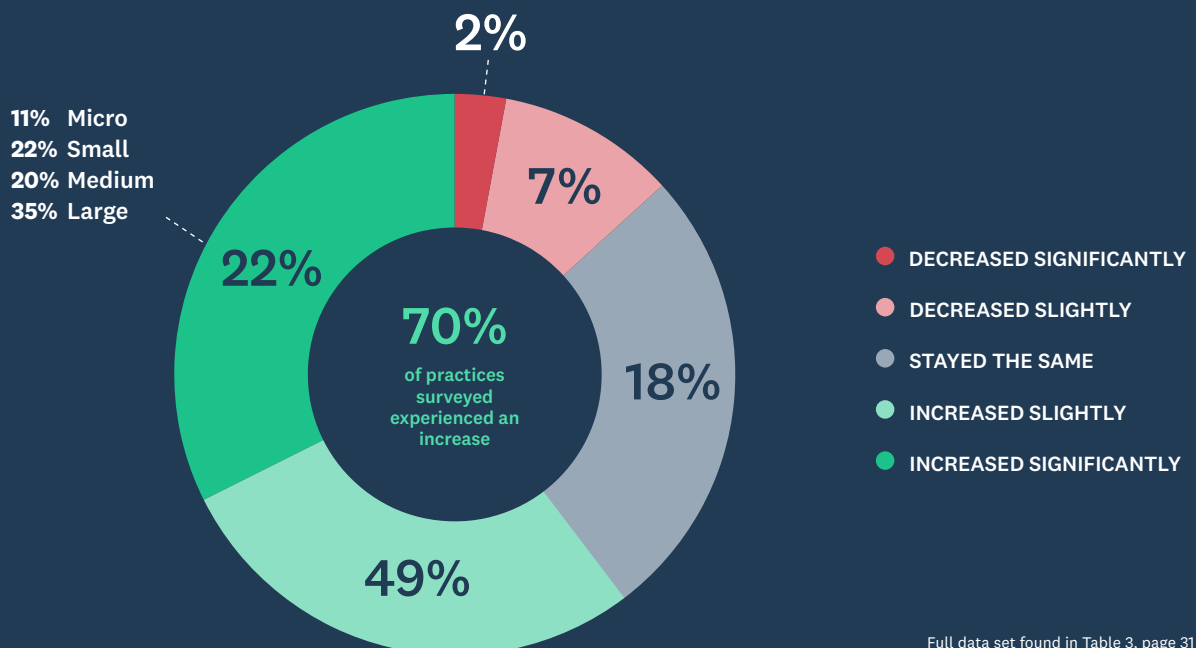


**1.2 Profit change**

**Profits are powering up alongside revenues**

It's not just revenues that have risen. 70% of practices surveyed have seen their profits rise, with 22% stating they've experienced a significant increase.

*Thinking about the past 12 months, how has your practice's profits changed?*



Reasons for increased profit were largely consistent across practice size. These tend to emphasize the services that practices are able to offer, as well as the operational running of the practice. Across practice sizes, common reasons for profit increase are expanding services (48%), streamlining internal processes (41%), increasing automation (39%) and adopting or switching to new software (39%).

Of those surveyed, large practices are more likely to attribute their increased profits to hiring more staff, perhaps reflecting their ability to clinch greater market share by scaling up raw capacity.

*In your opinion, why has your practice experienced an increase in profit?*

	Total	Micro	Small	Medium	Large
Increased the number of services we provide	48%	40%	54%	51%	45%
Streamlined internal processes	41%	31%	40%	52%	38%
Increased automation of manual tasks	39%	32%	31%	47%	41%
Adopted/switched to new software	39%	35%	29%	48%	40%
Introduced/improved staff training	34%	34%	34%	33%	36%
Experienced better retention of staff	34%	18%	40%	36%	38%
Employed more staff	26%	21%	17%	26%	38%

Full data set found in Table 4, page 32



CASE STUDY: PAULA FESTAS — HUUMANS

# The co-founder building accounting's future with AI

The best bookkeepers and business advisors have something in common: they both turn data into a source of competitive advantage for their customers. That's the principle which led media and tech veteran Paula Festas to co-found humans, an accountancy firm that's using AI and the cloud to redefine the scope and value of bookkeeping as we know it.

"I used to help out at my dad's restaurant when I was a kid," says Paula Festas. "He'd sit at a table in the back with his binder full of receipts, working out cash flow and balances on a handwritten spreadsheet all by himself. He didn't have any help or professional advice. And when the recession hit in 2008, he ended up losing the restaurant as a result."

That experience eventually led Paula to co-found humans, a startup focused on helping small businesses grow with cloud-based accountancy services. In little more than a year, however, the firm's capabilities have already expanded beyond her loftiest ambitions.

**"Once we started asking our clients what was keeping them up at night, the answers really compelled us to pivot in the way we thought about and employed data for our customers' benefit,"** Paula says.

## A smoother, smarter way to do business

At the core of humans' solutions sits within Quota, a proprietary AI dashboard that gives small businesses ever-increasing insight into how to optimize their finances and operations. Quota consolidates data from both Xero's APIs and customers' own records, acting as a one-stop repository for crucial financial information as well as supporting the advice that humans' team of accountants offer to customers.

"Small businesses were telling us how when they dealt with their banks, they were often challenged to provide financial information which their accountants and bookkeepers struggled to provide in a timely or comprehensive way," Paula says. "With Quota, they're able to extract all of that relevant information from a single source, at any time or place."

The cloud-based Quota also integrates seamlessly with a range of other platforms besides Xero's, including many of the payroll, benefits, and CRM solutions typically used by small businesses. Having all that data in a single secure environment equips Paula's team to better advise customers on issues that go beyond the traditional scope of accounting; and guide those customers to other potential service providers which best match their unique situations.

"Part of what we've been doing at huumans is curating an ecosystem of SMB service providers for benefits, insurance, wealth management – the things that small businesses tell us are keeping them up at night," Paula explains.

**"The data we get from Xero and other sources helps us not only advise our customers with greater accuracy, but also refine that ecosystem to offer only the services most aligned with their needs."**

The next stage in Quota's development will use AI to benchmark small businesses' financial and operational performance against peers in their industry and local region, helping them identify areas for potential improvement. For example, a small business in retail might discover that its peers are spending more on marketing and less on insurance than them, prompting the retailer to reconsider its insurance policies and allocate the savings to boost its brand.



"Partnering with Xero and being able to access small business data through its APIs has played a big role in building out our benchmarking database," Paula adds. "It's allowed us to get ahead of the curve with the way that AI is revolutionizing accounting as we know it."

## The cloud's advantages still hold strong

Being a cloud-based accountancy makes accessing those APIs much simpler, giving huumans' team access to the small business data they need at scale and in real-time. It's also helped in building the team, with remote work and innovation being at the heart of Paula's talent strategy.

"If I'm looking for the best bookkeeping and AI skills to serve our customers, why do I want to limit myself just to Toronto?" Paula asks.

**"Being cloud-based from Day 1 has allowed us to hire some incredible people all across Canada and even in Europe, which also helps in providing service for customers across various time-zones. And it's also helped us attract people who have an openness and hunger to learn technology, which I think plays a huge role in how we ourselves grow as a small business."**

That attitude to learning, along with access to top software development skills, will likely determine how well huumans maintains its edge as AI transforms the financial services industry. Yet while the cloud may have become the new normal for many small businesses, many others still have yet to experience its transformative benefits for the very first time.

"When we have those early conversations with more traditional firms, it's almost like they don't believe what's possible," Paula says. "Yet within a month, they'll say to us: why didn't I do this sooner? Seeing them enjoy more time to focus on their businesses, using data to make decisions that keep their cash flow and balances healthy – it's incredibly rewarding." Unlike Paula's dad, these small business owners don't have to go it alone – whether that's in bookkeeping, business operations, or beyond.

## Section 2: Services

### ➔ 2.1 Services that Practices Offer

**While bookkeeping and compliance based offerings are core, according to our survey data varied service offerings broaden revenue opportunity**

On average, practices surveyed offer four different services to their clients. Bookkeeping remains a core service across all practices surveyed, with 82% providing this service. Compliance also represents a core component of a practices' workload.

