

SPECIAL REPORT

xero

STATE OF THE INDUSTRY

Leveraging the app advantage

UK 2024



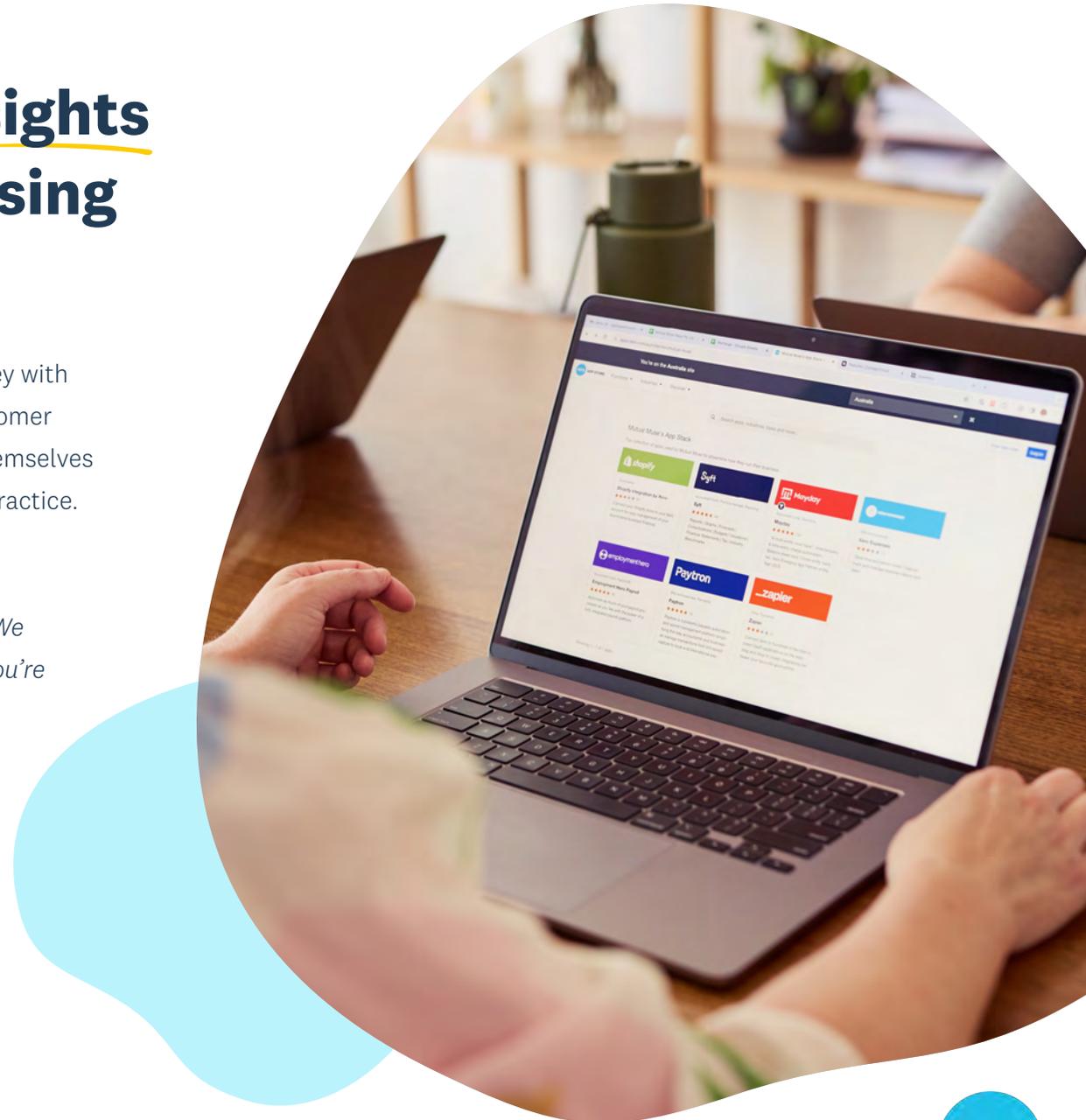
ABOUT THIS REPORT

This report provides insights into how UK practices using Xero are adopting apps

This report, commissioned by Xero, is based on an online survey with 149 UK accountants and bookkeepers recruited via Xero's customer database. We asked questions about apps practices use for themselves and clients, as well as the impact app usage has had on their practice.

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.

For definitions used in this report, please see page 25.



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FOREWORD

The ever-evolving role of technology in accounting

Technology has always been intertwined with accounting, but it isn't just a tool; it's a game-changer. Gone are the days of desktop-based accounting software - today cloud-based solutions are key and adoption rates are high. At Xero, we've witnessed a revolution fuelled by innovation, where accountants and bookkeepers are not just adapting to change but driving it. In our **2023 Industry Performance Report**, we saw a range of benefits for practices both financial and non-financial.

Now that confidence in cloud-based software is growing, it's up to accountants and bookkeepers to find the tools and technology that suit their practices. Amidst this whirlwind of change, there's one indisputable fact: human expertise is irreplaceable. When technologies such as AI push boundaries, the human touch becomes more precious than ever and an essential part of the practice model.

Accountants and bookkeepers need their processes to remain agile and simple, given the rate of change. That's why we're seeing the app ecosystem gain traction - it means practices can shape their software and processes to fit their unique team and clients.

Our report explores how accountants and bookkeepers are leveraging their Xero software with apps. We break down the benefits

by practice size, share specific benefits for practices, teams, and clients, and explore how app advisory could deepen client and advisor relationships.

