

State of the industry report

2023 United States



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About this report

This report looks at US accounting and bookkeeping practices in 2023; how practices are performing, how and where the industry is changing, and the services practices currently offer. It also looks in detail at the penetration of cloud-based software such as Xero, and identifies the benefits they have on practices.

The data helps provide a foundational benchmark across a range of key measures, thereby identifying opportunities for accountants and bookkeepers to help make positive changes in their practices year-on-year.

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.

Definitions used within this report

How to read this report

Survey was conducted between May 15th – June 25th 2023. Past/last 12 months refers to prior 12 months at time of survey.

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

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

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

Practice size definition

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

Service categories

In the report, we have grouped different services into the following service categories based on the question, “*What services does your practice offer to clients?*” Please select all that apply.

- **Bookkeeping** includes invoicing and debt collection, billing and payments, record-keeping, managing sales tax and inventory management
- **Client advisory services** includes forecasting, budgeting and financial strategy (shortened to CAS throughout the report)
- **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**

Individual services

Services listed above reported individually.

Value-based pricing

We asked practices about how they bill their clients. We refer to practices having “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

Cloud users

Cloud users are defined as those practices that selected a cloud-based software in the following question: What software does your practice use to do work for clients?

Non-cloud users

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

Uses cloud for only 1 service

Are those practices that only use cloud for one service under the 'individual services' definition above.

Uses cloud for more than 1 service

Are those practices that use cloud for more than one service under the 'individual services' definition above.

Key headline insights from this report

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

Of practices surveyed, the majority (75%) have reported an increase in revenue and 73% reported an increase in profit over the past 12 months; small, medium and large practice have experienced the greatest increases. While micro practices are less likely to have seen this growth, 24% have reported a stable year.

2 While **bookkeeping and compliance services remain key**, there's a continuing shift to CAS – which practices say **bring client servicing and growth benefits**

Practices surveyed report offering a range of services, with an average of four different services per practice. CAS is now offered by 41% of the practices we surveyed. For 19% of those practices, this is a new service that's been added to their offering in the past 12 months. Practices surveyed largely agree that offering CAS has benefits for their practice - including that it builds client trust and confidence in practices, their clients' needs are better met and they see greater value in the practice's services. CAS may also be a reason practices are growing; those surveyed who reported offering CAS have also reported adding more clients in the last year compared to those who don't (58 new clients versus 33).

3

An increasing number of practices have reported billing using value-based pricing – for the commercial and client benefits it brings

The majority of practices surveyed (just over 60%) have at least 25% of their client base on either value-based pricing models. Those surveyed that have adopted value-based pricing have done so for a variety of reasons, including: it is easier for clients to understand (43%), it is more profitable (38%), it has helped to increase revenue (37%) and because it feels more honest (36%).

4

Of those surveyed, cloud usage is high and the benefits are wide-ranging: Practices agree cloud users do better work for clients and have a happier workforce

Reasons for adopting cloud are both operational and commercial – there appear to be benefits across the board. Of those surveyed, around two thirds of all practices agree that cloud-using practices have higher staff retention (66%) and attract more new staff (68%). The majority of those surveyed (71%) agree that practices that use cloud-based software can better service their clients.

5

Practices surveyed who use cloud-based software are more likely to report increases in commercial metrics

Cloud users we surveyed were also more likely to have reported increases in revenue (78% versus 58% of non-cloud users) and growth in profit (75% versus 54% non-cloud users). 35% of practices surveyed directly cited use of cloud software as a reason for revenue increases.

SECTION 1:

The 2023 accounting and bookkeeping landscape

Section 1: Growth

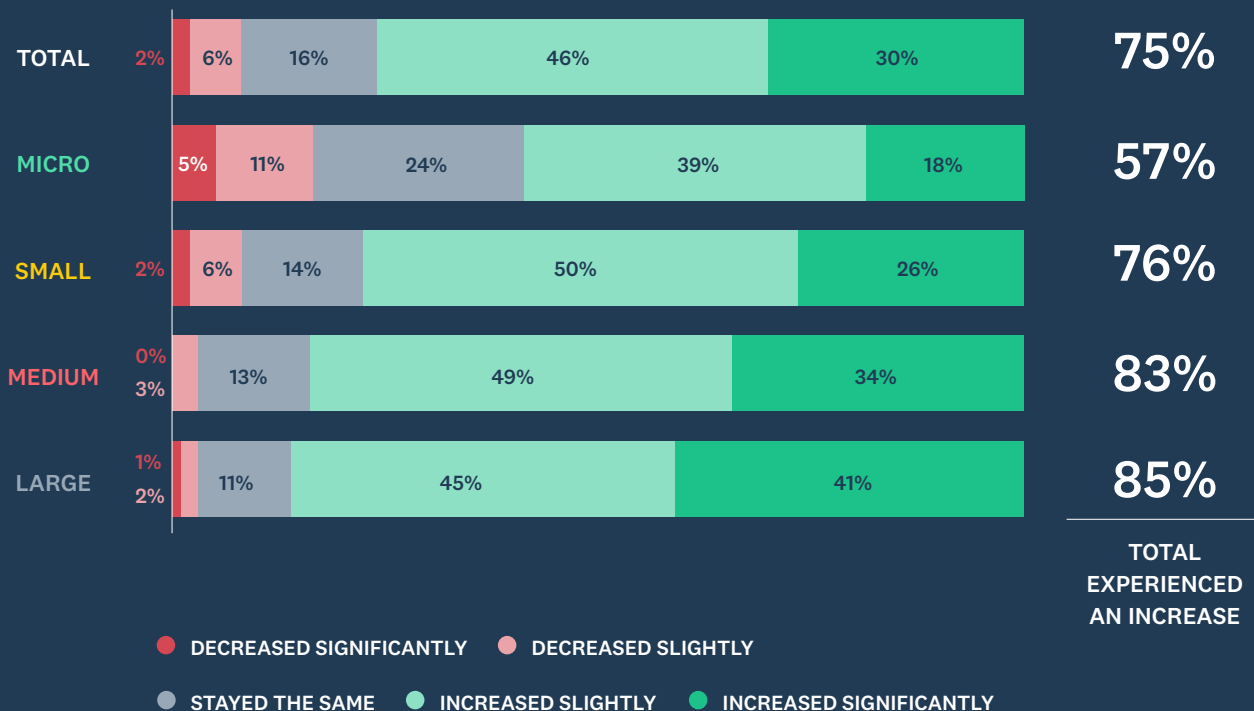
1.1 Revenue change

It's been a good year – across all practice sizes, the majority have reported an increase in revenue

75% of practices surveyed report an increase in revenue over the past 12 months. Of those surveyed that did not report growth, few have experienced declines in revenue, with 16% claiming stability and only 8% recording a decrease. For those practices who have reported declines in revenue, these changes are more likely to have been “slight” as opposed to “significant” – this is true across practice size.

This growth in revenue has been experienced by more small, medium and large practices, than micro practices. However, 57% of micro practices surveyed recorded increased revenue and 24% have reported no change.

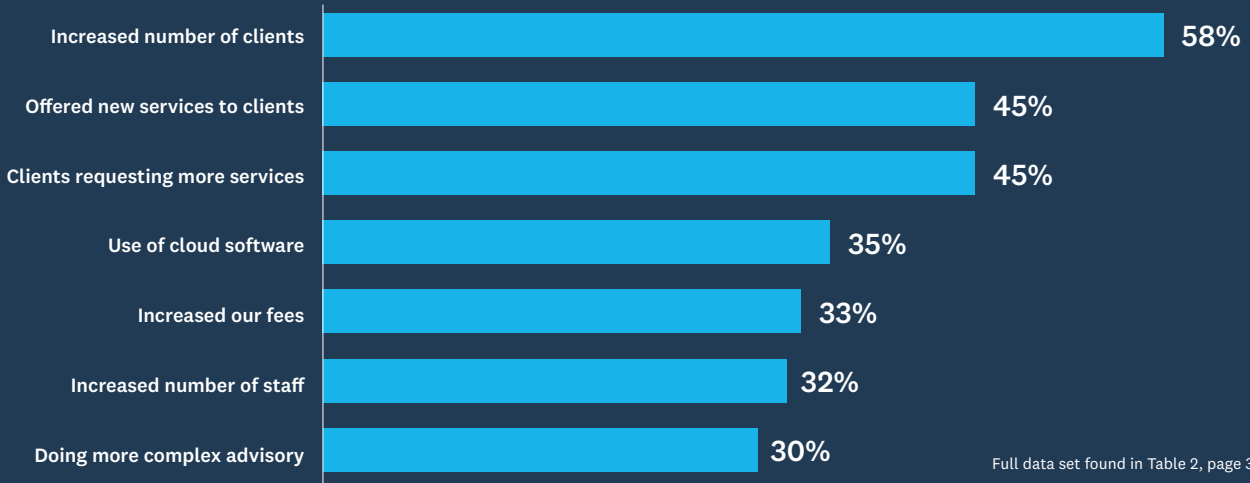
Thinking about the past 12 months, how has your practice's revenue changed?



Full data set found in Table 1, page 30

Increased number of clients is cited as the most common reason for the rise in revenue among those surveyed – and this is consistent across practice size. However, changes such as expanding their service offering and requests for more services (45%), increasing fees (33%) and use of cloud-based software (35%) were also reported as reasons for revenue increases.