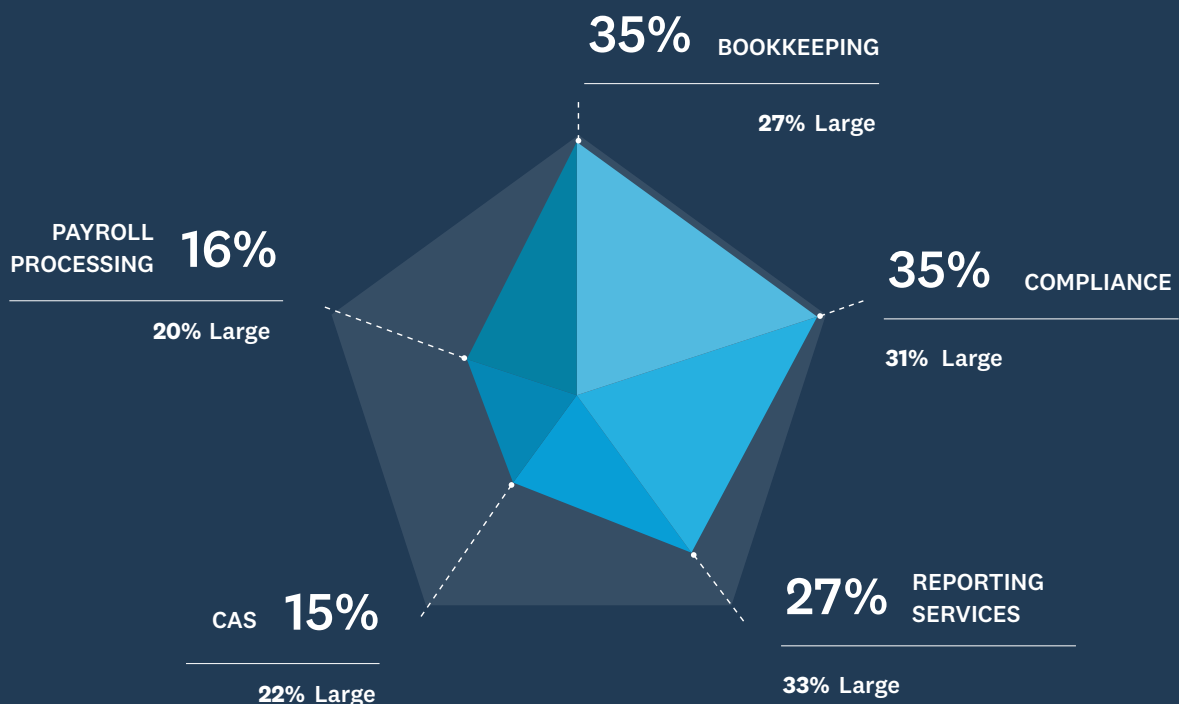
#### What services does your practice offer to clients?

	Total	Micro	Small	Medium	Large
Bookkeeping	82%	81%	80%	88%	81%
Compliance	65%	70%	74%	64%	51%
Reporting services	59%	54%	64%	64%	54%
Payroll processing	44%	55%	46%	44%	31%
CAS	41%	45%	44%	40%	35%
Average number of services offered	4	5	5	5	3

Full data set found in Table 5, page 32

Despite fewer large practices offering compliance and reporting, it still accounts for a similar proportion of revenue as bookkeeping, suggesting this work they do is of similar value to bookkeeping.

#### What proportion of your practice's revenue comes from the following services that your practice provides?



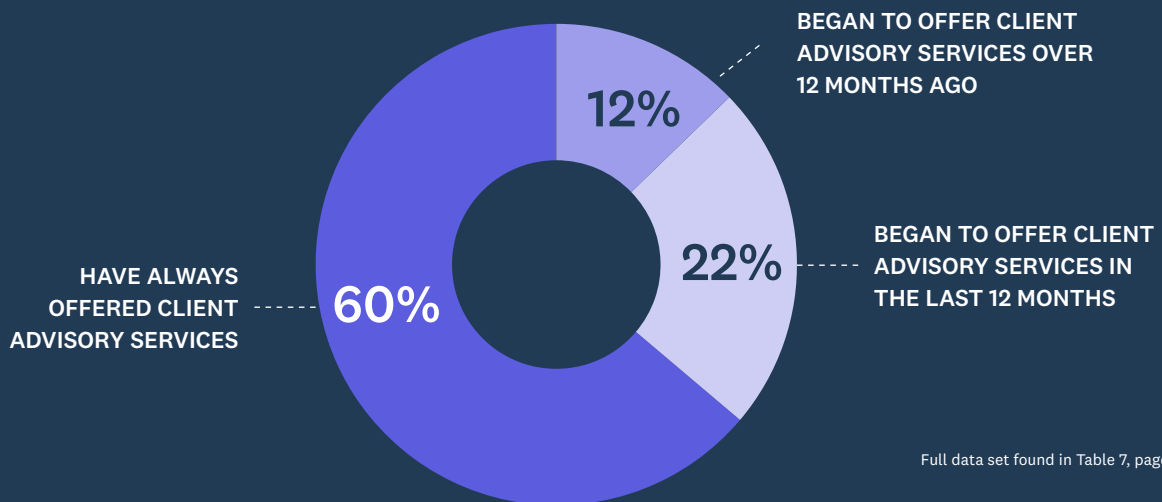
Full data set found in Table 6, page 32

## ➔ 2.2 Client Advisory Services (CAS)

### Client advisory services are experiencing particularly notable trends in demand

41% of practices surveyed now offer this service (table 5); 22% of these added this to their repertoire in the last 12 months alone.

*This question is about Client Advisory Services (CAS). Which of the following statements best applies to your practice?*



### Many practices offer CAS to provide client confidence

It's worth noting that 66% of practices surveyed say providing clients with confidence is a reason why they offer CAS. Keeping up with client demand (53%) and contribution to growth strategy (53%) also feature as prominent reasons for bringing CAS to the table. This suggests that in most cases, practices surveyed start or continue to offer CAS as a way to build deeper trust and buy-in from their clients.

Bigger practices often see CAS as their ticket to growth. Amongst medium practices surveyed, future growth is the most common reason for offering CAS (cited by 77%), while 41% of large practices state they can charge more for providing such services – more than micro, small and medium practices. It appears that as practices grow, CAS can help play a greater role in their profitability and future outlook.

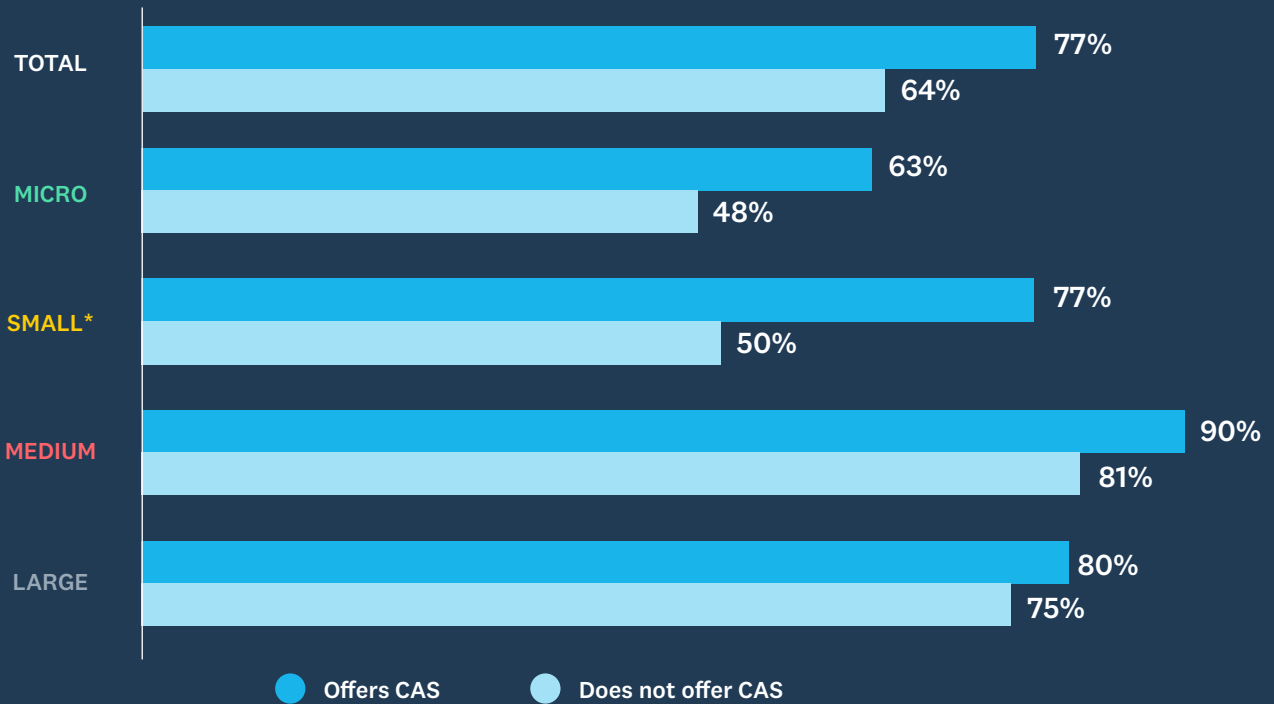
### *Why does your practice offer client advisory services (CAS)?*

	Total	Micro	Small	Medium	Large
To provide my clients with confidence in our services	66%	59%	82%	69%	53%
It is part of our growth strategy	53%	41%	50%	77%	44%
To keep up with client demands	53%	49%	59%	54%	49%
To service clients we would not be able to otherwise	45%	33%	59%	44%	42%
To keep up to date with other practices	42%	33%	36%	59%	41%
My practice is able to charge more for CAS	25%	20%	23%	18%	41%

Full data set found in Table 8, page 33

Regardless of their size, practices surveyed that offer CAS were more likely to have witnessed increased revenue in the last 12 months.

*Thinking about the past 12 months, how has your practice's revenue changed?  
% that have witnessed an increase*



Full data set found in Table 9, page 33  
\*Low base size

Practices that offer CAS also report an increase in profit.