Join us on this exhilarating journey to find out how customising Xero with apps will allow you to find greater efficiencies, time savings, and new income streams. Thanks to technology, the future of accounting is brighter and bolder than ever.

Michael Green
GM Partnerships, UK and Emerging Markets





CHAPTER 1

The link between app usage and practice growth





OVERVIEW OF APP USAGE

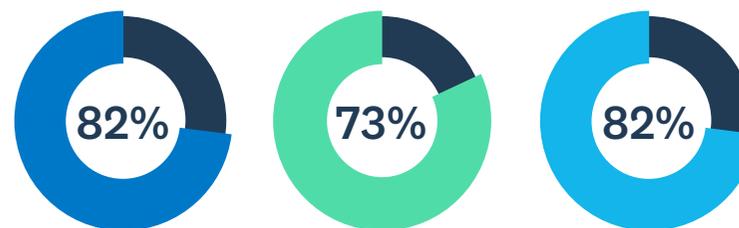
For those surveyed, app usage is common and well-embedded

Practices using Xero aren't new to apps. **The majority of practices surveyed currently use apps** that integrate with Xero and have been doing so for several years. And accountants and bookkeepers are using multiple, different apps to support with a breadth of jobs, tasks and services.

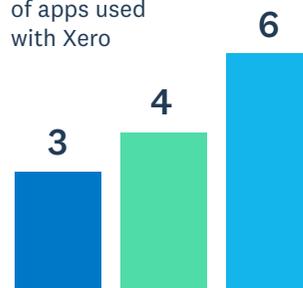
This high level of use is evident across all practice sizes with few differences between groups. The number of apps practices use grows with the size of the practice, and medium and large practices use more apps on average.

1. Use of apps that integrate with Xero (by practice size)

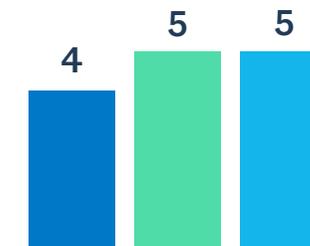
Percentage that use apps that integrate with Xero



Average number of apps used with Xero



Average number of years using apps with Xero



● Micro practices ● Small practices ● Medium & large practices





COMMERCIAL VALUE AND BENEFITS DRIVEN BY APP USAGE

The use of Xero integrated apps has tangible benefits for practices' bottom lines

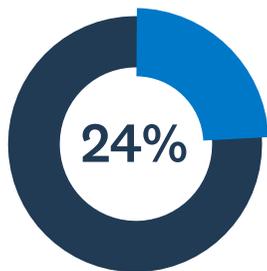
We found that practices' use of Xero integrated apps has a positive impact on both their profit and revenue. Of practices surveyed, **those that use apps with Xero were more likely to experience revenue and profit growth** over the past 12 months.

Furthermore, 24% of Xero integrated app users directly attribute growth to app usage.

This impact can also be looked at from the opposite perspective; those who don't use apps with Xero are twice as likely to report a fall in profit.

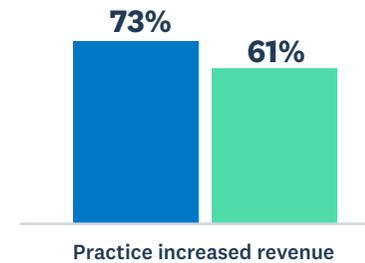
2. Reason for growth

(Answers for growth / profit merged)

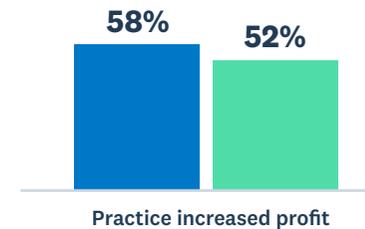


Percentage of Xero integrated app users who experienced growth and attribute this to apps.

3. Change in revenue over the past 12 months (by app usage)



4. Change in profit over the past 12 months (by app usage)



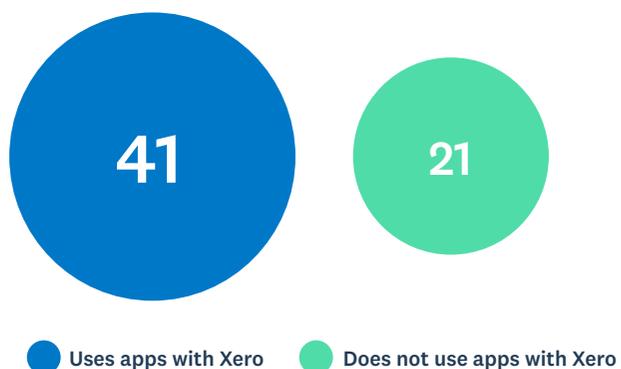
● Uses apps with Xero ● Does not use apps with Xero





Another metric we explored was increase in client numbers. **Those that use apps that integrate with Xero added more clients to their books** over the last 12 months, compared to those not using Xero integrated apps.

5. Average number of new clients added in the past 12 months (by app usage)



Among those surveyed, use of apps has positive impacts on revenue, profit and client numbers.



We've always been early adopters of technology. Being ahead of the curve allows us to offer additional client services at scale, with reliability and at lower price points, which attracts more clients in need of more compliance related services.

Early adoption creates an opportunity in the short and even medium term to manifest the drag in the industry as bottomline profit. Technological advance could be perceived as a threat and squeezing the margins, requiring us to do more for less or even compete on price that hurts profit. However, since technological advancement is inevitable, we've decided to understand it and embrace it to stay ahead of the evolving role of the accountant.