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



Patrick Cameron
Director of CX Strategy and Innovation,
Aprio

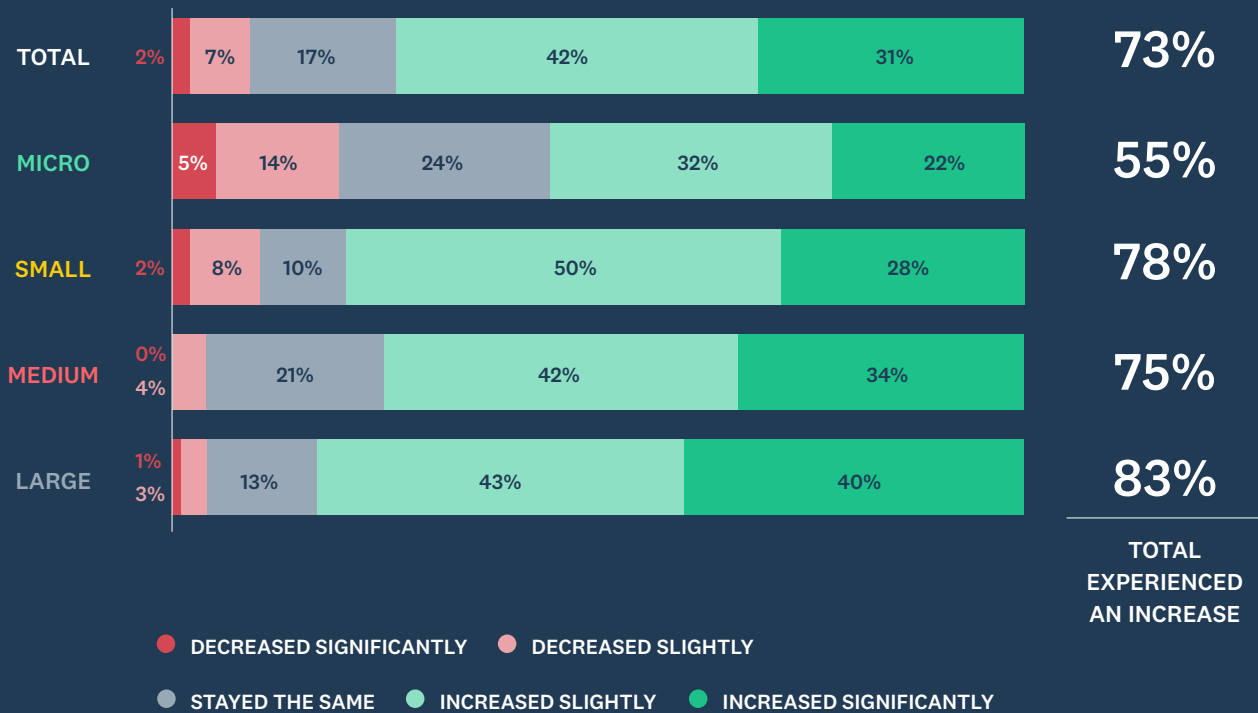
“With Xero, our team can focus on advising clients on critical business decisions versus being encumbered by tactical data management and manual processes.”

1.2 Profit change

The majority of practices have been able to translate these reported revenue increases into profit growth

It's not just revenue that is up, profit is too: 73% of practices we surveyed have seen an increase over the past 12 months. Again, this is more common among small, medium and large practices, although 55% of micro practices have also recorded a more profitable year.

How have your practice's profits changed within the past 12 months?



Full data set found in Table 3, page 30

Increases to the number of services provided is a key reason practices we surveyed say they experienced an increase in profit (53%). Staff training (42%), increased automation of manual tasks (40%), and streamlining internal processes (40%) were also cited as drivers for practices' rise in profits.

Small and large practices surveyed are more likely to have reported increased automation of tasks, and large practices are more likely to recognize new software as a reason for increased profit. Staff-related improvements (such as training and retention) are also seen as reasons for profit increase by small, medium and large practices.

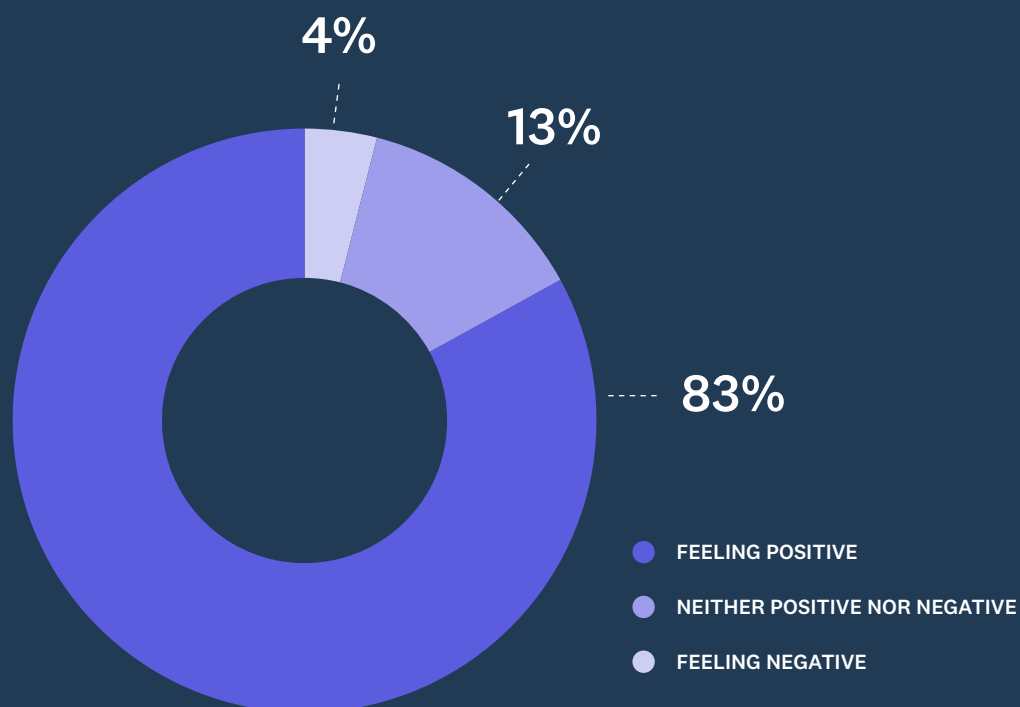
In your opinion, why has your practice experienced an increase in profit?

| | Total | Micro | Small | Medium | Large |
|---|-------|-------|-------|--------|-------|
| Increased the number of services we provide | 53% | 51% | 59% | 54% | 48% |
| Introduced/improved staff training | 42% | 20% | 49% | 46% | 45% |
| Increased automation of manual tasks | 40% | 27% | 46% | 31% | 49% |
| Streamlined internal processes | 40% | 28% | 46% | 39% | 41% |
| Experienced better retention of staff | 35% | 15% | 36% | 45% | 38% |
| Employed more staff | 34% | 21% | 36% | 33% | 44% |
| Adopted/switched to new software | 31% | 17% | 33% | 33% | 36% |

Full data set found in Table 4, page 31

Off the back of positive years, 83% of practices surveyed are feeling positive about the future of their practice

Overall, how positive or negative do you feel about the future of your practice?



Full data set found in Table 5, page 31

1.3 Service offering

Offering a breadth of services remains key, and practices are adapting to meet the evolving needs of their clients

The majority of practices surveyed, regardless of size, offer a wide range of services. On average, practices offer four different individual services (table 7) with bookkeeping being most common service category (88%).

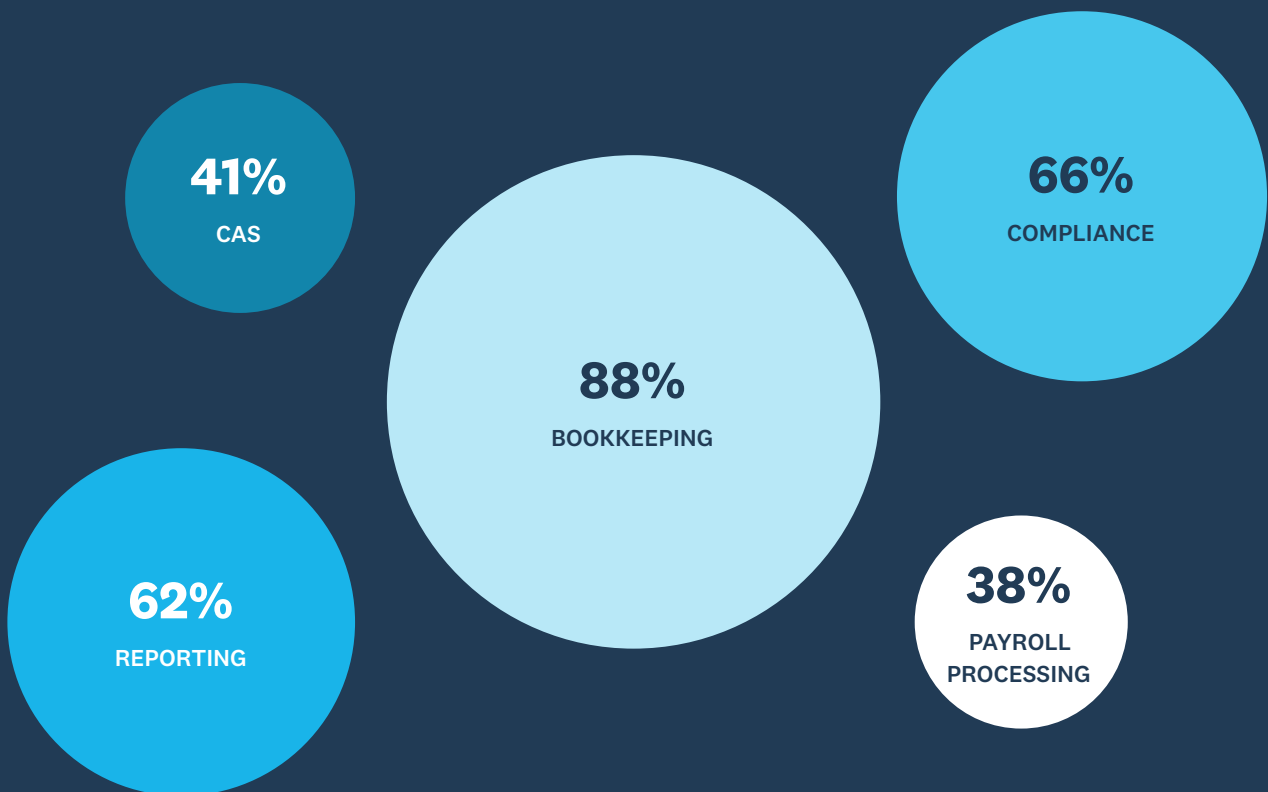
What services does your practice offer to clients?