Full data set found in Table 10, page 33

## ➔ 2.3 Value Based Pricing

### Along with changes to services, practices surveyed are changing the way they charge

Billable hours remain the most common pricing model used by practices surveyed, but that may soon change. On average for those surveyed, 34% of a practice's client base is billed per hour, compared to 26% that are charged a fixed fee per time-frame and 25% who are charged a fixed fee per piece of work.

#### What percentage of your practice's clients do you bill in the following ways?

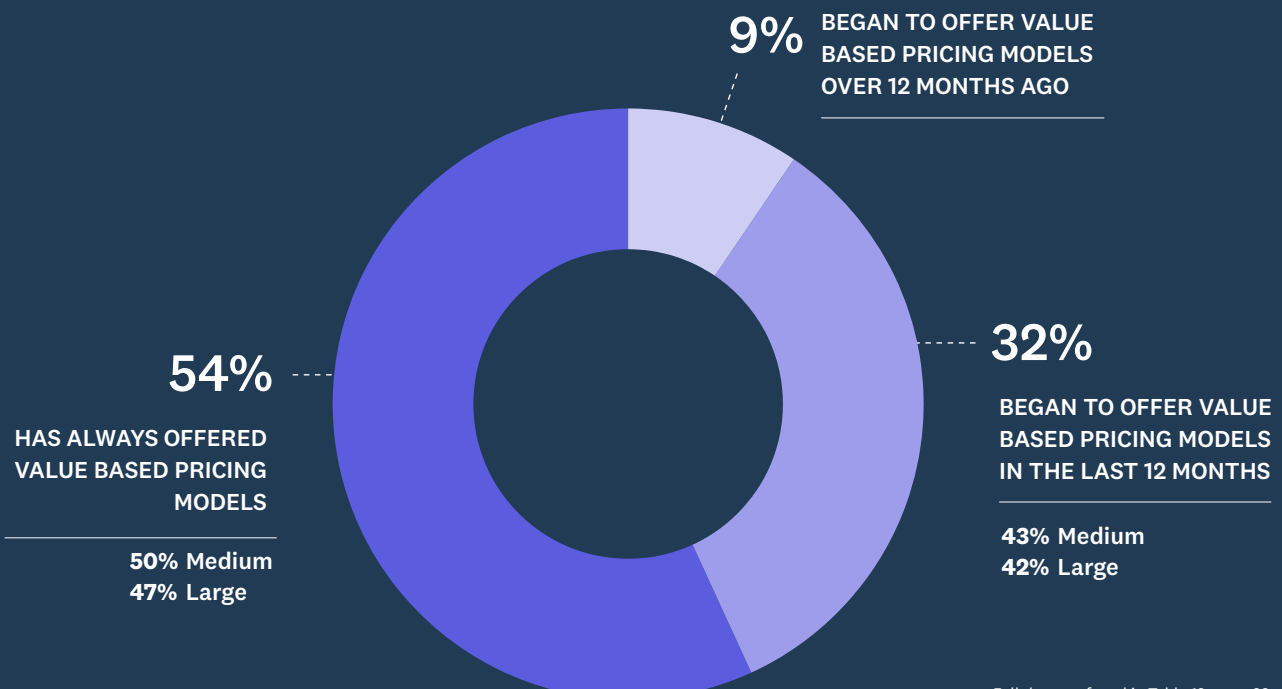
Average %



Full data set found in Table 11, page 33

However, a significant portion of practices are upending the dominance of time based approaches to pricing. In the last 12 months, 32% surveyed began offering value based pricing, with this trend most common amongst medium (43%) and large practices (42%).

#### You mentioned your practice has value based pricing models (i.e. models that are not based on hourly rates). Which of the following statements best applies to your practice?



Full data set found in Table 12, page 33



Value based pricing appears to offer practices a win-win scenario: the most common reasons for introducing value based pricing are to increase revenue (41%) and to make pricing easier for customers to understand (38%). Our report data also found that medium practices are more likely to recognize benefits in how they upsell services (46%) while large practices are more likely to find value based pricing easier to understand for colleagues (36%).

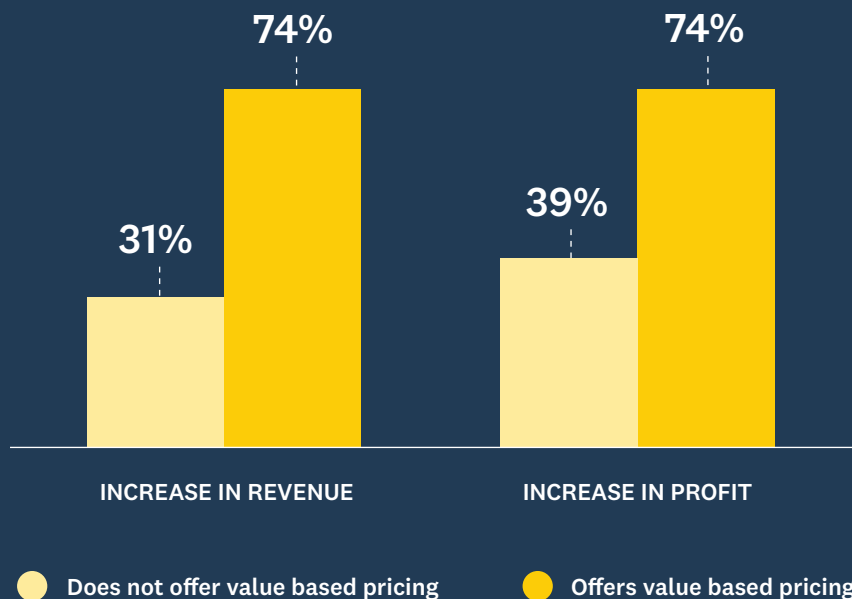
**Why does your practice offer value based pricing models?**

	Total	Micro	Small	Medium	Large
It has helped to increase revenue	41%	35%	43%	53%	32%
It is easier to understand for clients	38%	40%	45%	32%	35%
It is more profitable	36%	30%	32%	40%	39%
It has helped to increase margins	36%	27%	47%	34%	33%
It feels more honest	33%	31%	32%	32%	36%
We can more easily upsell our services	32%	23%	28%	46%	31%
It is our clients' preference	30%	28%	32%	33%	28%
It makes more sense	30%	38%	21%	33%	31%
It is easier to understand for colleagues	24%	11%	21%	25%	36%

Full data set found in Table 13, page 34

Is this enthusiasm about value based pricing justified? From the report data we do see do see indication that switching to value based pricing models can positively affect the bottom line. Practices surveyed that offer such models were more likely to have witnessed increased revenue (74% vs. 31%) and profit (74% vs. 39%) over the past 12 months.

**Thinking about the past 12 months, how has your practice's revenue / profits changed?**



Full data set found in Table 14, page 34

# From 80-year-old accountancy to next-generation financial planning

After decades as a traditional accounting practice, Crawford Smith & Swallow is now using its legacy to help other businesses build theirs. Connor Gates, the firm's newest partner, has led the charge into both financial planning and cloud technology – a journey that's been as much about building on the past as challenging the status quo.

Connor Gates knows a little bit about longevity. The newest partner of Crawford Smith & Swallow has spent his entire career of more than 10 years working at the firm, from his days as a student to becoming a new father. It's precisely that respect for legacy, in fact, which drives Connor to challenge the status quo in the firm's technology and services.

**“We have staff and clients who've been with us for 50-plus years,”** Connor says. “And there's a common mindset of ‘if it ain't broke, don't fix it’ – where everyone just keeps on doing what they've always done for decades. But if we want to help sustain our clients' businesses into the future, we've also got to change the way we operate and think.”

## “It's the solution I never knew I needed”

In the past four years, Crawford Smith & Swallow has adopted Xero and other digital solutions across its practices – the first major technology shift in its operations since its inception over 80 years ago. That's been primarily driven by clients' own experiences of the technology, typically introduced to them first-hand by Connor himself.



“When it comes to accounting, clients are generally unaware of what’s out there, regardless of what industry they’re in,” Connor says. “But when you show them this black magic they can do on their phones, where they let automation do the heavy lifting, they suddenly realize: ‘this is the solution I never knew I needed.’”

**“I introduced bookkeeping on Xero and Hubdoc to the pharmacist who sold my wife his business, and he told me, ‘if I’d known it was this easy, I might not have retired’ – which says a bit about how compelling that very first experience can be.”**

Client demand has also driven Crawford Smith & Swallow’s diversification into financial planning services as a point of differentiation from other accountancies. “We’re able to look holistically at their entire lifecycle, not just the business lifecycle, and plan things out in a more meaningful way,” Connor adds. “It was a no-brainer to add that skill set into everything else we do.”

However, achieving the firm’s new goals – like getting 100% of clients equipped with some sort of financial plan – has demanded significant shifts in mindset for clients and employees alike. In some industries like construction, clients remain relatively uninterested in any changes



to their accounting services, adhering to what Connor calls a “you do your job so I can do mine” philosophy. And amongst Crawford Smith & Swallow’s accountants, embracing new skills like consulting and advising hasn’t always proven easy.