Adam Pritchard, Linford Grey Associates



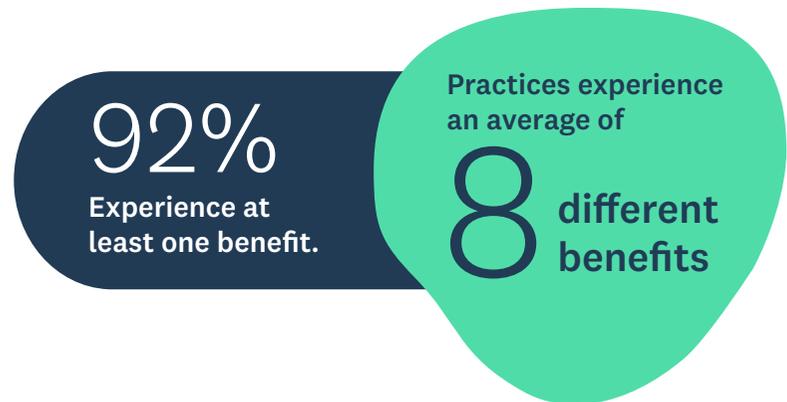


COMMERCIAL VALUE AND BENEFITS DRIVEN BY APP USAGE

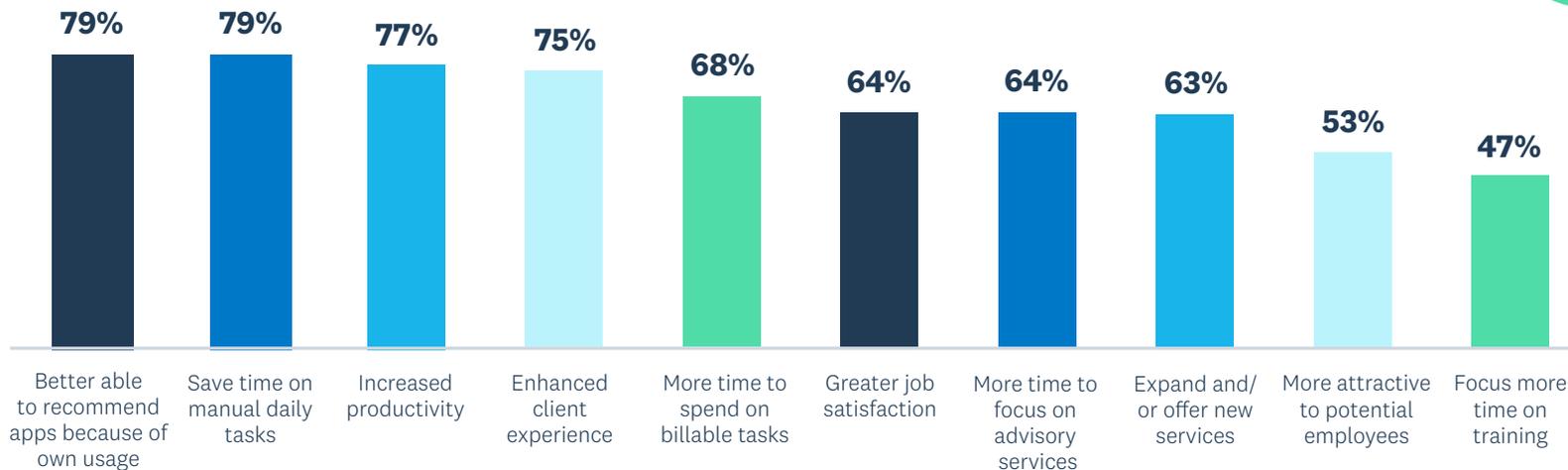
Benefits are felt in all areas of the practice... beyond just financial gain

Commercial growth goes hand in hand with app use – but practices also feel the benefit in day-to-day tasks. The most common benefits are being better able to recommend apps to clients, time savings on manual daily tasks, and increased productivity.

7. Total benefits experienced as a result of using apps with Xero



6. Benefits experienced as a result of using apps with Xero

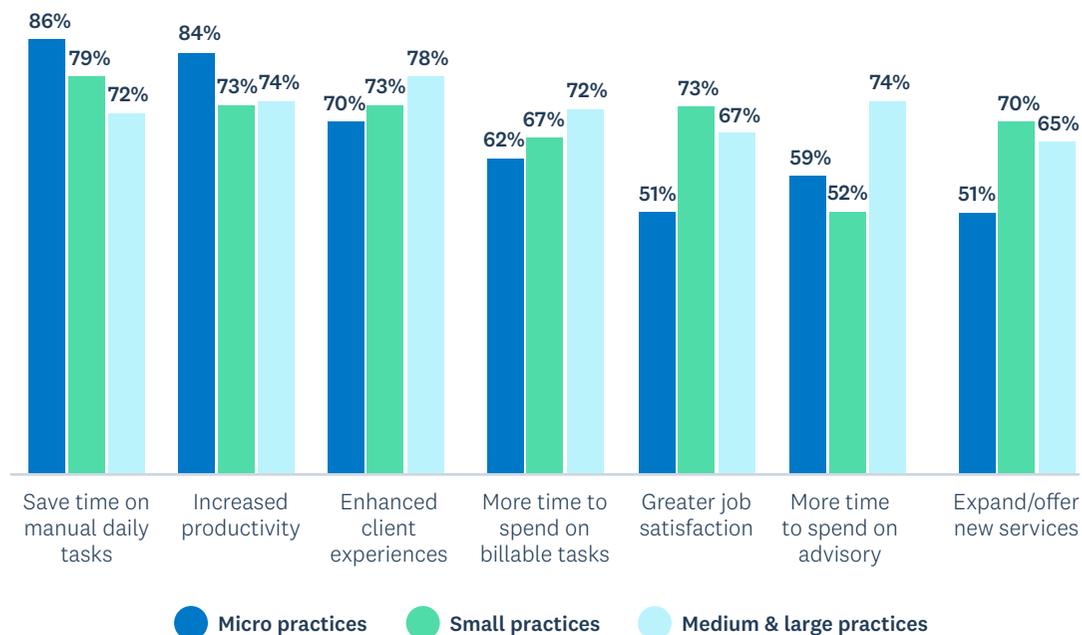




No matter what size, all practices experience benefits from using apps with Xero. There are, however, subtle nuances with *how* these benefits are felt.