Average - Individual services



Full data set found in Table 7, page 32

Service categories



Full data set found in Table 6, page 31

Looking at the specific individual services practices we surveyed provide, the most common are managing annual taxes (49%), record-keeping (49%) and internal reporting (47%). There are nuances by practice size, with micro practices much more likely to offer both ‘record-keeping’ and ‘managing other taxes’, versus small, medium and large practices. Small, medium and large practices are more likely than micro practices to offer inventory management.

What services does your practice offer to clients?

Individual services

| | Total | Micro | Small | Medium | Large |
|---|-------|-------|-------|--------|-------|
| Managing annual taxes – e.g., prepare, review and file tax return | 49% | 57% | 42% | 55% | 41% |
| Record-keeping – e.g., keeping and matching bank records, managing documents including proof of purchase, payments and invoices | 49% | 64% | 42% | 45% | 44% |
| Internal reporting – e.g., compiling reports financial and operational information for internal stakeholders such as employees | 47% | 44% | 56% | 42% | 46% |
| Managing other taxes – e.g., prepare, review and file tax return | 44% | 55% | 46% | 36% | 40% |
| Managing sales taxes – e.g., prepare, review and file tax return | 44% | 49% | 46% | 42% | 38% |
| Client advisory services including forecasting, budgeting, and financial strategy | 41% | 51% | 34% | 37% | 41% |
| External reporting – e.g., compiling reports, accounts production and annual accounts for external stakeholders such as investors, boards | 39% | 39% | 38% | 39% | 42% |
| Billing and payments | 39% | 44% | 38% | 36% | 38% |
| Payroll processing | 38% | 43% | 44% | 34% | 31% |
| Invoicing and debt collection | 26% | 24% | 28% | 25% | 28% |
| Inventory management | 23% | 13% | 28% | 26% | 25% |
| Average number of services offered | 4 | 5 | 4 | 4 | 4 |

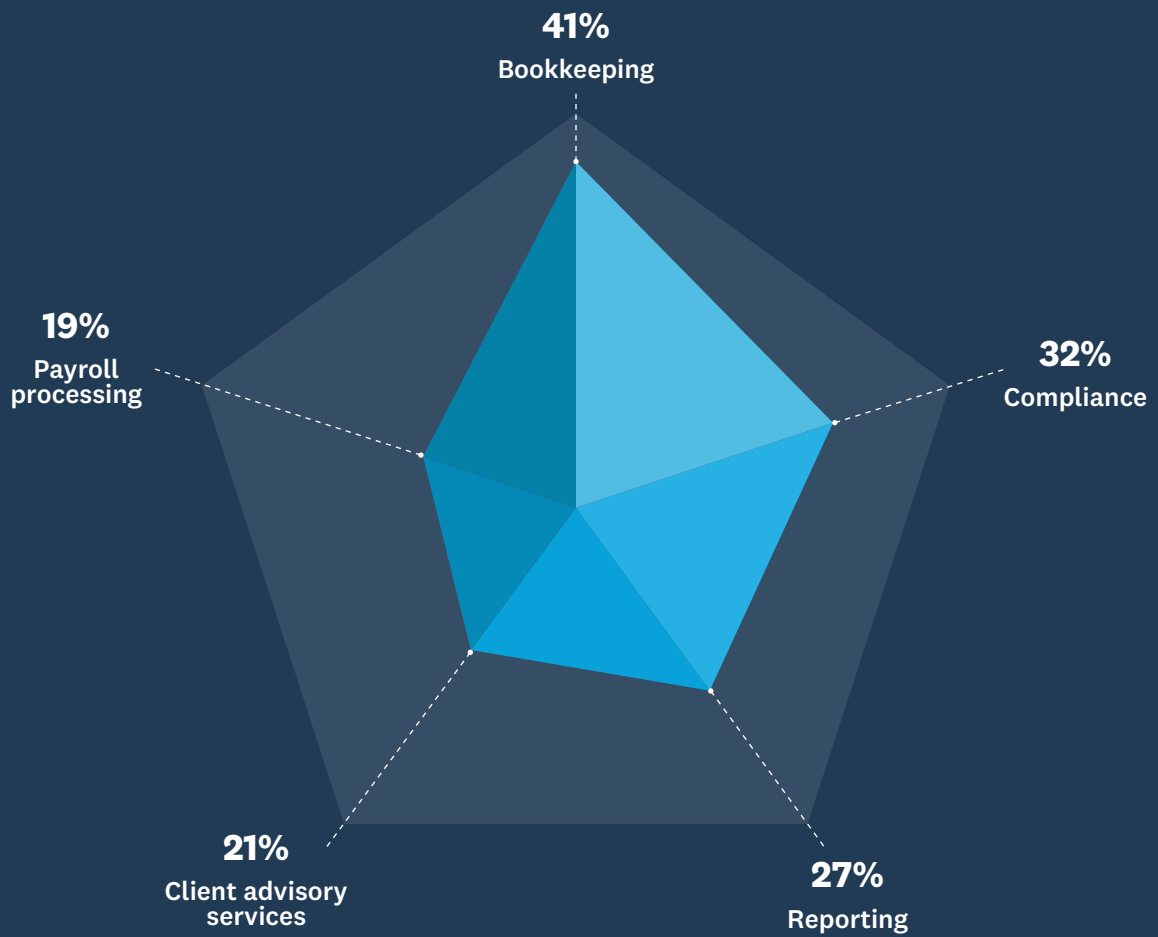
Full data set found in Table 7, page 32

1.4 Revenue from services

When looking at revenue by service categories, compliance contributes nearly as much as bookkeeping, despite being offered by fewer practices

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

Service categories



Full data set found in Table 8, page 32

In fact, when looking at the individual services in more detail, managing annual taxes was reported to make up 25% of practices' revenue, which is more than any other individual services. Practices surveyed also attribute 21% of revenue to CAS. This is just as much as, if not slightly more than, some bookkeeping services like invoicing and debt collection, billing and payments, and record-keeping.

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

Individual services

| | Total | Micro | Small | Medium | Large |
|---|-------|-------|-------|--------|-------|
| Managing annual taxes – e.g., prepare, review and file tax return | 25% | 30% | 23% | 24% | 21% |
| Record-keeping – e.g., keeping and matching bank records, managing documents including proof of purchase, payments and invoices | 21% | 22% | 22% | 21% | 21% |
| Billing and payments | 21% | 15% | 25% | 21% | 25% |
| Client advisory services including forecasting, budgeting, and financial strategy | 21% | 16% | 24% | 23% | 22% |
| Invoicing and debt collection | 20% | 15% | 21% | 24% | 22% |
| Managing other taxes – e.g., prepare, review and file tax return | 20% | 20% | 20% | 19% | 22% |
| Internal reporting – e.g., compiling reports financial and operational information for internal stakeholders such as employees | 19% | 13% | 24% | 17% | 21% |
| Payroll processing | 19% | 16% | 23% | 17% | 22% |
| Inventory management | 19% | 16% | 18% | 19% | 22% |
| External reporting – e.g., compiling reports, accounts production and annual accounts for external stakeholders such as investors, boards | 19% | 15% | 17% | 21% | 22% |
| Managing sales taxes – e.g., prepare, review and file tax return | 18% | 14% | 15% | 24% | 21% |

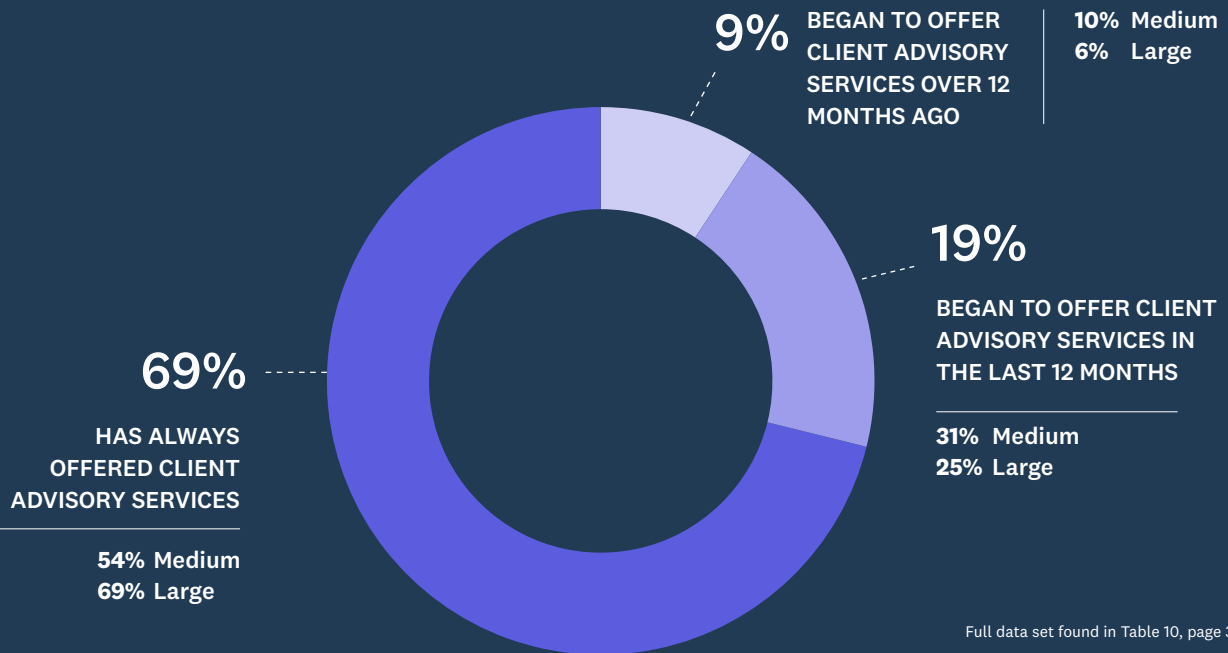
Full data set found in Table 9, page 33

1.5 Increase in client advisory services (CAS)

Practices continue to add CAS to their service offering

41% of practices surveyed offer CAS (table 6). For 19% of these practices, it is a new service that has been added to their offering in the last 12 months. Medium (31%) and large (25%) say their practice started offering CAS in the last 12 months.

Which of the following statements best applies to your practice?



There's a strong belief from those practices we surveyed that clients positively perceive practices that offer CAS. These perceptions are present across all practice sizes.