## A business model for long-term transformation

Introducing new perspectives into the business has helped. “Perhaps the best thing we’ve done this year is hiring a Chief Operating Officer who’s not an accountant,” Connor says. “She has come in with a completely different angle on business, to really galvanize the team to see why we need this technology change: because we’re behind in our industry, and risk falling behind our peers.”

As the firm’s de facto changemaker, Connor also makes sure to align the use of cloud platforms like Xero with what his coworkers and clients need most – which doesn’t always correlate with other companies’ use cases.

“The biggest issue that everyone has, is that nobody has enough time,” Connor observes. **“So we’re not prioritizing clients adopting the best tools like Xero for their business. Instead we’re primarily using Xero internally to reclaim our time, to do the work faster and at lower cost to us.”**

Connor himself is excited about the possibilities offered by the cloud – from analytics-based advisory services, to slashing tax-processing times with Xero TaxCycle after personally going through a “horror tax season”. But he’s also well aware that going too fast may come at the cost of bringing the entire firm along, particularly in newer disciplines like cloud advisory.

“I think a lot of people are still spinning glorified bookkeeping as being ‘advisory services,’” Connor opines. “I’ve only got the one client engaging us for true advisory: it’s my highest-revenue client, so that’s helped add even more value over the top. But those core bookkeeping and reporting and compliance services are going to stay at the heart of our business for a while to come.” It seems that the more technology and services change, the more some things – like the value of trust, reliability, and doing the basics better and better – stay the same.

## Section 3: Cloud-based software

### ➔ 3.1 Cloud Penetration

#### Cloud adoption makes its way into the client experience

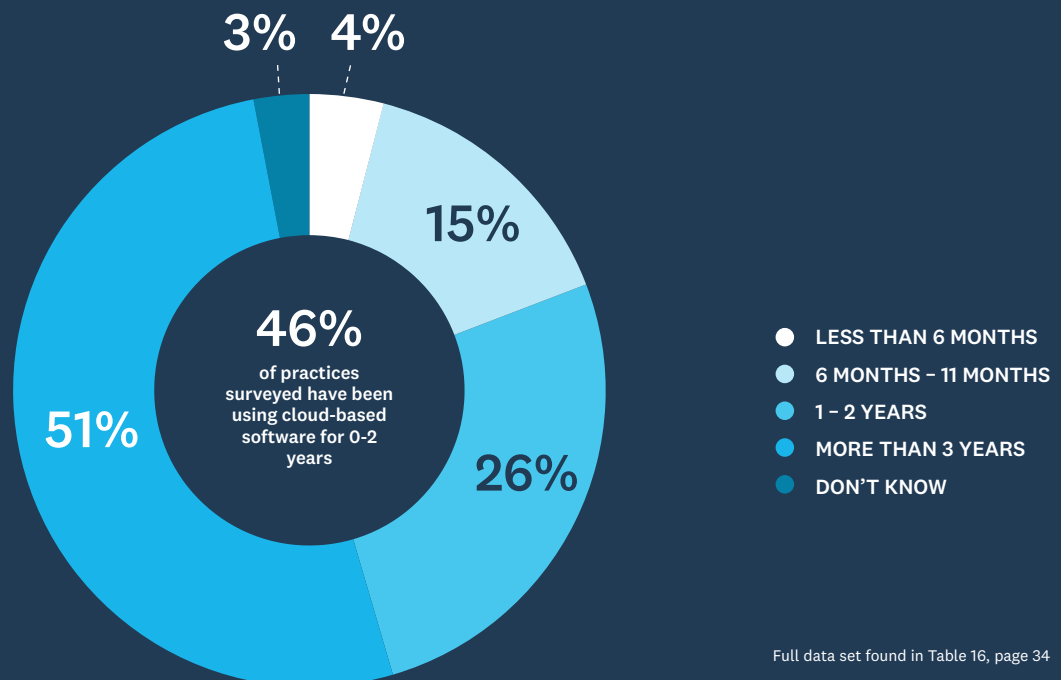
Of the practices we surveyed, 45% now use cloud software when doing work on behalf of their clients.

*When doing work on behalf of your clients, what proportion does your practice use cloud software for?*



Usage of cloud software is still relatively new in the industry, but has gained strong momentum over the past 2 years. Of those surveyed, 46% of practices that use cloud accounting software have adopted it within the last two years alone.

*How long has your practice been using cloud-based software?*



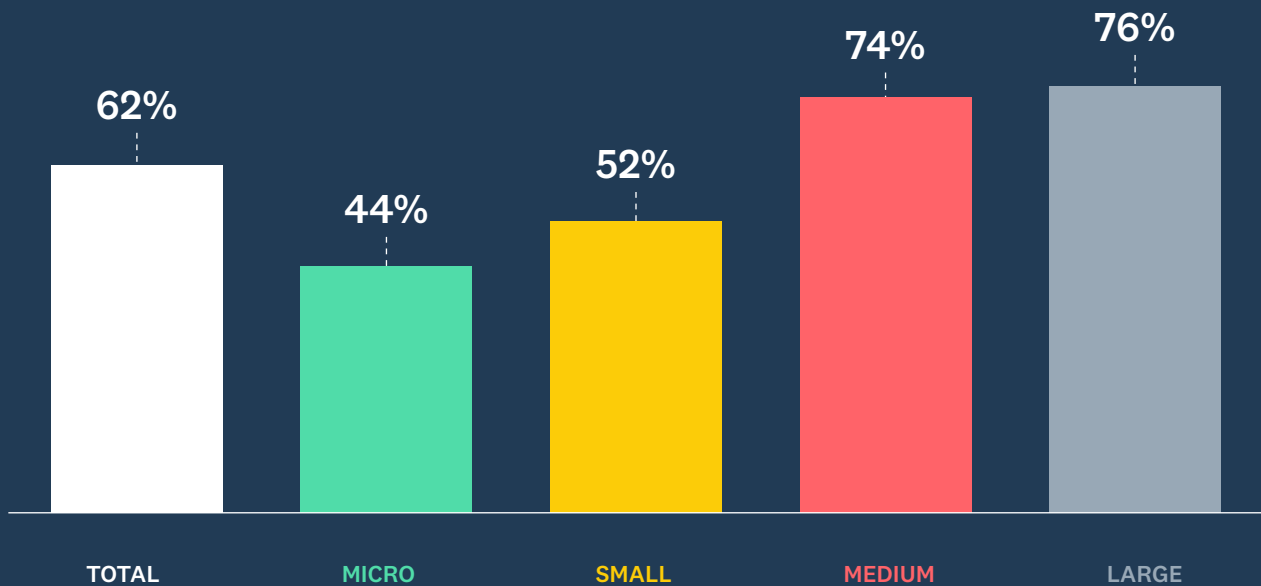
Full data set found in Table 16, page 34

## ➔ 3.2 Reasons for using cloud

### Does using cloud increase a practice's commercial value?

We observed a common perception that if a practice uses cloud-based software, it will have a higher commercial value if sold. 62% of all practices surveyed adhered to this belief, though micro practices were less likely to hold this as true.

*% that agree with the following statement: "Practices that use cloud-based software are worth more if sold"*



Full data set found in Table 17, page 35

Why might this be the case? Many practices that adopt cloud appear to see substantial benefits to the efficiency and productivity of their teams. The most common reasons for cloud adoption of those we surveyed include its ability to facilitate flexible work arrangements (40%), easy access of data (38%), making work easier (35%) and enabling effective collaboration with clients (35%) – all of which can pertain to more fluid and seamless completion of billable work as a team.

This desire to make work more effective with cloud appears true for all practice sizes. Of those we surveyed, micro practices are more likely to state that they use cloud to access data easily (52%) compared to others. Medium practices are more likely to have adopted/switched to cloud to “plan more effectively” (42%) – potentially to better organize their workload across a larger team.