Medium and large practices tend to report having more time to spend on advisory, as well as enhanced client experiences. Whereas micro practices are more likely to say they've saved time and increased productivity.

8. Benefits experienced as a result of using apps with Xero (By practice size)



The major benefit, and goal, from using apps, is to maximise the time we spend with our clients and add value. We can talk with them about the output from the apps and the results rather than spending the bulk of our time completing tasks. This often leads to additional work but more importantly a more invested and happier client.

Oliver Finch, Menzies



Apps solve different challenges depending on the size of the practice.





ATTITUDES TOWARDS FUTURE USE OF APPS

Practices want to continue capitalising on the benefits of apps

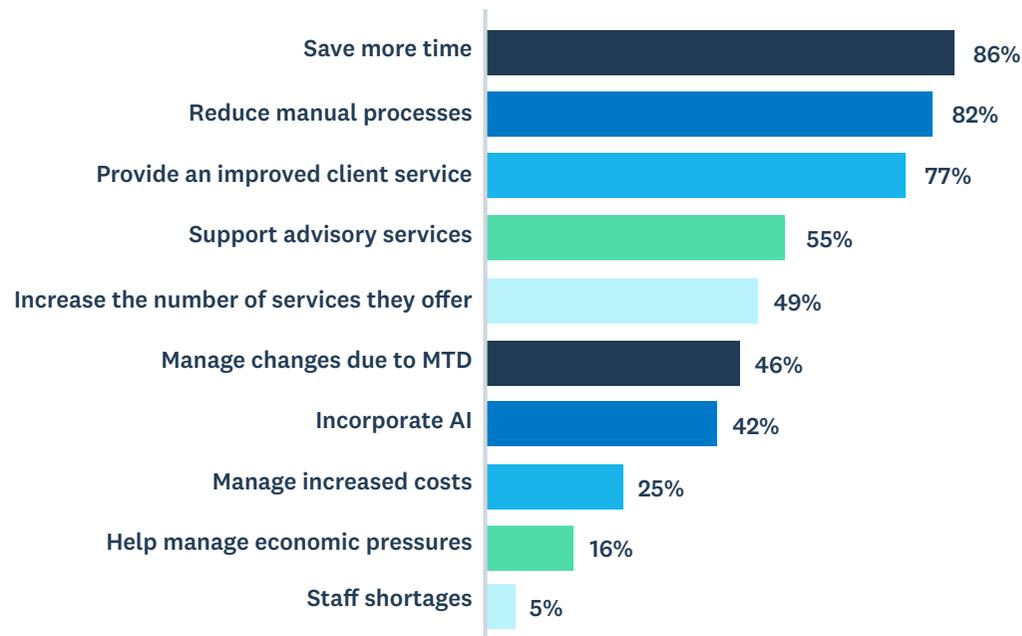
Based on how much value practices have gained from using apps, we expect usage to increase over the coming months and years. **Around 2 in 3 practices surveyed say they're expecting to increase app usage for practice and client tasks.**

Practices hope to save more time, reduce manual processes, and improve client services when introducing more apps into their tech stack.

9. Expected use of apps over the next 12 months



10. Reasons practices will use more apps for practice and/or client jobs/tasks (Answers for practice and client jobs/tasks merged)





CHAPTER 2

How UK practices are using apps to drive efficiency in their practice





Use of apps to help manage teams and workloads is most common

11. Practice jobs/tasks practices use apps with Xero for



“

Our Xero-backed apps allow us to do all of these. The apps talk to each other, so data is shared saving time and administration.

Liz Noble, Providence

”



“

It’s all about identifying the right apps for you and your clients. Some of these come about as a solution to a problem, whereas others are added to improve something. The key is working through your internal processes and looking at what your bottlenecks and pain points are. Some apps cover a range of areas, whereas others do one thing really well, so you need to find the ones that work for you.

Lara Manton, LJM Bookkeeping

”





APPS FOR MANAGING THE PRACTICE

Even if apps are adopted to help solve a specific issue, they result in broader benefits

Practices aren't just seeing one benefit from app usage, they're seeing many. For example, **productivity, increased efficiency, and enhanced client experience** are high across the board.