% that agree with each statement

80%

agree that "clients feel safer in the knowledge that my practice offers CAS"

77%

agree that "clients' needs are better met since my practice started offering CAS"

76%

agree that "clients feel more confident in my practice's services for offering CAS"

76%

agree that "clients see greater value in our services when my practice offers CAS"

Full data set found in Table 11, page 34

86% of large practices surveyed agreed that "clients feel more confident in their practice's services" since their practice has started providing CAS. This suggests that the adoption of CAS may even benefit practices that are likely already well established within the market.

% that agree with statement: "my practice has experienced challenges with offering CAS"

56%

TOTAL

36%

MICRO

65%

SMALL

59%

MEDIUM

71%

LARGE

Full data set found in Table 11, page 34

However, the introduction of CAS has presented challenges for more than half of practices (56%). Of these practices, large practices are most likely to have experienced challenges, at 71%, while micro practices less so (36%), perhaps suggesting that making changes internally to adapt to new services is more difficult for larger practices.

CAS is not only a vehicle to build better communities, but also an opportunity for firms to build a strong value-add to their relationships with clients. This, of course, ultimately results in higher-revenue tickets. For instance, one of our clients - a traditional small business owner - learned to build wealth outside his business model. We assisted in choosing the best business formation for healthy financials, and enabled him to be bankable to purchase his first commercial office building. Today, he has closed his third office building acquisition.



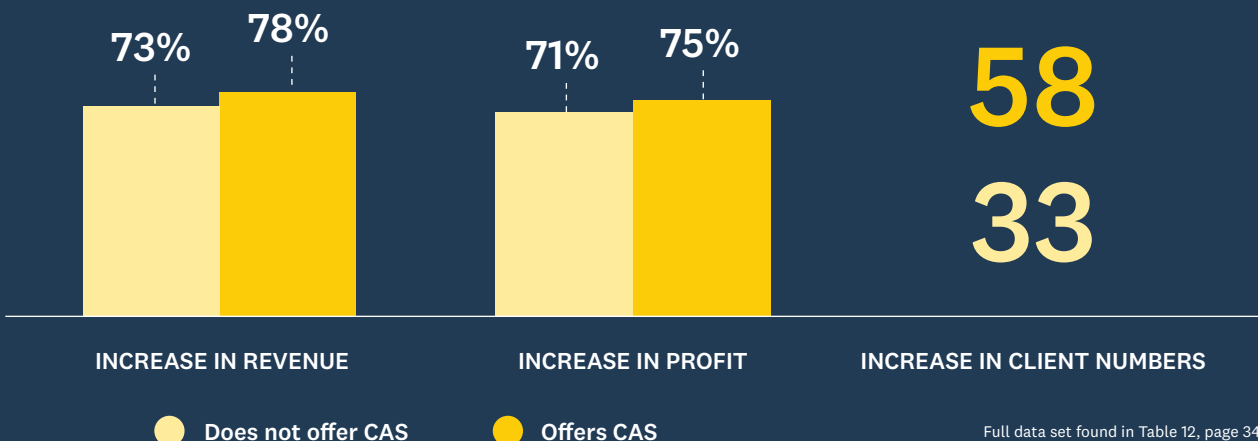
Gustavo Suarez
Founder, JPG

1.6 CAS and growth

Practices surveyed that offer CAS are more likely to report an increase in client numbers and are slightly more likely to report an increase in revenue and profit

Of those surveyed, that offer CAS also reported more new clients in the past 12 months, with an average of 58 new clients compared to 33 of those that do not offer CAS.

Growth metrics



Full data set found in Table 12, page 34

1.7 Billing models

We see a move towards value-based pricing, and reported benefits for both practices and their clients

Just over 60% of practices we surveyed reported having at least 25% of their client base on either value-based pricing models (by this, we mean a fixed amount per piece of work, or fixed fee monthly/quarterly/annual service plan).

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

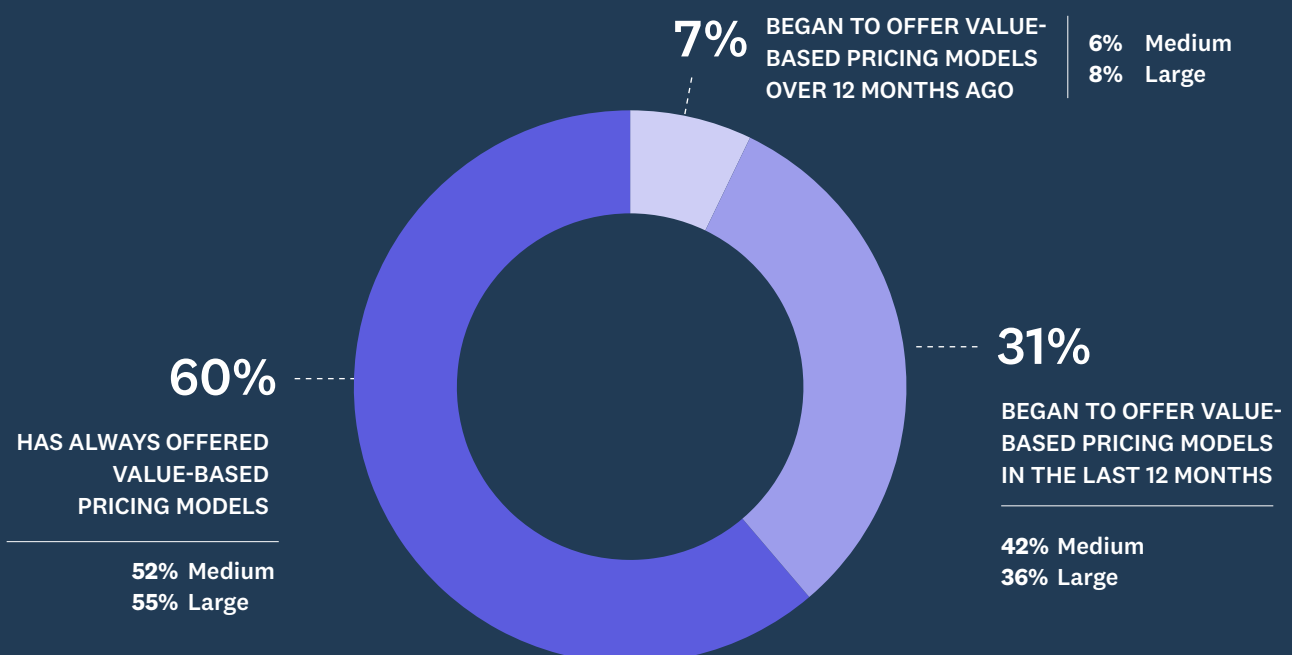
At least 25% of their clients on pricing model below

| | Total | Micro | Small | Medium | Large |
|--|-------|-------|-------|--------|-------|
| Clients are billed for the number of hours | 64% | 54% | 62% | 66% | 74% |
| Clients are quoted a fixed amount per piece of work | 61% | 48% | 56% | 65% | 75% |
| Clients are on a fixed fee monthly/quarterly/annual service plan | 63% | 49% | 62% | 68% | 72% |

Full data set found in Table 13, page 34

Of those using value based pricing, it is a new initiative for 31% who say their practice has introduced this billing model in the last year. It is particularly new among medium and large practices, for 42% of medium practices and 36% of large practices this is a new way of charging in the last 12 months.

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 14, page 34

Practices surveyed see the benefit to introducing value-based pricing. Top reasons for the introduction include being easier to understand for clients (43%), greater profitability (38%) and helping to increase revenue (37%).

Why does your practice offer value-based pricing models?



Full data set found in Table 15, page 35

SECTION 2:

Cloud-based software

Section 2.1: Cloud usage

2.1a Cloud penetration

Cloud-based software is gaining traction in the US

Overall, practices surveyed are using cloud for 49% of their clients. Small practices are more likely to report higher usage of cloud (for 62% of their clients), suggesting that these firms may be more likely to embrace digitization.

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

Average



Full data set found in Table 16, page 35

Based on those surveyed, cloud-based software has become increasingly prevalent in the US accounting industry but practices of all sizes are relatively new to cloud. A significant number have adopted cloud-based software within the last 2 years (49%).

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

NET 0 - 2 years



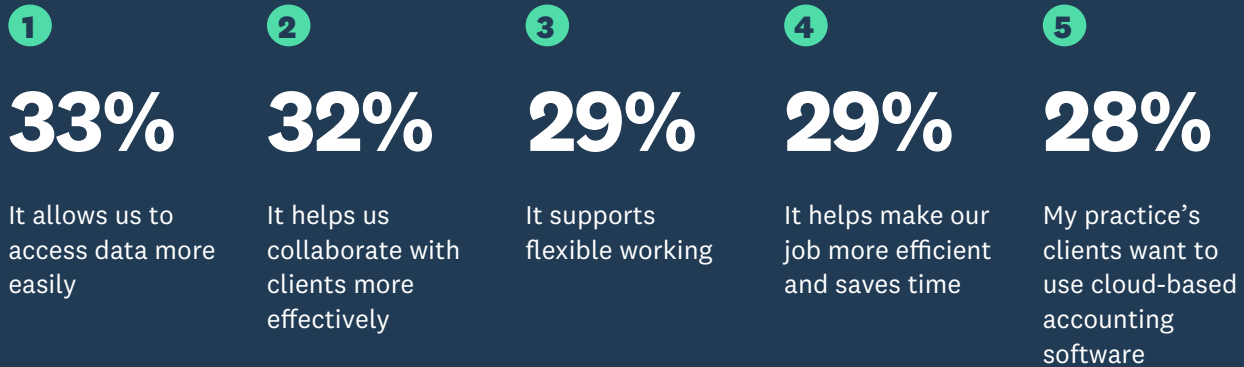
Full data set found in Table 17, page 35

2.1b Motivations for using cloud

Practices say they adopted cloud for a variety of benefits

Regardless of size, practices we surveyed say they adopted cloud-based accounting software for a variety of reasons.

Top 5 reasons:



Full data set found in Table 18, page 36

This highlights the diverse benefits that cloud-based software offers to accounting practices in enhancing how they operate to meet the evolving needs of their clients.