### Why does your practice use cloud-based accounting software?

	Total	Micro	Small	Medium	Large
It supports flexible working	40%	41%	34%	48%	35%
It allows us to access data more easily	38%	52%	34%	40%	29%
It helps us collaborate with clients more effectively	35%	33%	45%	32%	29%
It makes our work easier	35%	39%	45%	28%	30%
It helps us plan more effectively	32%	24%	34%	42%	28%
It is more sustainable	31%	27%	36%	29%	30%
To keep up to date with other practices	30%	25%	34%	31%	28%
My practice's clients want to use cloud-based accounting software	28%	19%	39%	28%	27%
It helps make our job more efficient and save me time	28%	36%	27%	22%	28%
It helps us collaborate with colleagues more effectively	27%	20%	27%	29%	31%
It allows us to service clients that otherwise my practice would not be able to (e.g. different industries)	24%	19%	27%	29%	20%
My practice is becoming a digital first business	22%	15%	16%	29%	26%
It helps us advise clients more confidently	20%	22%	18%	22%	19%

Full data set found in Table 18, page 35

### ➔ 3.3 Benefits to talent management

#### Cloud adoption appears to help practices tackle industry talent shortages

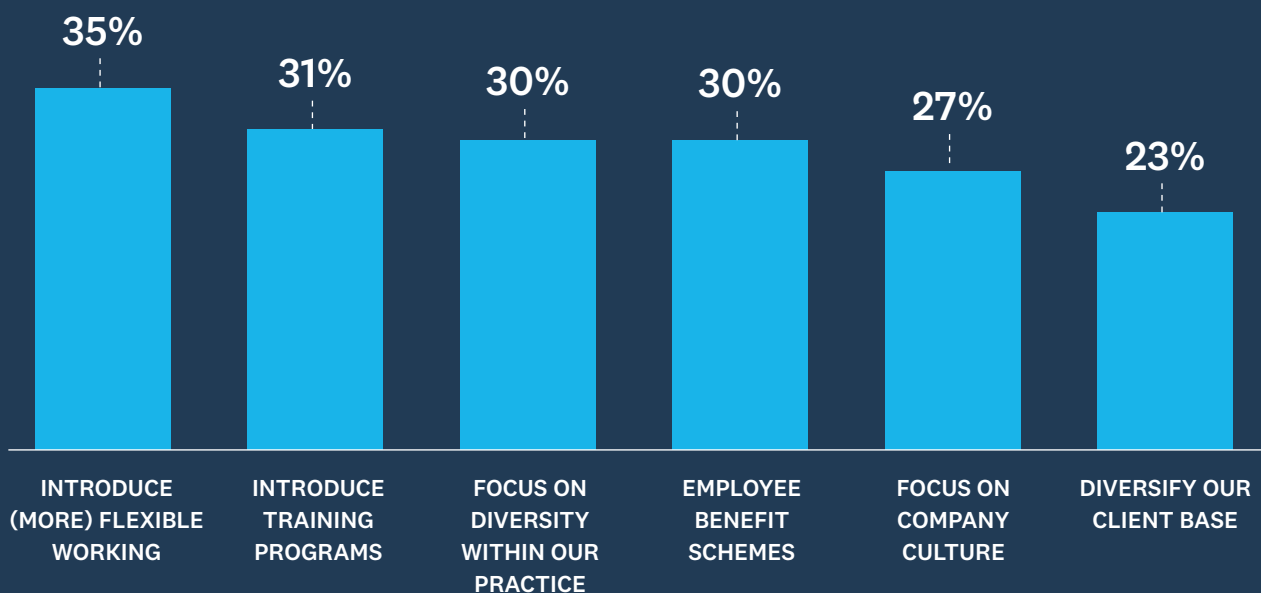
Sourcing and recruiting talent remains a persistent issue across the industry, with 67% of those surveyed agreeing that finding talent has grown harder. This is particularly felt by small practices, with 80% experiencing greater difficulties finding talent.

*% that agree with the following statement: "It is getting harder to find talent"*



Many employing practices surveyed are implementing several initiatives in order to tackle these workforce challenges, from training programs to employee benefit schemes. Some solutions, like flexible working – which 35% of practices are looking to increase – may become much easier and more effective with the simultaneous adoption of cloud software.

*How is your practice, managing/planning to manage the challenges of finding and retaining talent?*



Full data set found in Table 20, page 36

The correlation between cloud and employee experience has not been overlooked by practices. Of those surveyed, 66% believe cloud will attract new talent and staff, while 60% agree that practices which use cloud-based software witness higher staff retention.

*To what extent do you agree or disagree with the following statements about practices that use cloud-based software?*

60%

PRACTICES THAT USE CLOUD-BASED SOFTWARE HAVE HIGHER STAFF RETENTION

66%

PRACTICES THAT USE CLOUD-BASED SOFTWARE WILL ATTRACT MORE NEW TALENT/STAFF

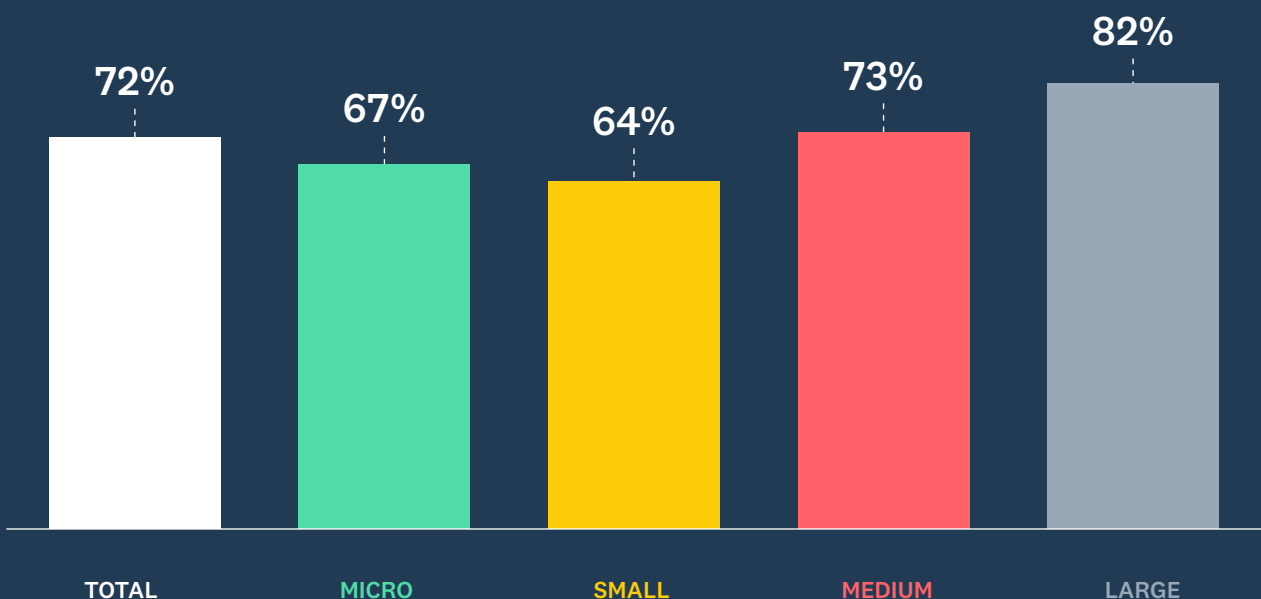
Full data set found in Table 21, page 36

### ➔ 3.4 Benefits to client services

**For most practices surveyed, cloud software is believed to help them serve their clients better**

Practices build their market share on their ability to meet and exceed client expectations with high-quality, value-generating service standards. Those which adopt cloud see it as a key element of their client experience.

*% that agree with the following statement “Practices that use cloud-based software can better service their clients”*

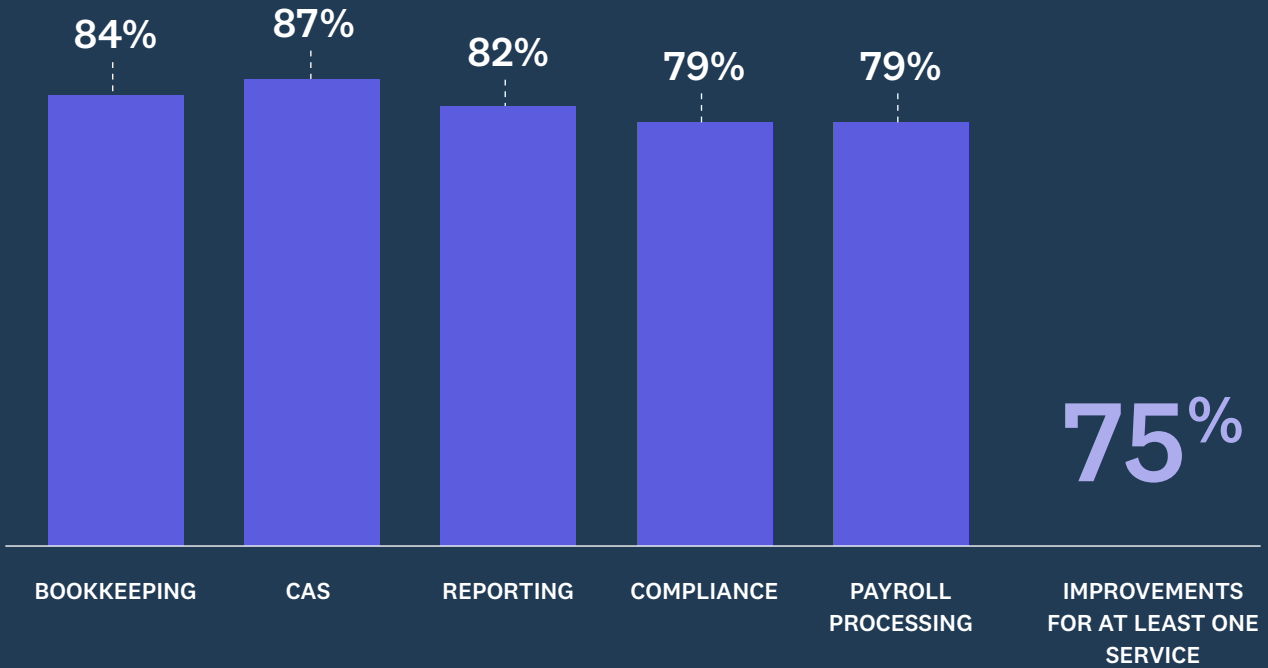


Full data set found in Table 22, page 36



The positive impact of cloud software across services practices offer is undeniable, with 84% of practices surveyed suggesting bookkeeping has improved and 87% noting improvements in CAS as a result. 75% of practices surveyed have recorded improvements for at least one type of service as a direct result of using cloud software.