13. Average number of benefits experienced by type of app used



Managing the team/
workloads

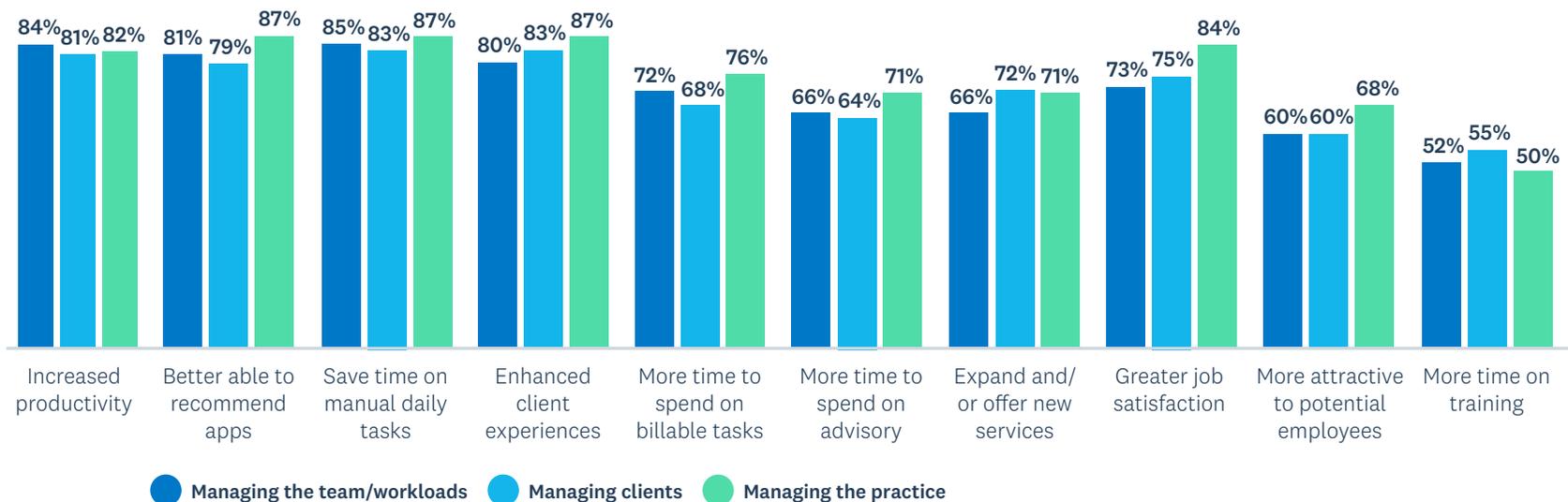


Managing
clients



Managing the
practice

12. Benefits of using apps that integrate with Xero by job/task

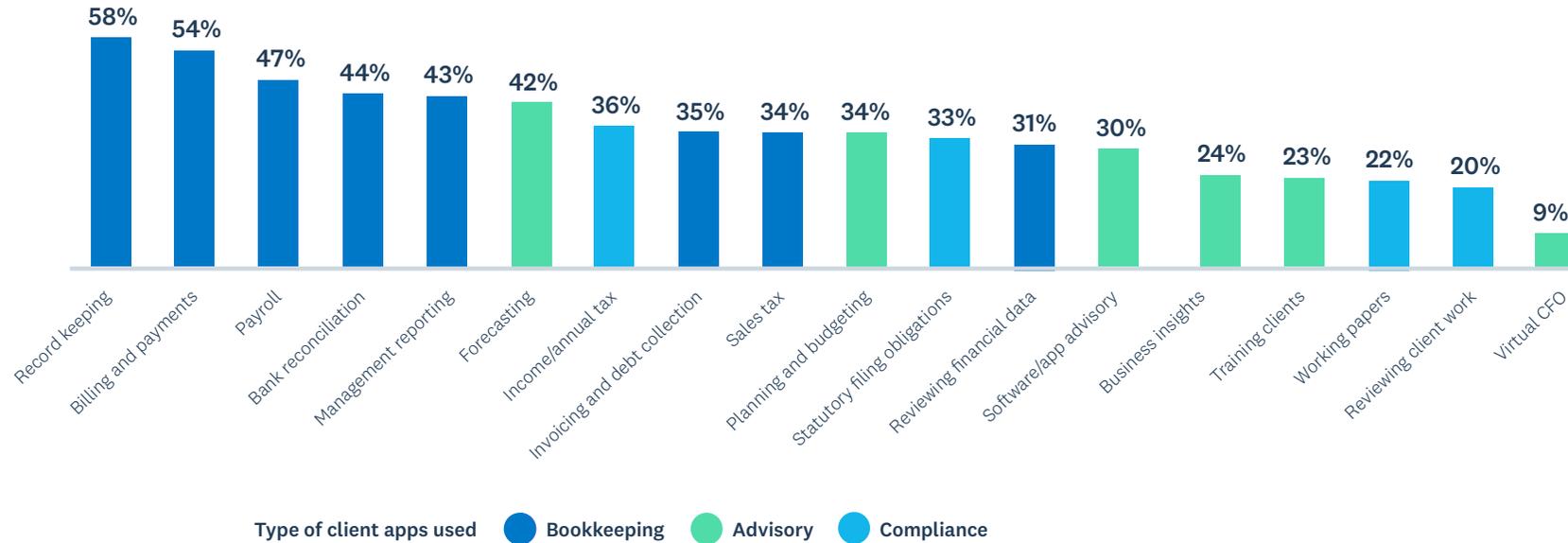




APPS FOR CLIENT SERVICES

Bookkeeping tasks are where apps are most commonly used, with compliance and supporting advisory a clear growth area

14. Client jobs/tasks practices use apps with Xero for



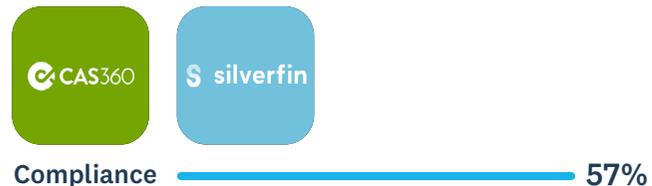
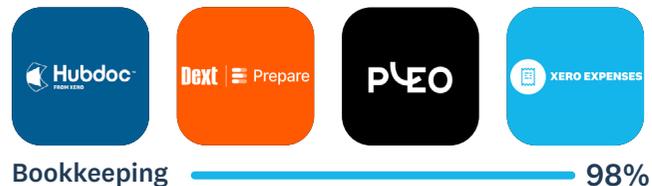


Click on the app tiles to check out popular apps in these categories

15. Apps for practice jobs/tasks



16. Proportion of practices that use apps with Xero for client jobs/tasks



Head to the Xero App Store to explore more ways to work smarter with apps.





