Xero research: Technology adoption brings about 140% more revenue for pacesetting accounting firms in Hong Kong

Hong Kong — November 7, 2019 — Xero, the global small business platform, has released its annual Accounting Industry Report for 2020. The report sheds light on the best practices of pacesetting firms that make up the top 15% of the market. These firms boast high growth and revenue rates and serve as a benchmark for other firms looking to achieve success in 2020 and beyond.

Xero surveyed 146 accounting and bookkeeping companies in Hong Kong and 349 in Singapore, to assess their business based on a range of areas relating to technology adoption, including their business performance.

Overall findings revealed that on average, pacesetting firms bring in 140% more advisory revenue at approximately $616,000 versus regular firms at $264,000. Pacesetting firms also saw an increase in average billing per small business client from $26,800 in 2018 to $31,700 this year, and are more efficient when it comes to client servicing. It only took pacesetting firms 249 hours to serve one small business client in a year, versus 412 hours last year.

The rise of repeatable advisory services also meant that there is increased adoption of financial forecasting, budgeting, and reporting apps like Spotlight Reporting and Fathom - 13% pacesetting firms compared to 6.1% of regular firms).

Below are the three key findings from the Xero research:

**Data automation tools have made firms twice as efficient**

The report reveals that pacesetting accounting firms were able to cut down client servicing hours by almost 50%; from the industry average of 518 hours to 249 hours per client. Their success stems from the adoption of data automation apps, with almost half (48%) of these firms having implemented such tools in their workflow.

In addition, among the firms that have not adopted cloud technologies, the research highlights an alarming number of hours used to serve each client. This is due to the continued practice of recording and sharing financial data through labour-intensive methods, such as physical receipts shared physically in bags or boxes, time-intensive spreadsheets, and journals of transactions. As much as 40% of small business clients of complex advisory firms¹ say that they still work with their accountants this way.

¹ Practices that are commonly larger, well-established firms and boutique practices that have earned a reputation for being exceptional at steering businesses through the intricacies of business transactions or complex multi-jurisdictional regulations. Main revenue stems from audit services, virtual or outsourced CFO services, capital raising/assistance moving to better options, HR advisory services and more.
Organisations are increasingly asking for business advice from their accountants

Accountants are transitioning beyond compliance services such as auditing, and are getting increasingly involved with assisting their clients in making critical business decisions. Repeatable advisory practices that provide routine advisory services made the most revenue in the last 12 months in Hong Kong, averaging at HK$1,250,000 per month. Services that are the biggest revenue generator are tax advisory (39.2%), forecasting, budgeting, cash flow and business planning (31.8%), and startup mentoring, assistance and business development (17.7%).

The report also outlined how the Hong Kong market is more successful in its transition from providing compliance-based services to advisory services. 39.8% of revenue generated in Hong Kong contributed to advisory services, compared to 27.4% in Singapore.

There is an opportunity for Hong Kong accounting firms to continue growing their business through value-added advisory services

Based on the report findings, Hong Kong accounting firms have grown their businesses at 10.3% in the past 12 months, slightly faster than their counterparts in Singapore (8.5%), despite adopting data automation apps at a similar pace.

However, when focusing on the performance of pacesetting firms, 67% of such firms in Singapore are already using automation apps, compared to just 48% in Hong Kong. As a result, these Singaporean firms are seeing an average total advisory revenue of HK$1,004,710.50 (SG$176,800), 38% more than Hong Kong pacesetting firms (HK$616,000). This shows there is an opportunity for Hong Kong firms to further grow their revenue by expanding their service offering to include more advisory work.

Kevin Fitzgerald, Managing Director for Asia, Xero, said, “Hong Kong’s economic downturn has a huge impact on SMEs, and now more than ever they are looking for advisory support to ride out the economic slowdown. This is the time for accountants to step up in their roles by utilising data automation tools to offer advice to help clients in their business decision making. By encouraging clients to run their accounting on the cloud, accountants will be able to tap into meaningful business insights to assist their clients with planning and forecasting in a timely manner.”

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About Xero

2 Usually leading users of technology who see that their clients need more than compliance. Provides services like cash flow forecasting, budgeting, and planning at reasonable prices, which requires both automation and high-quality bookkeeping and accounting data.
Born in the cloud, Xero is a beautiful, easy-to-use platform for small businesses and their advisors around the world. Xero provides its 2+ million subscribers with connections to a thriving ecosystem of 800+ third-party apps and 200+ connections to banks and financial service providers. On the inaugural 2018 Financial Times FT1000 High-Growth Companies Asia Pacific list, Xero was the fastest growing tech company in the $200+ million segment. Xero won ‘Accountancy Software Provider of the Year’ at the British Business Awards in 2019, and was rated by Canstar Blue as the best accounting software in Australia from 2015-2018 and in New Zealand in 2019.