“Partnering with Xero allows us to provide our team members with market-leading tools that fosters creative solutioning for clients. Not only does this approach provide our clients with a higher standard of service, it also encourages an environment of innovation that inspires our team.”



Patrick Cameron
Director of CX Strategy and Innovation,
Aprio

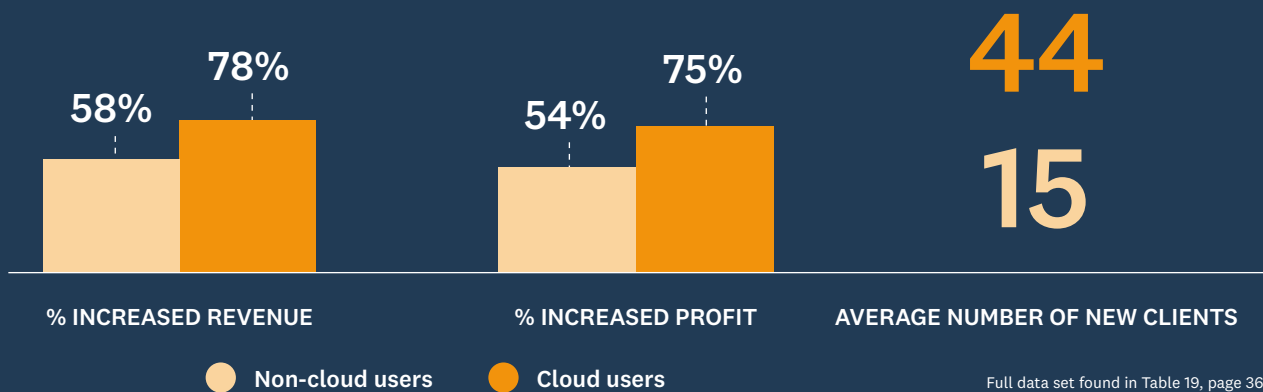
Section 2.2: Benefits of cloud

2.2a Growth

Cloud users surveyed were more likely to report commercial gains over the past 12 months

Cloud users surveyed were more likely to have reported increased revenue and profit over the past 12 months, compared to those that do not use cloud software. Furthermore, these practices also reported that they acquired more clients within the last year, a factor practices' say increased their revenue (table 2).

Growth metrics



85% of practices surveyed agree cloud-based software provides **at least one benefit**

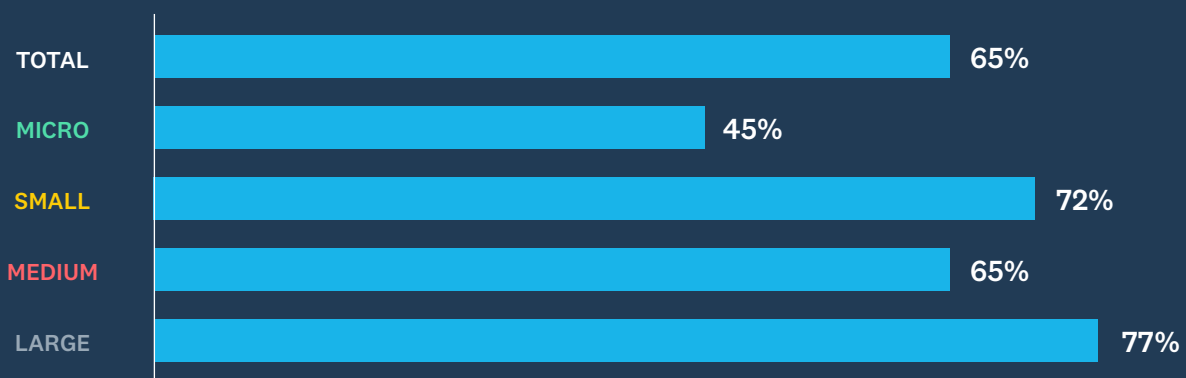
Full data set found in Table 23, page 37

2.2b Practice value

Those surveyed agree that practices that use cloud-based software are worth more if sold

The majority (65%) agree with the statement that practices that use cloud-based software are worth more if sold. Three quarters of those working in large practices (77%) believe this to be the case, along with 72% of small practices, and 65% of medium practices.

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



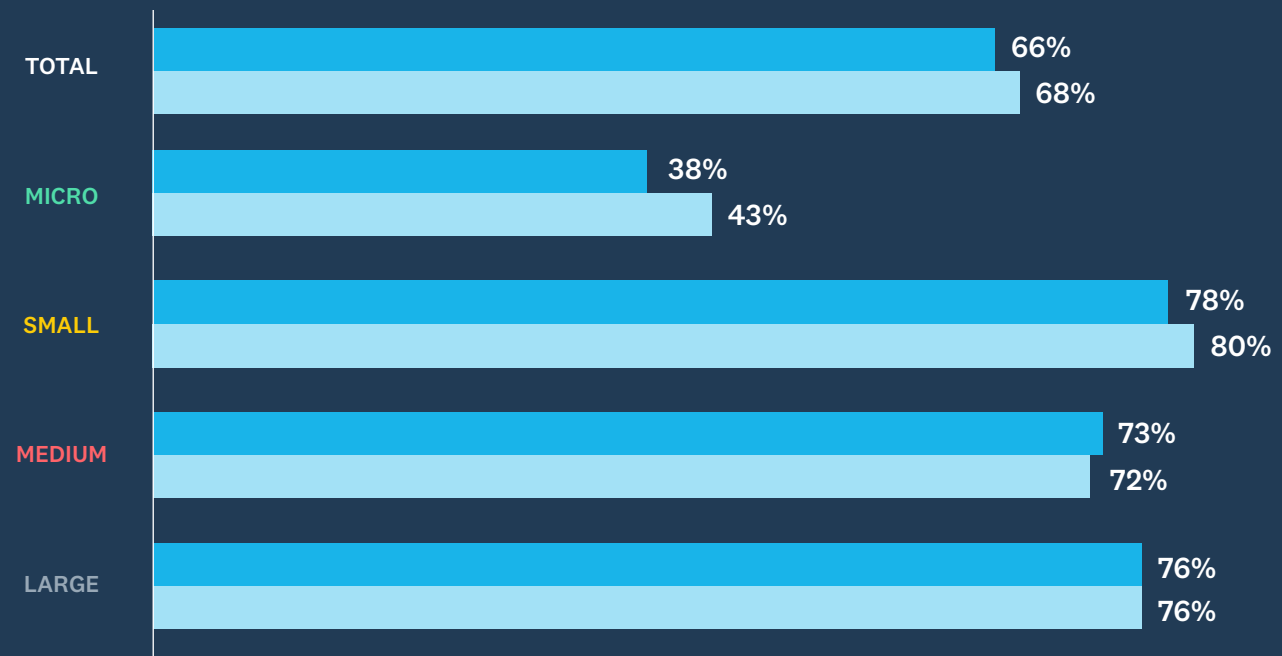
2.2c Talent benefits

Cloud could help practices address talent shortages

Finding and keeping talent is a key challenge facing our sector globally. 66% of those surveyed agree with the statement that practices that use cloud-based software have higher staff retention and 68% agree it will attract more new talent/staff. More than 70% of all small, medium and large practices surveyed (i.e., those with the largest number of staff) agree that cloud helps to address these talent challenges.

% that agree with each statement

- Practices that use cloud-based software have higher staff retention
- Practices that use cloud-based software will attract more new talent/staff



Full data set found in Table 21, page 36

2.2d Impact on client services

The majority of practices surveyed believe that practices can provide better service to clients with the use of cloud-based software

% that agree with the statement: Practices that use cloud-based software can better service their clients

71% of practices agree with this statement.

This is driven by large practices, at

80%



Full data set found in Table 22, page 37

Section 2.3: Optimizing Cloud Usage

2.3a Maximizing tools

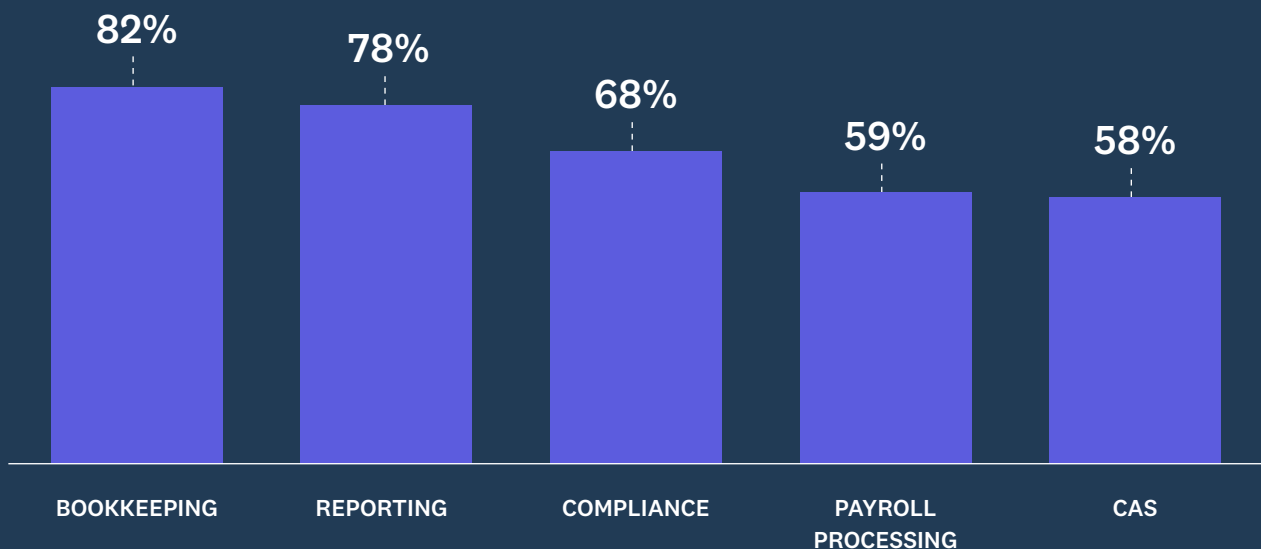
There is plenty of headroom for practices to deepen their use of cloud

As seen throughout the report, practices agree with the benefits that cloud offers. However, practices surveyed use cloud-based software for approximately half of their clients (table 16). This presents an opportunity across the board to increase usage, and help see more of the benefits cloud has to offer (table 18, 20, 21, 22).