*Services that have improved (greatly or slightly) since using cloud to complete them*



Full data set found in Table 23, page 36

Furthermore,

**64%**

of Xero users that experience improvements due to cloud attribute **improvements in client services** specifically to Xero.

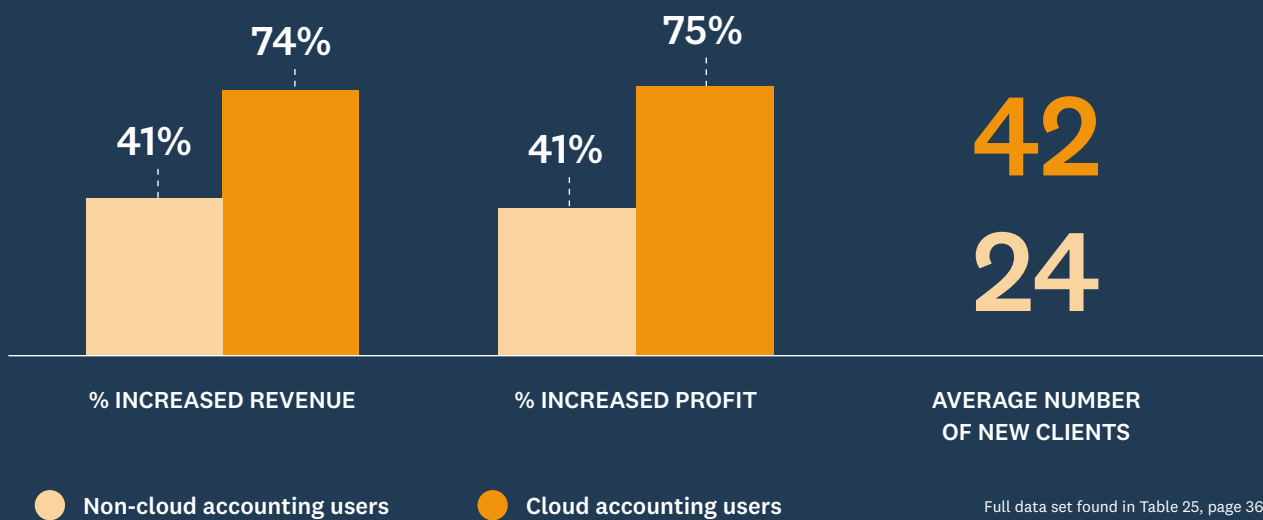


### ➔ 3.5 Impact on revenue and profit

#### Of those surveyed, cloud accounting software adoption correlates with higher revenue, profit and client numbers

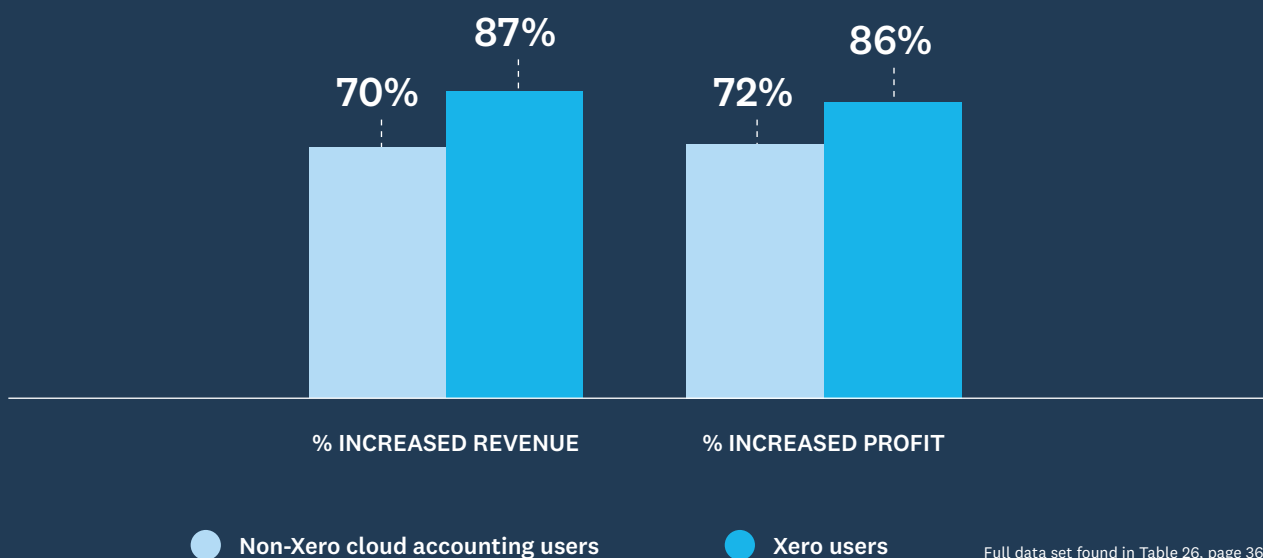
Practices surveyed that use cloud accounting software were more likely to have witnessed increased revenue and profit over the last 12 months, as well acquiring more clients.

*Thinking about the past 12 months, how has your practice's revenue / profit changed? How many new clients has your practice added?*



Xero users were more likely to have also reported increased revenue in the last year, compared to other cloud users that do not use Xero.

*Thinking about the past 12 months, how has your practice's revenue / profits changed?*



# The more things change, the more they stay the same



Is rapid digitalization depersonalizing the service that accountants and bookkeepers offer? Tony McGregor, principal at Freelandt Caldwell Reilly (FCR), would beg to differ. At FCR, cloud accountancy tools haven't just sustained the rapport that Tony and his team build with clients, but even enhanced it across a greater range of services to grow their businesses.

Tony McGregor is a busy accountant. Ask him how many clients he manages at any given time and he'll tell you he honestly doesn't keep count any more. Yet that doesn't stop him from meeting with his clients any chance he gets, even if it's just getting them to sign documents. What might start with an informal conversation about their kids, their local sports team, or what's going on with their lives, it inevitably turns back to business.

"An amazing amount of work is generated by those conversations that weren't planned, that didn't have an agenda," says Tony. "You just sit there, you listen to the problems they are facing, and you delve deeper into that."

Tony's long-standing relationships with clients testify to the importance of an emphasis on relationships over transactions. He can count on one hand the number of clients who've departed during more than a decade that he's spent with FCR. Adopting cloud technology has only deepened that personal touch.

## Cloud accounting strengthens existing relationships

Cloud accountancy tools have made it easier for Tony to build and maintain relationships with his clients. As one example, cloud systems sit at the heart of FCR engage™, the firm's service that offers clients year-round insights and back-end support with their tax and accounting needs – "it's like having a mini-CFO on hand," as Tony puts it.

"We aren't coming in three months after the end of the year to do your tax returns," Tony says.

**"We're now way more involved through the year thanks to cloud-based software: we can see what our clients are seeing, and we can solve their problems a lot quicker now."**

That deeper advisory relationship has also helped Tony and FCR differentiate the value that expert accountants offer their clients – many of whom now view those accountants as an extension of their team.

**“A good accountant or an advisor guides you on best practices based on insights from their clientele – it’s far more than just compliance. You’re getting an area-specific economic review and feedback that you wouldn’t otherwise get working alone.”** said Tony.

Cloud accounting has also acted as a gateway to more meaningful discussions to improve clients’ business operations and efficiency. “Cloud-based accounting software typically represents the first of many different technological solutions that you adopt, whether it’s your sales software, email marketing tools, or your CRM software,” explains Tony. “And since most of them integrate with your cloud-based accounting software, we’re able to advise you on creating a whole ecosystem to run your business more efficiently.”

## Digital transformation doesn't come easy

This sort of change in systems and mindsets doesn’t happen overnight. “I think there are a lot of dinosaurs that are out there that are reluctant to change,” Tony admits. “But the ones that embrace the change are the ones that are going to succeed moving forward.”

Tony himself has found it relatively easy to convince his clients to embrace cloud accounting, using Xero’s simple, intuitive interface and range of user-friendly features to talk down anxieties about trying something new. Clients have also responded well to the small-business value proposition offered by Xero – like being able to take on routine financial management tasks with minimal training, thanks

to the simple terminology and common-sense workflows employed by the platform.

“When you use a program like Xero, what could have been a laborious 20-hour-a-week task is now a four-hour job for a team member, because they’re able to do it better and faster than ever before.” says Tony. “And you’re able to onboard that person onto the system much faster, regardless of where they’re located, because of the simplicity and remote accessibility of the platform. Our business owners don’t need to sacrifice their evenings and weekends trying to get caught up on and staying on top of their books. Now they spend less time, get better information and most importantly, more timely feedback.”

## “Be a problem solver”

Despite the leaps in how services are rendered, the core of Tony’s philosophy remains unaltered: building relationships and solving problems. Cloud accountancy solutions have helped him enjoy the best of both worlds by boosting his efficiency in meeting clients’ needs while holding steadfast to his foundational values.