CHAPTER 3

The future of app advisory – leveraging apps for your clients





APP ADVISORY INSIGHTS - THE WHY AND THE WHAT

Clients are reliant on advisors for app advice for their business

In recent years, accountants and bookkeepers have taken on more of an advisory role. Following the introduction of Making Tax Digital and continued legislative change, clients are looking to their advisors for extra support for business growth and development. This emerging trend is evident when it comes to technology too, with well over half (67%) stating they are relied upon to make app recommendations.

17. Agreement with statements about clients' app usage among those that use apps with Xero

67%

Say clients rely on them to make app recommendations

54%

Believe their clients have a good understanding of apps / how to use them



With the plethora of apps available now in the Xero ecosystem, clients do and should rely on their accountant for insight into those apps that would deliver the most benefit or be best suited to their business. App advisory has become a service in itself, and one clients rely upon and value.

Most practices now tend to offer app advisory in some form as they see the benefits of client retention and also growth. Being in this space allows you to expand your service offerings by niche or sector or even move up into different client types providing scalable flexibility for growth. This is a key reason for its appeal, as well as better servicing of your own existing client needs.

Russell Frayne, Gravita





18. Average number of jobs/tasks practices recommend clients use apps with Xero for



Practices recommend apps for a multitude of jobs, with a focus on automating the bookkeeping process. Apps that facilitate payment-related tasks are the most commonly recommended to clients.

19. Jobs/tasks practices recommend their clients use apps with Xero for





Click on the app tiles to check out popular apps in these categories

Head to the Xero App Store to explore more ways to work smarter with apps.



20. Grouped jobs/tasks practices recommend clients use apps with Xero for



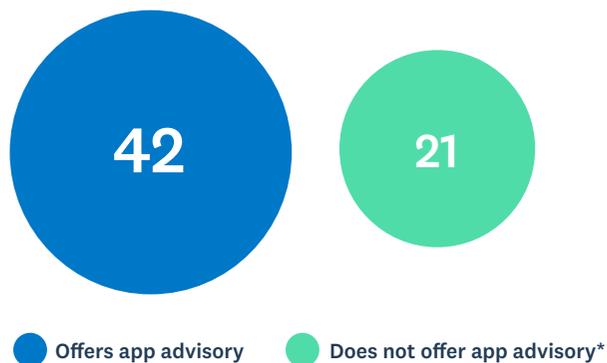


BENEFITS OF APP ADVISORY TO PRACTICES

Practices that offer app advisory see higher growth in client numbers than those that do not

Meeting client needs is not the only reason to embrace app advisory as a billable service. **Those that already do were much more likely to experience commercial growth**; adding significantly more clients to their books in the past 12 months.

21. Average number of new clients added in the past 12 months
(by service offered)



**low base size, see appendix for more detail*



“App advisory services help our clients to overcome their challenges and scale their businesses faster. Having greater insight allows for improved decision making. Process systemisation makes businesses more efficient and saleable at exit. It helps put our firm front and centre in clients’ minds when they want advice from a trusted advisor.”

Liz Noble, Providence





BENEFITS OF APP ADVISORY TO PRACTICES

Xero integrated apps can enable advisors to help drive positive valuable change for their small business clients

The impact of app adoption can be transformative for small business clients. They can save time, work more efficiently, and run more effectively when using apps with Xero.

Finding a few extra hours in the day can make all the difference when you're running a small business.



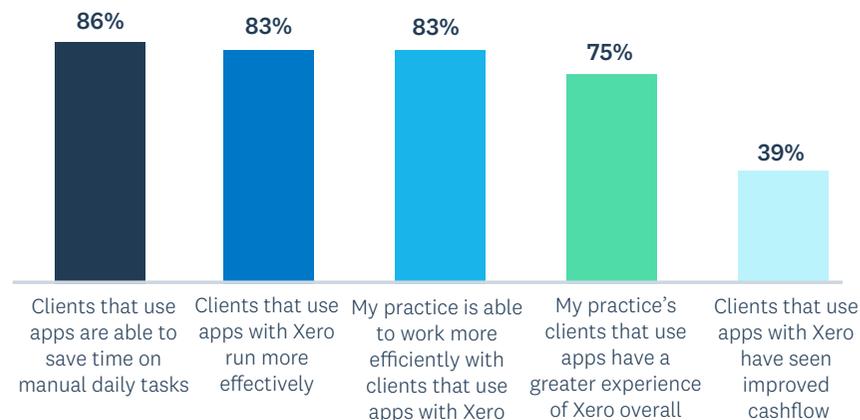
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It always makes us happy when a client uses good apps efficiently throughout their business. They are generally the happier, more relaxed clients, who have more time to spend on the business and looking to the future. With the enhanced visibility, timeliness, and comfort around the data they can make more informed decisions and we can add real value to our meetings.