There are still opportunities to help maximize the benefits of using cloud. Of those surveyed, cloud use for bookkeeping is high, but there are opportunities for practices of all sizes to increase their cloud usage across all other service categories, particularly payroll processing and CAS which are seeing lower usage.

What services does your practice use cloud accounting software for?

Service categories



Full data set found in Table 24, page 37

When looking at individual services in more detail, practices surveyed reported the highest use of cloud for record-keeping, internal and external reporting, payroll processing, CAS and billing and payments – but even for these services there is still a proportion who rely on non-cloud tools (e.g., desktop) meaning an opportunity for these practices to help improve efficiencies through the use of cloud.

What services does your practice use cloud accounting software for?

Individual services

| | Total | Micro | Small | Medium | Large |
|---|-------|-------|-------|--------|-------|
| Record-keeping e.g. keeping and matching bank records, managing documents including proof of purchase, payments and invoices | 64% | 71% | 55% | 65% | 65% |
| Internal reporting i.e., compiling reports financial and operational information for internal stakeholders such as employees | 63% | 60% | 73% | 58% | 60% |
| External reporting i.e., compiling reports, accounts production and annual accounts for external stakeholders such as investors, boards | 59% | 60% | 61% | 56% | 59% |
| Payroll processing | 59% | 64% | 67% | 44% | 58% |
| Client advisory services including forecasting, budgeting, and financial strategy | 58% | 39% | 63% | 71% | 62% |
| Billing and payments | 56% | 64% | 44% | 58% | 56% |
| Invoicing and debt collection | 54% | 68% | 46% | 67% | 42% |
| Managing annual taxes i.e., prepare, review and file tax return | 54% | 47% | 44% | 63% | 60% |
| Inventory management | 53% | 79% | 57% | 44% | 48% |
| Managing sales taxes i.e., prepare, review and file tax return | 51% | 54% | 52% | 42% | 56% |
| Managing other taxes i.e., prepare, review and file tax return | 50% | 53% | 38% | 61% | 52% |
| Average number of services completed through cloud | 2 | 3 | 2 | 2 | 2 |

Full data set found in Table 25, page 38

2.3b End-to-end use

Practices currently use a range of tools, but there is appetite to streamline

Practices surveyed are currently using an average of 5 different software tools/platforms, with medium and large practices quoting 6 on average.

On average, how many different software tools/platforms does your practice use for all types of tasks (e.g., practice management, services to clients, marketing, etc.)?

Average



Full data set found in Table 26, page 38

We know, though, that there are reported concerns about using multiple software tools and the majority of those surveyed (70%) would prefer to use one solution. Of those surveyed, 57% agree with the statement that using multiple software is inefficient and 65% agree that it can lead to mistakes.

Taking action is less of a priority for micro practices surveyed but still 46% state their practice is looking at new ways to condense the number of software they use. Of those surveyed, micro practices may be less concerned given they report fewer challenges with multiple software use, whereas small, medium and large practices are more likely to agree that using multiple software can lead to mistakes.

To what extent do you agree or disagree with the following statements?: “Somewhat agree” and “Strongly agree”

| | Total | Micro | Small | Medium | Large |
|--|-------|-------|-------|--------|-------|
| I would prefer to have one software where all tasks are centralized | 70% | 59% | 74% | 71% | 76% |
| My practice is looking at new ways to help condense the number of software that we use | 69% | 46% | 84% | 69% | 78% |
| I do not mind having to use more than one software to complete tasks | 68% | 66% | 70% | 68% | 69% |
| Using multiple software can lead to mistakes | 65% | 49% | 78% | 65% | 68% |
| Using multiple software is inefficient | 57% | 43% | 62% | 57% | 65% |

Full data set found in Table 27, page 38

And there is good reason to want to streamline: practices surveyed that use cloud across more than one service were more likely to have also reported growth in the past 12 months

Among practices surveyed that use cloud for more than one service for clients, 78% have reported an increase in profit. This is higher than those who use cloud for only one service (68%).

How have your practice's profits changed within the past 12 months?

68% **78%**

EXPERIENCED INCREASE

● Uses cloud for only 1 service

● Uses cloud for more than 1 service

Full data set found in Table 28, page 39



Conclusion

It's been a good year; our data shows growth across the board, with a majority of practices of all sizes reporting increases in revenue, client numbers and profit. Additionally, those practices surveyed who offer CAS or use cloud, were more likely to report these increases.

The industry continues to change, with the amount of practices who offer CAS and value-based pricing on the increase. This may continue as the majority of practices surveyed who offer CAS and value-based pricing agree that there are a vast range of benefits to these offerings – not only to their clients but also their practices.

In addition, cloud usage continues to grow and nearly all (85%) of practices surveyed agree there are benefits to using it. It is believed by the majority of those practices we surveyed that practices that use cloud are worth more if sold, have higher staff retention, are able to attract new talent and better service their clients. Our findings show that while 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.

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Method

Quantitative Survey and Sample Specifications

We spoke to N=728 accountants and bookkeepers in practice across the US. We have gathered feedback from a mixture of job roles and individuals with various decision-making responsibilities. The majority being the sole decision maker (66%) in their practice.

| | |
|---|-----|
| Accountant / CPA / Chartered Accountant | 55% |
| Virtual CFO / Financial Advisor / CFA | 16% |
| Tax compliance manager/Tax advisor | 9% |
| Outsourced / Independent Bookkeeper | 6% |
| Tax preparer (non-credentialed) | 5% |
| Business Consultant | 4% |
| Payroll specialist | 3% |
| Enrolled Agent | 2% |

Fieldwork was conducted via an online survey between May 15th - June 25th 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 (including themselves) 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 sole practitioners) – 10 employees) | N = 148 | 25% | 8.03 +/- % |
| Small practices (11 – 20 employees) | N = 50 | 25% | 13.84 +/- % |
| Medium practices (21 – 50 employees) | N = 106 | 25% | 9.49 +/- % |
| Large practices (more than 51+ employees) | N = 42 | 25% | 4.71 +/- % |
| TOTAL | 728 | 100% | |

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.

Appendix

| Table 1: Revenue change over the past 12 months | Total | Micro Practices | Small Practices | Medium Practices | Large Practices |
|---|-------|-----------------|-----------------|------------------|-----------------|
| Decreased significantly | 2% | 5% | 2% | 0% | 1% |
| Decreased slightly | 6% | 11% | 6% | 3% | 2% |
| Stayed the same | 16% | 24% | 14% | 13% | 11% |
| Increased slightly | 46% | 39% | 50% | 49% | 45% |
| Increased significantly | 30% | 18% | 26% | 34% | 41% |
| Total experienced an increase | 75% | 57% | 76% | 83% | 85% |
| Total experienced a decrease | 8% | 16% | 8% | 3% | 3% |

Thinking about the past 12 months, how has your practice's revenue changed? (Total sample, total n=728, micro n=148, small n=50, medium n=106, large n=424) Significantly higher or lower than other practice sizes

| Table 2: Reasons for revenue increase | Total | Micro Practices | Small Practices | Medium Practices | Large Practices |
|---------------------------------------|-------|-----------------|-----------------|------------------|-----------------|
| Increased number of clients | 58% | 62% | 66% | 51% | 56% |
| Offered new services to clients | 45% | 27% | 55% | 45% | 48% |
| Clients requesting more services | 45% | 33% | 58% | 41% | 46% |
| Use of cloud software | 35% | 10% | 50% | 31% | 44% |
| Increased our fees | 33% | 38% | 24% | 33% | 38% |
| Increased number of staff | 32% | 19% | 29% | 34% | 41% |
| Doing more complex advisory | 30% | 23% | 34% | 32% | 30% |

In your opinion, why has your practice experienced an increase in revenue? (Those that have experienced increase in revenue, total n=572, micro n=84, small n=38, medium n=88, large n=362) Significantly higher or lower than other practice sizes

| Table 3: Changes to profit in the past 12 months | Total | Micro Practices | Small Practices | Medium Practices | Large Practices |
|--|-------|-----------------|-----------------|------------------|-----------------|
| Decreased significantly | 2% | 5% | 2% | 0% | 1% |
| Decreased slightly | 7% | 14% | 8% | 4% | 3% |
| Stayed the same | 17% | 24% | 10% | 21% | 13% |
| Increased slightly | 42% | 32% | 50% | 42% | 43% |
| Increased significantly | 31% | 22% | 28% | 34% | 40% |
| Total experienced an increase | 73% | 55% | 78% | 75% | 83% |
| Total experienced a decrease | 9% | 19% | 10% | 4% | 4% |

And how have your practice's profits changed within the past 12 months? (Total sample, total n=728, micro n=148, small n=50, medium n=106, large n=424) Significantly higher or lower than other practice sizes

| Table 4: Reasons for profit increase | Total | Micro Practices | Small Practices | Medium Practices | Large Practices |
|---|--------------|------------------------|------------------------|-------------------------|------------------------|
| Increased the number of services we provide | 53% | 51% | 59% | 54% | 48% |
| Introduced/improved staff training | 42% | 20% | 49% | 46% | 45% |
| Increased automation of manual tasks | 40% | 27% | 46% | 31% | 49% |
| Streamlined internal processes | 40% | 28% | 46% | 39% | 41% |
| Experienced better retention of staff | 35% | 15% | 36% | 45% | 38% |
| Employed more staff | 34% | 21% | 36% | 33% | 44% |
| Adopted/switched to new software | 31% | 17% | 33% | 33% | 36% |

In your opinion, why has your practice experienced an increase in profit? (Those that have witnessed increase profit, total n=552, micro n=81, small n =39, medium n=80, large n=352) Significantly **higher** or **lower** than other practice sizes

| Table 5: Feelings about the future of their practice | Total | Micro Practices | Small Practices | Medium Practices | Large Practices |
|---|--------------|------------------------|------------------------|-------------------------|------------------------|
| Very negative | 0% | 1% | 0% | 0% | 0% |
| Somewhat negative | 4% | 5% | 2% | 3% | 4% |
| Neither positive nor negative | 13% | 17% | 10% | 18% | 7% |
| Somewhat positive | 49% | 39% | 58% | 46% | 54% |
| Very positive | 34% | 38% | 30% | 33% | 34% |
| Total feeling positive | 83% | 76% | 88% | 79% | 88% |
| Total feeling negative | 4% | 7% | 2% | 3% | 5% |