“There’s a lot of anxiety around technology displacing jobs or rendering the traditional role of the accountant obsolete,” Tony says. **“I think the way to overcome that is to focus on being a problem solver for clients. Digital solutions can enhance how you apply that skill, but they can’t replace the deep personal connection that effective problem-solving requires.”** While much has changed at FCR, the firm’s success has centered on knowing what should stay the same.



# Conclusion

**The state of the industry reads like the diary of a good year. We've seen growth across the board, with practices of all sizes that we surveyed reporting increases in revenue and profit. Those who offer CAS or use cloud accounting software (especially Xero) were also more likely to report increases in revenue.**

The industry continues to change, with more practices adopting CAS and value based pricing in a bid to shore up client relationships and revenue growth alike. Practices surveyed that offer CAS and value based pricing agree that there are a vast range of benefits to both clients and practices alike – suggesting the trend towards these changes will only gain momentum.

Cloud usage also continues to grow as practices surveyed increasingly recognize the value the technology can bring to their businesses. It's perhaps no wonder that many of the practices we surveyed believe the use of cloud increases a practice's commercial value: they increasingly attribute the technology with higher staff retention, greater attractiveness to talent and better service for clients. Yet although the use of cloud is increasing, there is still a lot of opportunity for practices to maximize these benefits of cloud through usage with clients or throughout their practices.

**Our team of experts are ready to help you implement and optimize Xero in your practice.**

- If you're already a Xero partner, contact your account manager.
- If you are not a Xero partner. Join over 200,000 accountants and bookkeepers using Xero in their practice. [Become a Xero Partner today.](#)

# Method

## Quantitative Survey and Sample Specifications

**We spoke to** N=491 accountants and bookkeepers, in practice, across Canada. Those we surveyed were a mixture of job roles and individuals with various decision-making responsibilities. The majority being either the sole decision maker (50%) or one of the key decision makers (28%) in their practice.

CPA (Chartered Professional Accountant)	13%
Accountant	35%
Bookkeeper	21%
Virtual CFO / Financial Advisor / CFA	20%
Business Consultant	2%
Tax preparer (non-credentialed)	2%
Tax compliance manager / Tax Advisor	4%
Payroll specialist	3%

**Fieldwork** was conducted via an online survey between 15th May – 2nd July 2023. Participants were recruited via independent online panels.

**Weighting:** The sample within this report has been weighted so that all practice sizes have equal representation. For reporting purposes, practices with 1-10 employees have been grouped into the ‘Micro Practice’ category to ensure maximum robustness.

Practice size	Unweighted base N=	Segment weighting	Margin of error at 95% CI
Micro practices (1 - 10 employees, including sole practitioners)	113	25%	9.19% +/-
Small practices (11 - 20 employees)	50	25%	13.84 +/-
Medium practices (21 - 50 employees)	97	25%	9.93 +/-
Large practices (more than 50 employees)	231	25%	6.41%
<b>TOTAL</b>	<b>491</b>	<b>100%</b>	

**Highlighting differences within the data:** Throughout the appendix significant differences between groups at the 95% level of confidence are shown via green or red text. Significant difference indicates that one group’s percentage is statistically greater or lower than another group. These statistical tests take into account base size to show, reliably, where there are key differences between groups.

**Totals:** Percentages throughout the report may not add up to 100% due to rounding.

# Appendix

Table 1: Change in revenue over the last 12 months	Total	Micro	Small	Medium	Large
Decreased significantly	3%	4%	4%	1%	3%
Decreased slightly	7%	9%	10%	4%	3%
Stayed the same	18%	29%	18%	9%	15%
Increased slightly	48%	45%	48%	59%	40%
Increased significantly	21%	10%	14%	26%	36%
Total decreased revenue	9%	12%	14%	5%	6%
Total increased revenue	70%	55%	62%	85%	77%

Thinking about the past 12 months, how has your practice's revenue changed? (All respondents; base n = 491, micro practices n=113, small practices n=50, medium practices n=97, large practices n=231) Significantly higher or lower vs other practice sizes

Table 2: Reasons for increase in revenue	Total	Micro	Small	Medium	Large
Increased number of clients	56%	56%	68%	59%	45%
Clients requesting more services	43%	39%	55%	41%	39%
Offered new services to clients	41%	39%	26%	55%	40%
Increased our fees	36%	35%	48%	27%	37%
Use of cloud software	32%	16%	26%	40%	39%
Doing more complex advisory	30%	18%	35%	34%	30%
Increased number of staff	28%	21%	19%	27%	40%

In your opinion, why has your practice experienced an increase in revenue? (Those that experienced increase in revenue; total n=362, micro practices n=62, small practices n=31, medium practices n=82, large practices n=177) Significantly higher or lower vs other practice sizes

Table 3: Change in profit over last 12 months	Total	Micro	Small	Medium	Large
Decreased significantly	2%	4%	2%	0%	2%
Decreased slightly	7%	10%	10%	3%	5%
Stayed the same	18%	27%	14%	12%	18%
Increased slightly	49%	44%	48%	64%	38%
Increased significantly	22%	11%	22%	20%	35%
Total decreased	9%	13%	12%	3%	7%
Total increased	70%	55%	70%	84%	73%

Thinking about the past 12 months, how has your practice's profits changed? (All respondents; base n = 491, micro practices n=113, small practices n=50, medium practices n=97, large practices n=231) Significantly higher or lower vs other practice sizes

Table 4: Reasons for increased profit	Total	Micro	Small	Medium	Large
Increased the number of services we provide	48%	40%	54%	51%	45%
Streamlined internal processes	41%	31%	40%	52%	38%
Increased automation of manual tasks	39%	32%	31%	47%	41%
Adopted/switched to new software	39%	35%	29%	48%	40%
Introduced/improved staff training	34%	34%	34%	33%	36%
Experienced better retention of staff	34%	18%	40%	36%	38%
Employed more staff	26%	21%	17%	26%	38%

In your opinion, why has your practice experienced an increase in profit? (Those that have experienced increase profit; total n=347, micro practices n=62, small practices n=35, medium practices n=81, large practices n=169) Significantly higher or lower vs other practice sizes

Table 5: Services Practices Offer	Total	Micro	Small	Medium	Large
Bookkeeping	82%	81%	80%	88%	81%
Compliance	65%	70%	74%	64%	51%
Reporting services	59%	54%	64%	64%	54%
Payroll processing	44%	55%	46%	44%	31%
CAS	41%	45%	44%	40%	35%
Average number of services offered	4	5	5	5	3

What services does your practice offer to clients? (All respondents; base n = 491, micro practices n=113, small practices n=50, medium practices n=97, large practices n=231) Significantly higher or lower vs other practice sizes

Table 6: Average proportion of revenue from each service	Total	Micro	Small	Medium	Large
Compliance	35%	28%	46%	30%	31%
Bookkeeping	35%	37%	27%	54%	27%
Reporting services	27%	14%	28%	33%	33%
Payroll processing	16%	11%	13%	21%	20%
CAS	15%	15%	13%	12%	22%

What proportion of your practice's revenue comes from the following services that your practice provides? Please note, respondents were asked at a service specific level (All respondents; base n = 491, micro practices n=113, small practices n=50, medium practices n=97, large practices n=231)

Table 7: When practices started offering CAS	Total	Micro	Small	Medium	Large
My practice has always offered client advisory services	60%	65%	64%	49%	64%
My practice has begun to offer client advisory services in the last 12 months	22%	12%	18%	41%	20%
My practice began to offer client advisory services over 12 months ago	12%	16%	9%	8%	14%

This question is about Client Advisory Services (CAS). Which of the following statements best applies to your practice? (Those that offer CAS, total n=193, micro practices n=51, small practices n=22, medium practices n=39, large practices n=81) Significantly higher or lower vs other practice sizes



Table 8: Reasons for offering CAS	Total	Micro	Small	Medium	Large
To provide my clients with confidence in our services	66%	59%	82%	69%	53%
It is part of our growth strategy	53%	41%	50%	77%	44%
To keep up with client demands	53%	49%	59%	54%	49%
To service clients we would not be able to otherwise	45%	33%	59%	44%	42%
To keep up to date with other practices	42%	33%	36%	59%	41%
My practice is able to charge more for CAS	25%	20%	23%	18%	41%

Why does your practice offer client advisory services (CAS)? (Those that offer CAS, total n=193, micro practices n=51, small practices n=22, medium practices n=39, large practices n=81) Significantly higher or lower vs other practice sizes

Table 9: % witnessed increase in revenue in past 12 months	Total	Micro	Small*	Medium	Large
Offers CAS	77%	63%	77%	90%	80%
Does not offer CAS	64%	48%	50%	81%	75%

Thinking about the past 12 months, how has your practice's revenue changed? \*low base (n=22 for offers CAS, n=28 for does not offer CAS) Significantly higher or lower vs other practice sizes

Table 10: How profit has changed over the last 12 months	Offers CAS	Does not offer CAS
Decreased significantly	0%	3%
Decreased slightly	7%	7%
Stayed the same	15%	20%
Increased slightly	56%	43%
Increased significantly	19%	24%
NET Decreased	7%	10%
NET Increased	75%	67%