Oliver Finch, Menzies

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22. Benefits clients experiences as a result of using apps with Xero



“

Most business owners come to us because they don't have the time or knowledge to control their finances. Putting the right apps in place reduces duplication of work, increases efficiencies and increases visibility and understanding of their numbers.

Lara Manton, LJM Bookkeeping

”





Conclusion

The case for apps is clear. With a broad range of benefits – **time savings, increased productivity, and more time to spend on advisory** – practices of every shape and size have something to gain. Even when apps are selected to target a single issue, benefits are broad and abundant. These benefits don't stop at the practice team, either. Clients experience the value of app integrations – **saving time, working more efficiently, and running more effectively.**

Thanks to the customisable and stackable nature of apps, accountants and bookkeepers can tailor their apps and software to meet the needs of their practice and clients. Practices can be confident they're making strong commercial decisions, by choosing apps that integrate with Xero. **Those using apps with Xero increase revenues and onboard more clients than those not using apps.** And an even bigger return on investment is possible if they decide to offer app advisory as a billable service. **Practices offering app advisory added more clients to their books in the past 12 months.**

As accounting and technology become more deeply entwined, clients will continue to look to their advisors for expert support and advice. With an increasing number of businesses embracing digitalisation, apps provide a way for practices to meet changing client needs. It's no surprise practices who already use apps plan to keep building out their tech stack. With the ability to streamline daily tasks, better support clients, and earn more for your practice, there's every reason to explore the Xero app ecosystem for yourself.





NEXT STEPS

Whether you're new to the app world or have already started to implement apps, we're here to support you in building the ultimate app stack to help supercharge your practice growth.

- 1. Building the right app stack for your practice**
Every practice has unique needs, and your tech stack should reflect this. The Xero App Store is the place to go to find out more information on building the right app stack for your practice. You'll find apps used by practices like you to increase efficiencies, boost profitability, and unlock new opportunities for you and your clients.

Click here for recommendations for optimising your tech stack.

- 2. Grow your confidence in app advisory**
New to app advisory? We can help build your confidence recommending apps to your clients and grow the advisory arm of your business. With one-click app recommendations, you can make life easier for your clients and deliver advisory service offerings, all in one place.

Click here to find out more about App Advisory.

Curious about how you can integrate apps and Xero in your practice? **Get in touch with your dedicated account manager.**

Not a Xero partner yet? Join the Xero community of accountants and bookkeepers. Collaborate with your peers, support your clients and boost your practice.

Join the partner programme * *



Definitions

This report uses terminology to compare different practice groups. Groups are referred to based on the corresponding number of employees (including themselves):

- **Micro practices:** 1 to 2 employees
- **Small practices:** 3 to 10 employees
- **Medium & large practices:** 11 or more employees.

12 months: Refers to the past/next 12 months at the time of survey fieldwork.

Apps: Software that is web-based that helps practices complete jobs/tasks.

Use apps with Xero / Xero integrated app users: Refers to practices that use apps that integrate with Xero.

Don't use apps with Xero: Refers to practices that don't use apps with Xero (as above) but may use apps with another software.

N.B. We have edited some survey options for readability.

PRACTICE JOBS/TASKS HAVE BEEN GROUPED AS FOLLOWS:

- **Managing the team / work:** Invoicing clients, document management, job and task management, time keeping, scheduling work, staff management, tracking performance
- **Managing clients:** Maintaining client details, client communication, renewing engagement agreements
- **Managing the practice:** Managing practice finances, marketing and lead generation

CLIENT JOBS/TASK HAVE BEEN GROUPED AS FOLLOWS:

- **Bookkeeping:** Record keeping, billing and payments, payroll, bank reconciliation, management reporting, invoicing and debt collection, sales tax, reviewing financial data
- **Compliance:** Income/annual tax, statutory filing obligations, working papers, reviewing client work
- **Advisory:** Forecasting, planning and budgeting, software/app advisory, business insights, training clients, virtual CFO

THE JOBS/TASKS PRACTICES RECOMMEND THEIR CLIENTS USE APPS FOR HAVE BEEN GROUPED AS FOLLOWS:

- **Payments:** Managing and paying bills, accepting / receiving payments, invoicing customers, point of sale, debtor tracking and debt collection
- **Employee management:** Managing employee expenses, payroll, employee HR management (training, onboarding etc.), employee time tracking and scheduling
- **Business management:** Document management, reporting and tracking business performance, ecommerce accounting, inventory management, job and project management, marketing and lead generation, customer and supplier relationship management, carbon accounting

Method

We spoke to 149 accountants and bookkeepers in practices across the UK, recruited from Xero's customer database between 27th February-16th March 2024 .

Fieldwork and report analysis conducted by partner agency One Picture.

Respondents identified with the following job titles:

	Sample size	Percentage
Qualified accountant / CPA / Chartered accountant / Accountant	110	74%
Outsourced / Independent bookkeeper	21	14%
Business consultant	4	3%
Enrolled agent	3	2%
Virtual CFO / Financial Advisory / CFA	3	2%
Payroll specialist	1	1%

Respondents comprised a mixture of individuals with various decision-making responsibilities:

	Sample size	Percentage
Owner / Partner / Director	75	50%
Manager / Supervisor / Team leader	31	21%
Bookkeeper / Accountant	23	15%
General Manager / COO / CFO / Operations manager	9	6%
Practice manager	7	5%
Trainee	2	1%
Other	2	1%





Appendix

1. Use of apps that integrate with Xero (by practice size)

Does your practice use apps to complete practice or client jobs/tasks? Sample: All responses, micro practices n=45, small practices n=45, medium & large practices n=56. How many different apps does your practice use that integrate with Xero? If your practice only uses one app, please write 1 below. Sample: use apps with Xero, micro practices n=35, small practices n=28, medium & large practices n=42 Average excludes 'don't know'. How long has your practice been using apps that integrate with Xero? Please round up or down to the nearest year. Sample: use apps with Xero, micro practices n=35, small practices n=31, medium & large practices n=42. Average excludes 'don't know'.