Overall, how positive or negative do you feel about the future of your practice? (Total sample, total n=728, micro n=148, small n =50, medium n=106, large n=424) Significantly **higher** or **lower** than other practice sizes

| Table 6: Services – Service categories | Total | Micro Practices | Small Practices | Medium Practices | Large Practices |
|---|--------------|------------------------|------------------------|-------------------------|------------------------|
| Bookkeeping | 88% | 86% | 90% | 87% | 88% |
| Compliance | 66% | 72% | 64% | 66% | 63% |
| Reporting | 62% | 55% | 66% | 59% | 67% |
| CAS | 41% | 51% | 34% | 37% | 41% |
| Payroll processing | 38% | 43% | 44% | 34% | 31% |

What services does your practice offer to clients? (Total sample, total n=728, micro n=148, small n =50, medium n=106, large n=424) Significantly **higher** or **lower** than other practice sizes

| Table 7: Services Offered – Individual services | Total | Micro Practices | Small Practices | Medium Practices | Large Practices |
|---|--------------|------------------------|------------------------|-------------------------|------------------------|
| Managing annual taxes i.e., prepare, review and file tax return | 49% | 57% | 42% | 55% | 41% |
| Record-keeping e.g. keeping and matching bank records, managing documents including proof of purchase, payments and invoices | 49% | 64% | 42% | 45% | 44% |
| Internal reporting i.e., compiling reports financial and operational information for internal stakeholders such as employees | 47% | 44% | 56% | 42% | 46% |
| Managing other taxes i.e., prepare, review and file tax return | 44% | 55% | 46% | 36% | 40% |
| Managing sales taxes i.e., prepare, review and file tax return | 44% | 49% | 46% | 42% | 38% |
| Client advisory services including forecasting, budgeting, and financial strategy | 41% | 51% | 34% | 37% | 41% |
| External reporting i.e., compiling reports, accounts production and annual accounts for external stakeholders such as investors, boards | 39% | 39% | 38% | 39% | 42% |
| Billing and payments | 39% | 44% | 38% | 36% | 38% |
| Payroll processing | 38% | 43% | 44% | 34% | 31% |
| Invoicing and debt collection | 26% | 24% | 28% | 25% | 28% |
| Inventory management | 23% | 13% | 28% | 26% | 25% |
| Average number of services offered | 4 | 5 | 4 | 4 | 4 |

What services does your practice offer to clients? (Total sample, total n=728, micro n=148, small n =50, medium n=106, large n=424) Significantly higher or lower than other practice sizes

| Table 8: Proportion of revenue from each service – Service categories | Total | Micro Practices | Small Practices | Medium Practices | Large Practices |
|--|--------------|------------------------|------------------------|-------------------------|------------------------|
| Bookkeeping | 41% | 38% | 41% | 44% | 43% |
| Compliance | 32% | 39% | 30% | 30% | 28% |
| Reporting | 27% | 22% | 30% | 26% | 29% |
| Client advisory services | 21% | 16% | 24% | 23% | 22% |
| Payroll processing | 19% | 16% | 23% | 17% | 22% |

What proportion of your practice's revenue comes from the following services that your practice provides? (Total sample, total n=728, micro n=148, small n =50, medium n=106, large n=424) Significantly higher or lower than other practice sizes

| Table 9: Proportion of revenue from each service – Individual services | Total | Micro Practices | Small Practices | Medium Practices | Large Practices |
|---|--------------|------------------------|------------------------|-------------------------|------------------------|
| Managing annual taxes i.e., prepare, review and file tax return | 25% | 30% | 23% | 24% | 21% |
| Record-keeping e.g. keeping and matching bank records, managing documents including proof of purchase, payments and invoices | 21% | 22% | 22% | 21% | 21% |
| Billing and payments | 21% | 15% | 25% | 21% | 25% |
| Client advisory services including forecasting, budgeting, and financial strategy | 21% | 16% | 24% | 23% | 22% |
| Invoicing and debt collection | 20% | 15% | 21% | 24% | 22% |
| Managing other taxes i.e., prepare, review and file tax return | 20% | 20% | 20% | 19% | 22% |
| Internal reporting i.e., compiling reports financial and operational information for internal stakeholders such as employees | 19% | 13% | 24% | 17% | 21% |
| Payroll processing | 19% | 16% | 23% | 17% | 22% |
| Inventory management | 19% | 16% | 18% | 19% | 22% |
| External reporting i.e., compiling reports, accounts production and annual accounts for external stakeholders such as investors, boards | 19% | 15% | 17% | 21% | 22% |
| Managing sales taxes i.e., prepare, review and file tax return | 18% | 14% | 15% | 24% | 21% |

What proportion of your practice's revenue comes from the following services that your practice provides? (Total sample, total n=728, micro n=148, small n=50, medium n=106, large n=424) Significantly higher or lower than other practice sizes

| Table 10: When practices started offering CAS | Total | Micro Practices | Small Practices* | Medium Practices | Large Practices |
|---|--------------|------------------------|-------------------------|-------------------------|------------------------|
| My practice has always offered client advisory services | 69% | 71% | 82% | 54% | 69% |
| My practice has begun to offer client advisory services in the last 12 months | 19% | 9% | 12% | 31% | 25% |
| My practice began to offer client advisory services over 12 months ago | 9% | 12% | 6% | 10% | 6% |

This question is about client advisory services (CAS). Which of the following statements best applies to your practice? (Those that offer CAS, total n=305, micro n=75, small n=17, medium n=39, large n=174) Significantly higher or lower than other practice sizes *low base

| Table 11: % that agree with each statement “Since your practice has started providing CAS...” | Total | Micro Practices | Small Practices* | Medium Practices | Large Practices |
|---|--------------|------------------------|-------------------------|-------------------------|------------------------|
| Clients feel safer in the knowledge that my practice offers CAS (i.e., their accounting and bookkeeping is compliant) | 80% | 73% | 94% | 74% | 82% |
| Clients’ needs are better met since my practice started offering CAS | 77% | 67% | 94% | 74% | 79% |
| Clients feel more confident in my practice’s services for offering CAS | 76% | 65% | 82% | 74% | 86% |
| Clients see greater value in our services when my practice offers CAS | 76% | 67% | 94% | 67% | 80% |
| My practice’s services are more trusted for offering CAS | 75% | 61% | 94% | 67% | 82% |
| Somewhat/strongly agree to at least one of the statements above | 93% | 84% | 100% | 95% | 98% |
| My practice has experienced challenges with offering CAS | 56% | 36% | 65% | 59% | 71% |

To what extent do you agree or disagree that the following changes have happened to your practice since you started providing CAS? (Those that offer CAS, total n=305, micro n=75, small n=17, medium n=39, large n=174) Significantly higher or lower than other practice sizes *low base

| Table 12: Growth Metrics | Offers CAS | Does not offer CAS |
|---------------------------------|-------------------|---------------------------|
| Increase in revenue | 78% | 73% |
| Increase in profit | 75% | 71% |
| Increase in client numbers | 58 | 33 |

Thinking about the past 12 months, how many new clients has your practice added? Thinking about the past 12 months, how has your practice’s revenue changed? And how have your practice’s profits changed within the past 12 months? (Offers CAS n=305, does not offer CAS n=423) Significantly higher than ‘does not offer CAS’

| Table 13: Proportion of practices that have at least 25% of clients on the following pricing models | Total | Micro Practices | Small Practices | Medium Practices | Large Practices |
|--|--------------|------------------------|------------------------|-------------------------|------------------------|
| Clients are billed for the number of hours | 64% | 54% | 62% | 66% | 74% |
| Clients are quoted a fixed amount per piece of work | 61% | 48% | 56% | 65% | 75% |
| Clients are on a fixed fee monthly/quarterly/annual service plan | 63% | 49% | 62% | 68% | 72% |

What percentage of your practice’s clients do you bill in the following ways? (Total sample, total n=728, micro n=148, small n=50, medium n=106, large n=424) Significantly higher or lower than other practice sizes

| Table 14: When practice started offering value-based pricing* | Total | Micro Practices | Small Practices | Medium Practices | Large Practices |
|---|--------------|------------------------|------------------------|-------------------------|------------------------|
| My practice has always offered value-based pricing models | 60% | 59% | 73% | 52% | 55% |
| My practice began to offer value-based pricing models in the last 12 months | 31% | 20% | 24% | 42% | 36% |
| My practice began to offer value-based pricing models over 12 months ago | 7% | 13% | 2% | 6% | 8% |

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? (Those that offer VBP, total n=676, micro n=123, small n=45, medium n=95, large n=413) Significantly higher or lower than other practice sizes *value-based pricing is determined as those that bill either quoting a fixed amount per piece of work or a fixed fee service plan

| Table 15: Why practices offer value-based pricing models | Total | Micro Practices | Small Practices | Medium Practices | Large Practices |
|---|--------------|------------------------|------------------------|-------------------------|------------------------|
| It is easier to understand for clients | 43% | 45% | 42% | 44% | 42% |
| It is more profitable | 38% | 36% | 42% | 34% | 38% |
| It has helped to increase revenue | 37% | 32% | 40% | 37% | 37% |
| It feels more honest | 36% | 37% | 36% | 34% | 39% |
| It is our clients' preference | 35% | 31% | 42% | 32% | 35% |
| It makes more sense | 31% | 31% | 24% | 28% | 40% |
| We can more easily upsell our services | 31% | 20% | 27% | 39% | 36% |
| It is easier to understand for colleagues | 30% | 12% | 31% | 40% | 36% |
| It has helped to increase margins | 30% | 15% | 27% | 39% | 37% |

Why does your practice offer value-based pricing models? (Those that offer VBP, total n=676, micro n=123, small n=45, medium n=95, large n=413)
Significantly **higher** or **lower** than other practice sizes

| Table 16 | Total | Micro Practices | Small Practices | Medium Practices | Large Practices |
|---|--------------|------------------------|------------------------|-------------------------|------------------------|
| Average proportion of client base cloud user practices use cloud software for | 49% | 46% | 62% | 45% | 44% |