Thinking about the past 12 months, how has your practice's profits changed? All responses, Those that offer CAS n=193, those that do not offer CAS n=298. Significantly higher or lower vs other practice sizes

Table 11: Average % of practices' clients that are billed in the following ways	Total	Micro	Small	Medium	Large
Clients are billed for the number of hours	34%	37%	41%	31%	27%
Clients are quoted a fixed amount per piece of work	25%	21%	22%	30%	27%
Clients are billed on a fixed fee monthly/quarterly/annual service plan	26%	20%	27%	30%	27%

What percentage of your practice's clients do you bill in the following ways? (All respondents; base n = 491, micro practices n=113, small practices n=50, medium practices n=97, large practices n=231) Significantly higher or lower vs other practice sizes

Table 12: When practice started offering value based pricing models	Total	Micro	Small	Medium	Large
My practice has always offered value based pricing models	54%	48%	70%	50%	47%
My practice began to offer value based pricing models in the last 12 months	32%	26%	17%	43%	42%
My practice began to offer value based pricing models over 12 months ago	9%	15%	11%	5%	8%

You mentioned you have value based pricing models (i.e. models that are not based on hourly rates). Which of the following statements best applies to your practice? (Those that offer value based pricing; total n=438, micro practices n=81, small practices n=47, medium practices n=92, large practices n=218) Significantly higher or lower vs other practice sizes

Table 13: Reasons for offering value based pricing	Total	Micro	Small	Medium	Large
It has helped to increase revenue	41%	35%	43%	53%	32%
It is easier to understand for clients	38%	40%	45%	32%	35%
It is more profitable	36%	30%	32%	40%	39%
It has helped to increase margins	36%	27%	47%	34%	33%
It feels more honest	33%	31%	32%	32%	36%
We can more easily upsell our services	32%	23%	28%	46%	31%
It is our clients' preference	30%	28%	32%	33%	28%
It makes more sense	30%	38%	21%	33%	31%
It is easier to understand for colleagues	24%	11%	21%	25%	36%

Why does your practice offer value based pricing models? (Those that offer value based pricing; total n=438, micro practices n=81, small practices n=47, medium practices n=92, large practices n=218) Significantly higher or lower vs other practice sizes

Table 14:	Total	Offers value based pricing	Value based pricing
Increase in revenue	70%	74%	31%
Increase in profit	70%	74%	39%

Thinking about the past 12 months, how has your practice's revenue changed? A8: Thinking about the past 12 months, how has your practice's profits changed? (Total n=438, those that offer value based pricing n=438, those that do not offer value based pricing n=53) Significantly higher or lower vs other practice sizes

Table 15: Proportion practices use cloud for client work	Total	Micro	Small	Medium	Large
	45%	50%	40%	47%	44%

When doing work on behalf of your clients, what proportion does your practice use cloud software for? (Cloud accounting users; total n=433, micro practices n=85, small practices n=44, medium practices n=90, large practices n=214)

Table 16: How long practice has been using cloud software	Total	Micro	Small	Medium	Large
Less than 6 months	4%	6%	5%	4%	2%
6 months - 11 months	15%	12%	25%	7%	18%
1 - 2 years	26%	31%	9%	37%	29%
More than 3 years	51%	42%	59%	50%	50%
Don't know	3%	9%	2%	2%	1%
NET 0-2 years	46%	48%	39%	48%	50%

How long has your practice been using cloud-based software? (Cloud accounting users; total n=433, micro practices n=85, small practices n=44, medium practices n=90, large practices n=214) Significantly higher or lower vs other practice sizes

Table 17: % that agree with the following statement "Practices that use cloud-based software are worth more if sold"	Total	Micro	Small	Medium	Large
Practices that use cloud-based software are worth more if sold	62%	44%	52%	74%	76%

To what extent do you agree or disagree with the following statements about practices that use cloud-based software? (All respondents; base n = 491, micro practices n=113, small practices n=50, medium practices n=97, large practices n=231) Significantly higher or lower vs other practice sizes

<b>Table 18: Reasons for adopting/switching to cloud-based accounting software</b>	<b>Total</b>	<b>Micro</b>	<b>Small</b>	<b>Medium</b>	<b>Large</b>
It supports flexible working	40%	41%	34%	48%	35%
It allows us to access data more easily	38%	52%	34%	40%	29%
It helps us collaborate with clients more effectively	35%	33%	45%	32%	29%
It makes our work easier	35%	39%	45%	28%	30%
It helps us plan more effectively	32%	24%	34%	42%	28%
It is more sustainable	31%	27%	36%	29%	30%
To keep up to date with other practices	30%	25%	34%	31%	28%
My practice's clients want to use cloud-based accounting software	28%	19%	39%	28%	27%
It helps make our job more efficient and save me time	28%	36%	27%	22%	28%
It helps us collaborate with colleagues more effectively	27%	20%	27%	29%	31%
It allows us to service clients that otherwise my practice would not be able to (e.g. different industries)	24%	19%	27%	29%	20%
My practice is becoming a digital first business	22%	15%	16%	29%	26%
It helps us advise clients more confidently	20%	22%	18%	22%	19%

Why does your practice use cloud-based accounting software? (Cloud accounting users; total n=433, micro practices n=85, small practices n=44, medium practices n=90, large practices n=214) Significantly higher or lower vs other practice sizes

<b>Table 19: % that agree with the following statement "It is getting harder to find talent"</b>	<b>Total</b>	<b>Micro</b>	<b>Small</b>	<b>Medium</b>	<b>Large</b>
	67%	50%	80%	63%	77%

To what extent do you agree or disagree with the following statements? (All respondents; base n = 491, micro practices n=113, small practices n=50, medium practices n=97, large practices n=231) Significantly higher or lower vs other practice sizes

<b>Table 20: How practices are managing talent challenges</b>	<b>Total</b>	<b>Micro</b>	<b>Small</b>	<b>Medium</b>	<b>Large</b>
Introduce (more) flexible working	35%	34%	46%	31%	28%
Introduce training programs	31%	28%	32%	28%	36%
Focus on diversity within our practice	30%	19%	32%	28%	39%
Employee benefit schemes	30%	22%	32%	29%	35%
Focus on company culture	27%	18%	24%	29%	36%
Diversify our client base	23%	16%	22%	20%	33%

How is your practice, managing/planning to manage the challenges of finding and retaining talent? (All respondents except sole practitioners; base n = 491, micro practices (excluding SPs) n=79, small practices n=50, medium practices n=97, large practices n=231)

Table 21: Agree with statements	Total	Micro	Small	Medium	Large
Practices that use cloud-based software have higher staff retention	60%	37%	50%	76%	78%
Practices that use cloud-based software will attract more new talent/staff	66%	51%	60%	75%	77%

To what extent do you agree or disagree with the following statements about practices that use cloud-based software? (All respondents; base n = 491, micro practices n=113, small practices n=50, medium practices n=97, large practices n=231) Significantly higher or lower vs other practice sizes

Table 22: % that agree with the following statement "Practices that use cloud-based software can better service their clients"	Total	Micro	Small	Medium	Large
	72%	67%	64%	73%	82%

To what extent do you agree or disagree with the following statements about practices that use cloud-based software? (All respondents; base n = 491, micro practices n=113, small practices n=50, medium practices n=97, large practices n=231) Significantly higher or lower vs other practice sizes

Table 23: Services that have improved (greatly or slightly) since using cloud to complete them	Total	Micro	Small	Medium	Large
Bookkeeping	84%	77%	93%	83%	84%
CAS	87%	81%	90%	96%	78%
Reporting	82%	76%	75%	90%	82%
Compliance	79%	66%	77%	86%	86%
Payroll processing	79%	83%	62%	88%	83%
Improvements for at least one service	75%	59%	74%	86%	80%

To what extent have the following services improved or worsened since your practice started using cloud for them? (Those that use cloud for at least one service within each. Cloud accounting users total n=433, micro practices n=85, small practices n=44, medium practices n=90, large practices n=214)

Table 24: % that state Xero has helped to improve their client services	Xero users
	64%

And which of the following brands have helped to improve the services that your practice offers? (Xero users that have improved client services as a result of using cloud n=54)

Table 25: Growth by use of Cloud / non-Cloud accounting	Cloud accounting users	Non-cloud accounting users
Increased revenue	74%	41%
Increased profit	75%	41%
Average number of clients acquired	42	24

Thinking about the past 12 months, how many new clients has your practice added? A6: Thinking about the past 12 months, how has your practice's revenue changed? A7: In your opinion, why has your practice experienced an increase in revenue? Significant higher or lower than 'non-cloud accounting user' (Cloud accounting users n=433, Non-cloud accounting users n=58)

Table 26: Growth by Xero / non-Xero user	Xero users	Non-Xero cloud accounting users
Increased revenue	87%	70%
Increased profit	86%	72%

Thinking about the past 12 months, how has your practice's revenue changed? In your opinion, why has your practice experienced an increase in revenue? Significantly higher or lower than 'non-Xero cloud user' (Xero users n=54, Non-Xero cloud accounting users n=379)



**Beautiful business**