2. Reasons for growth

In your opinion, why has your practice's revenue increased? In your opinion, why has your practice's profit increased? Sample: App users that have experienced revenue and/or profit growth n=87.

3. Change in revenue over the past 12 months (by app usage)

Thinking about the past 12 months, how has your practice's revenue changed? Sample: All responses, uses apps with Xero n=118, does not use apps with Xero n=31.

4. Change in profit over the past 12 months (by app usage)

Thinking about the past 12 months, how has your practice's profit changed? Sample: All responses, uses apps with Xero n=118, does not use apps with Xero n=31.

5. Average number of new clients added in the past 12 months (by app usage)

Thinking about the past 12 months, how many new clients has your practice added? Averages exclude 'don't know'. Sample: All responses, uses apps with Xero n=118, does not use apps with Xero n=31.

6. Benefits experienced as a result of using apps with Xero

To what extent do you agree or disagree with the following statements based on your practice's use of apps that integrate with Xero? Please think only about your practice's use of apps that integrate with Xero. Sample: Use apps with Xero n=118.

7. Total benefits experienced as a result of using apps with Xero

To what extent do you agree or disagree with the following statements based on your practice's use of apps that integrate with Xero? Please think only about your practice's use of apps that integrate with Xero. Sample: Use apps with Xero n=118.

8. Benefits experienced as a result of app usage (by practice size)

Graph shows benefits where practices differ from each other most. To what extent do you agree or disagree with the following statements based on your practice's use of apps that integrate with Xero? Please think only about your practice's use of apps that integrate with Xero. Sample: Use apps with Xero, micro practices n=37, small practices n=33, medium & large practices n=46.

9. Expected use of apps over the next 12 months

Thinking about the next 12 months which of the following statements best describes your practice's plans for using apps for work in your practice? Thinking about the next 12 months which of the following statements best describes your practice's plans for using apps for work for/on behalf of your clients? Sample: All respondents n=149.

10. Reasons practices will use more apps for practice and/or client jobs/tasks

You said your practice will be using more apps for practice jobs/tasks over the next 12 months. Why is that? You said your practice will be using more apps for client jobs/tasks over the next 12 months. Why is that? Sample: Those that will use more apps n=102.

11. Practice jobs/tasks practices use apps with Xero for

Which of the following practice tasks (i.e. non-billable jobs that are part of doing work in your practice) does your practice use apps that integrate with Xero for? Sample: Use apps with Xero n=118.





Appendix

12. Benefits of using apps that integrate with Xero by job/task

To what extent do you agree or disagree with the following statements based on your practice's use of apps that integrate with Xero? Please think only about your practice's use of apps that integrate with Xero. Sample: Use apps for managing team/work n=88, use apps for managing clients n=53, use apps for managing the practice n=38.

13. Average number of benefits experienced (by type of job/tasks app used for)

To what extent do you agree or disagree with the following statements based on your practice's use of apps that integrate with Xero? Please think only about your practice's use of apps that integrate with Xero. Sample: Use apps for managing team/workloads n=88, use apps for managing clients n=53, use apps for managing the practice n=38.

14. Client jobs/tasks practices use apps with Xero for

Which of the following client tasks (i.e. billable jobs that your practice does on behalf of clients) does your practice use apps that integrate with Xero for?

15. Apps for practice jobs/tasks

Which of the following practice tasks (i.e. non-billable jobs that are part of doing work in your practice) does your practice use apps that integrate with Xero for? Sample: Use apps with Xero n=118.

16. Grouped client jobs/tasks practices use apps with Xero for (by practice size)

Which of the following practice tasks (i.e. non-billable jobs that are part of doing work in your practice) does your practice use apps that integrate with Xero for? Sample: Use apps with Xero n=118, micro practices n=37, small practices n=33, medium & large practices n=46.

17. Agreement with statements about clients' app usage.

To what extent do you agree or disagree with the following statements in relation to your practice's clients' use of apps? Please think only about their use of apps that integrate with Xero. Sample: Use apps with Xero n=118.

18. Average number of jobs/tasks practices recommend clients use apps with Xero for

Which of the following client tasks (i.e. billable jobs that your practice does on behalf of clients) does your practice use apps that integrate with Xero for? Sample: All respondents n=149.

19. Jobs/tasks practices recommend their clients use apps with Xero for

Which of the following client tasks (i.e. billable jobs that your practice does on behalf of clients) does your practice use apps that integrate with Xero for? Sample: Use apps with Xero n=118.

20. Grouped jobs/tasks practices recommend clients use apps with Xero for

Which of the following client tasks (i.e. billable jobs that your practice does on behalf of clients) does your practice use apps that integrate with Xero for?

21. Average number of new clients added in the past 12 months (by service offered)

Thinking about the past 12 months, how many new clients has your practice added? Sample: Those that offer advisory n=80, those that do not offer advisory n=18.

22. Benefits clients experiences as a result of using apps with Xero

To what extent do you agree or disagree with the following statements in relation to your practice's clients' use of apps? Please think only about their use of apps that integrate with Xero. Sample: Use apps with Xero n=118.





Beautiful business