When doing work on behalf of clients, what proportion does your practice use cloud software for? (Cloud users, total n=597, micro n=96, small n=41, medium n=87, large n=373. Significantly **higher** or **lower** than other practice sizes

| Table 17: When practice started using cloud | Total | Micro Practices | Small Practices | Medium Practices | Large Practices |
|--|--------------|------------------------|------------------------|-------------------------|------------------------|
| Less than 6 months | 4% | 5% | 4% | 4% | 2% |
| 6 months – 11 months | 12% | 14% | 7% | 11% | 14% |
| 1 – 2 years | 33% | 22% | 28% | 48% | 32% |
| More than 3 years | 47% | 49% | 52% | 34% | 50% |
| Don't know | 5% | 10% | 9% | 2% | 1% |
| NET 0 – 2 years | 49% | 41% | 39% | 63% | 48% |

How long has your practice been using cloud-based software? (Cloud users, total n=597, micro n=96, small n=41, medium n=87, large n=373) Significantly **higher** or **lower** than other practice sizes

| Table 18: Reasons for using cloud | Total | Micro Practices | Small Practices | Medium Practices | Large Practices |
|---|--------------|------------------------|------------------------|-------------------------|------------------------|
| It allows us to access data more easily | 33% | 37% | 37% | 28% | 29% |
| It helps us collaborate with clients more effectively | 32% | 33% | 30% | 33% | 30% |
| It supports flexible working | 29% | 27% | 28% | 32% | 30% |
| It helps make our job more efficient and saves time | 29% | 32% | 28% | 30% | 26% |
| My practice's clients want to use cloud-based accounting software | 28% | 26% | 26% | 31% | 30% |
| It is more sustainable | 28% | 23% | 30% | 27% | 29% |
| It makes our work easier | 27% | 25% | 26% | 25% | 31% |
| Better security with cloud-based software | 26% | 24% | 20% | 29% | 29% |
| It allows us to service clients that otherwise my practice would not be able to (e.g. different industries) | 25% | 17% | 24% | 29% | 27% |
| It helps us collaborate with colleagues more effectively | 25% | 18% | 17% | 33% | 28% |
| It helps us advise clients more confidently | 24% | 18% | 24% | 29% | 26% |
| To keep up to date with other practices | 23% | 20% | 28% | 18% | 26% |
| It helps us plan more effectively | 23% | 13% | 17% | 27% | 31% |
| My practice is becoming a digital first business | 22% | 15% | 24% | 18% | 29% |

Why does your practice use cloud-based accounting software? (Cloud users, total n=597, micro n=96, small n =41, medium n=87, large n=373)
Significantly higher or lower than other practice sizes. Excluding don't know.

| Table 19: Growth Metrics | Total | Cloud users | Non-cloud users |
|---------------------------------|--------------|--------------------|------------------------|
| % increased revenue | 75% | 78% | 58% |
| % increased profit | 73% | 75% | 54% |
| Average number of new clients | 40 | 44 | 15 |

Thinking about the past 12 months, how many new clients has your practice added? Thinking about the past 12 months, how has your practice's revenue changed? And how have your practice's profits changed within the past 12 months? (Total, n = 728, (Cloud users, n =658, Non-cloud users n=70)
Significantly higher or lower than 'non-cloud users')

| Table 20: % that agree with statement | Total | Micro Practices | Small Practices | Medium Practices | Large Practices |
|--|--------------|------------------------|------------------------|-------------------------|------------------------|
| Practices that use cloud-based software are worth more if sold | 65% | 45% | 72% | 65% | 77% |

To what extent do you agree or disagree with the following statements about practices that use cloud-based software?: Somewhat agree + Strongly agree (Total sample, total n=728, micro n=148, small n =50, medium n=106, large n=424) Significantly higher or lower than other practice sizes

| Table 21: % that agree with each statement | Total | Micro Practices | Small Practices | Medium Practices | Large Practices |
|--|--------------|------------------------|------------------------|-------------------------|------------------------|
| Practices that use cloud-based software have higher staff retention | 66% | 38% | 78% | 73% | 76% |
| Practices that use cloud-based software will attract more new talent/staff | 68% | 43% | 80% | 72% | 76% |

To what extent do you agree or disagree with the following statements about practices that use cloud-based software?: Somewhat agree + Strongly agree (Total sample, total n=728, micro n=148, small n =50, medium n=106, large n=424) Significantly higher or lower than other practice sizes

| Table 22: % that agree with statement | Total | Micro Practices | Small Practices | Medium Practices | Large Practices |
|--|--------------|------------------------|------------------------|-------------------------|------------------------|
| Practices that use cloud-based software can better service their clients | 71% | 51% | 76% | 75% | 80% |

To what extent do you agree or disagree with the following statements about practices that use cloud-based software?: Somewhat agree + Strongly agree (Total sample, total n=728, micro n=148, small n =50, medium n=106, large n=424) Significantly higher or lower than other practice sizes

| Table 23: % that agree (strongly or somewhat) with at least one of these statements | Total | Micro Practices | Small Practices | Medium Practices | Large Practices |
|--|--------------|------------------------|------------------------|-------------------------|------------------------|
| Practices that use cloud-based software are worth more if sold | 85% | 66% | 88% | 90% | 95% |
| Practices that use cloud-based software have higher staff retention | | | | | |
| Practices that use cloud-based software will attract more new talent/staff | | | | | |
| Practices that use cloud-based software can better service their clients | | | | | |

To what extent do you agree or disagree with the following statements about practices that use cloud-based software?: Somewhat agree + Strongly agree (Total sample, total n=728, micro n=148, small n =50, medium n=106, large n=424) Significantly higher or lower than other practice sizes

| Table 24: What services cloud user practices use cloud accounting software for – Service categories | Total | Micro Practices | Small Practices | Medium Practices | Large Practices |
|--|--------------|------------------------|------------------------|-------------------------|------------------------|
| Bookkeeping | 82% | 100% | 67% | 100% | 100% |
| Reporting | 78% | 73% | 85% | 70% | 83% |
| Compliance | 68% | 66% | 50% | 81% | 77% |
| Payroll Processing | 59% | 64% | 67% | 44% | 58% |
| CAS | 58% | 39% | 63% | 71% | 62% |

What services does your practice use cloud accounting software for? (Cloud users, total n=658, micro n=114, small n=46, medium n=96, large n=402) Significantly higher or lower than other practice sizes

| Table 25: Services cloud user practices use cloud for - Individual services | Total | Micro Practices | Small Practices | Medium Practices | Large Practices |
|---|--------------|------------------------|------------------------|-------------------------|------------------------|
| Record-keeping e.g. keeping and matching bank records, managing documents including proof of purchase, payments and invoices | 64% | 71% | 55% | 65% | 65% |
| Internal reporting i.e., compiling reports financial and operational information for internal stakeholders such as employees | 63% | 60% | 73% | 58% | 60% |
| External reporting i.e., compiling reports, accounts production and annual accounts for external stakeholders such as investors, boards | 59% | 60% | 61% | 56% | 59% |
| Payroll processing | 59% | 64% | 67% | 44% | 58% |
| Client advisory services including forecasting, budgeting, and financial strategy | 58% | 39% | 63% | 71% | 62% |
| Billing and payments | 56% | 64% | 44% | 58% | 56% |
| Invoicing and debt collection | 54% | 68% | 46% | 67% | 42% |
| Managing annual taxes i.e., prepare, review and file tax return | 54% | 47% | 44% | 63% | 60% |
| Inventory management | 53% | 79% | 57% | 44% | 48% |
| Managing sales taxes i.e., prepare, review and file tax return | 51% | 54% | 52% | 42% | 56% |
| Managing other taxes i.e., prepare, review and file tax return | 50% | 53% | 38% | 61% | 52% |
| Average number of services completed through cloud | 2 | 3 | 2 | 2 | 2 |

What services does your practice use cloud accounting software for? (Cloud users, total n=658, micro n=114, small n=46, medium n=96, large n=402)

| Table 26 | Total | Micro Practices | Small Practices | Medium Practices | Large Practices |
|--|--------------|------------------------|------------------------|-------------------------|------------------------|
| Average number of software tools/platforms practices use | 5 | 4 | 4 | 6 | 6 |

On average, how many different software tools/platforms does your practice use for all types of tasks (e.g. practice management, services to clients, marketing etc.)? (Base, All excludes 'don't know' total n=679, micro n=141, small n=47, medium n=100, large n=391)

| Table 27: % that agree with the following statements | Total | Micro Practices | Small Practices | Medium Practices | Large Practices |
|--|--------------|------------------------|------------------------|-------------------------|------------------------|
| I would prefer to have one software where all tasks are centralized | 70% | 59% | 74% | 71% | 76% |
| My practice is looking at new ways to help condense the number of software that we use | 69% | 46% | 84% | 69% | 78% |
| I do not mind having to use more than one software to complete tasks | 68% | 66% | 70% | 68% | 69% |
| Using multiple software can lead to mistakes | 65% | 49% | 78% | 65% | 68% |
| Using multiple software is inefficient | 57% | 43% | 62% | 57% | 65% |

To what extent do you agree or disagree with the following statements?: Somewhat agree + Strongly agree (Total sample, total n=718, micro n=148, small n=50, medium n=106, large n=424) Significantly higher or lower than other practice sizes

| Table 28: Profit changes over the past 12 months | Uses cloud for only 1 service | Uses cloud for more than 1 service |
|---|--------------------------------------|---|
| Decreased significantly | 2% | 2% |
| Decreased slightly | 7% | 5% |
| Stayed the same | 22% | 14% |
| Increased slightly | 47% | 40% |
| Increased significantly | 21% | 38% |
| Total that experienced increase | 68% | 78% |
| Total that experienced decrease | 10% | 7% |

And how have your practice's profits changed within the past 12 months? (Uses cloud for only 1 service n = 186, using cloud for more than 1 service n=472)
 Significantly higher or lower than "use cloud for only 1 task"



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