

**Dext**

**The**  
**Future-Needs**  
**of UK**  
**SMBS 2021**



## We spoke to...



# 500

small businesses



## Business Owners & Senior Managers



# 67%

Used an Accountant

**Throughout the economic events of 2020, small businesses have been one of the hardest hit groups. They will also be the driving force needed to push the return of economic activity and jobs. We examine how accountants can most effectively support SMBs in future to stay relevant and drive growth.**

SMBs with less than 500 employees account for 99% of all UK businesses and make up 60% of total employment. Yet despite their essential role in the economy, many lack the resources to withstand financial shocks or disruption.

This is partly due to lean margins that leave many little spare cash to buffer shocks, but also due to limited personnel resources. Many lack the expertise or specialised internal team members to plan for, adjust to and adapt to financial and economic fluctuations. For this, the natural partner for SMBs is their accountant, who can play a key role in building processes, expertise and strategies that drive long term growth. However, this role is always changing.

SMBs are a uniquely diverse group. 2020 saw 85,000 businesses appear, a new record as entrepreneurs respond to current trends in retail, demographics and commercial trading conditions. These evolving circumstances also shape their needs, the way they work and the support they require.

To stay relevant, accountants must be ready to develop new services and ways of working to meet the needs of today and tomorrow, through recovery and beyond.

## **SMBs are ready to grow**

While there is still a considerable amount of economic uncertainty about the future, our data suggests a robust appetite for growth, both in the long and short term. The majority of entrepreneurs remain positive about growth prospects once the market returns to normal, with 66% of SMB owners planning to grow their business in the future, rising to 75% among those aged 18-44.

It also appears that this generation of SMB owners will need more support to achieve these goals, with the under 18-44 group more likely to agree that they should have hired expert support sooner, as well as admitting that their lack of financial organisation had caused problems for their business.

## SMB Growth Outlook



**66%**

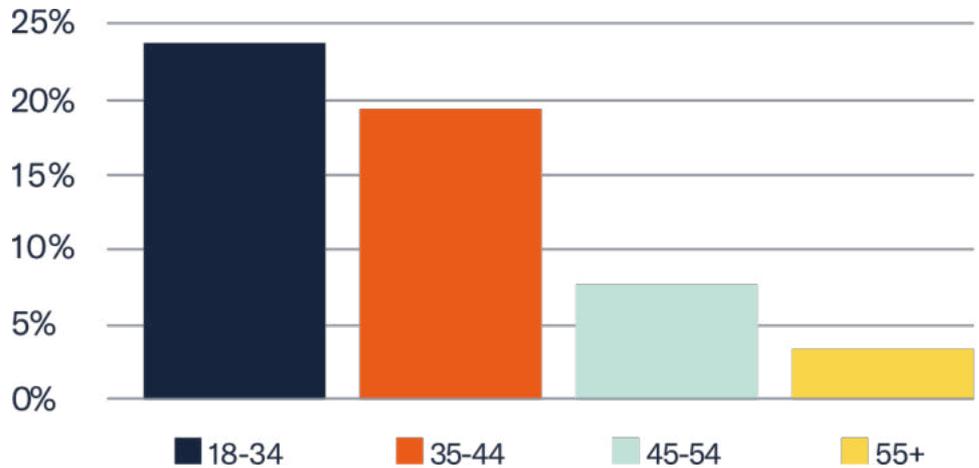
Of SMBs are looking to grow in the 12 months post-pandemic



**83%**

Say their lack of financial organization has proved problematic in the last 12 months

**My lack of financial organisations has proved problematic in the last 12 months (strongly agree).**



## What do SMBs need to grow?

When it comes to growth, SMBs have a clear view of the core needs of their business, which are consistent over time.

While there is an interest for support in all areas, the only ones with majority demand are:



**Healthier cash flow**



**Financial Planning**

This aligns with the current position of many SMBs as they try to navigate an uncertain business environment going forward. The emphasis on reducing costs can also be seen in the strong demand for real-time cost management.

When taking into account those businesses who classed these factors as Very Important or Somewhat Important, over three quarters of respondents were interested in:



**Healthier cash flow**



**Better understanding of business regulation**



**Financial Planning**



**Better understanding of my business tax burden**



**Real Time Understanding of Costs**



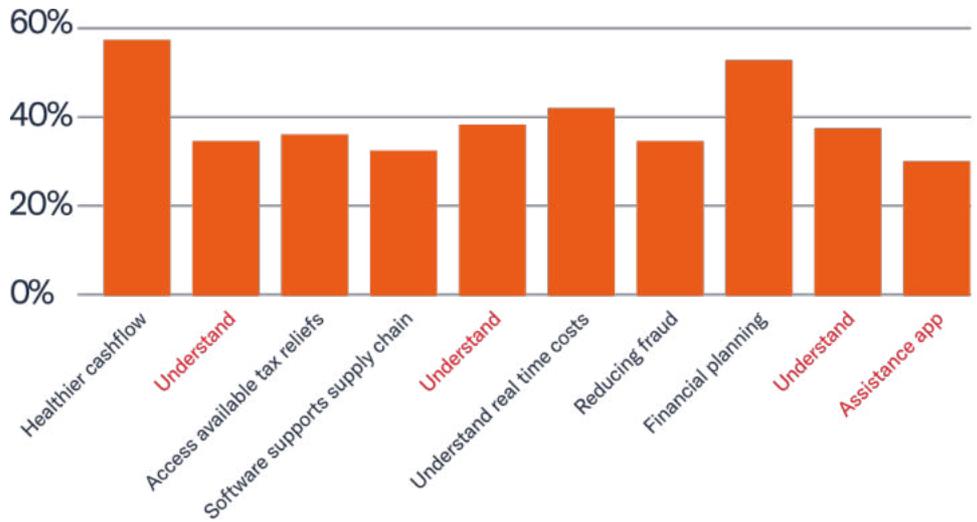
**Better Access to tax relief**



**Understanding Risk Exposure**



## How important are the following factors to grow your business in the next 12 months? (% very important).



## Stages of growth

For every service, the SMB owners under 34 were the most likely to choose Very Important, suggesting that there is a stronger need for support among the newest generation of entrepreneurs.

This was especially clear among digitally- focused services such as supply chain software, but also notable among every service that would require more involvement of the accountant in the business such as:



**Understanding the risk exposure of my business**



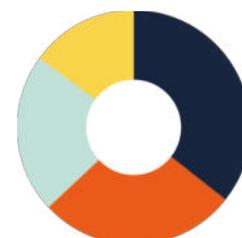
**Real time understanding of costs**



**Reducing fraud in my finances**

This aligns closely with the increased growth ambition and need for support visible elsewhere in the survey. For accountants looking to build closer, more value-driven relationships with their clients, the 18-34 age group is a promising demographic.

## How important is software that supports your supply chain to growing your business in the next 12 months? (very important).



■ 18-34 35.7%  
 ■ 35-44 27.4%  
 ■ 45-54 21.9%  
 ■ 55+ 14.9%

## SMBs & Accountants



**49%**

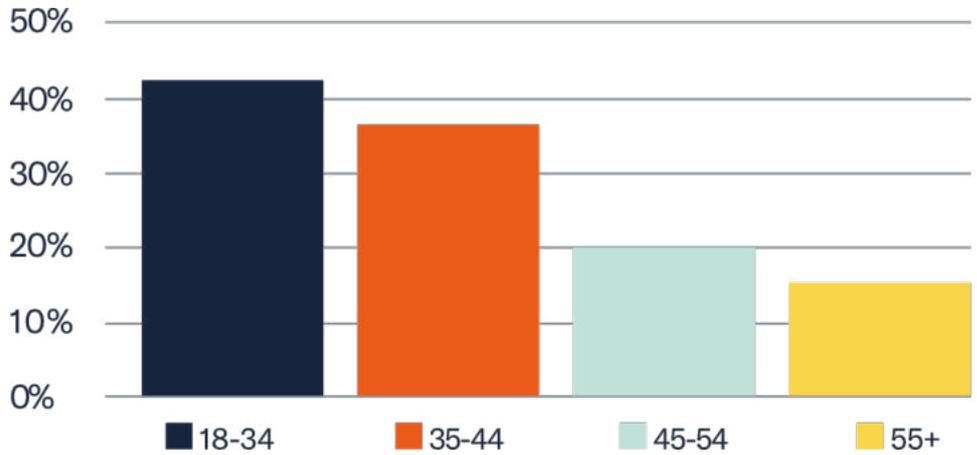
Of SMBs communicate with their accountant at least once a week.



**47%**

Of SMBs see their accountant as a business partner

## How important is assistance applying for finance in the next 12 months? (very important).

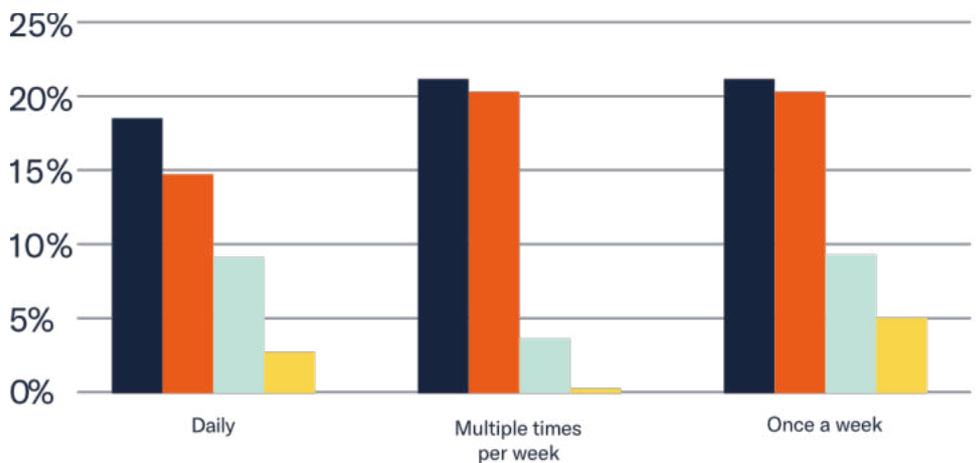


## SMB-Accountant Relationships

Accountants play a valuable role in supporting their clients, though there is considerable variation in the way SMB 15% owners work with their partners.

Younger SMB owners (<44) are generally in much more frequent contact, being nearly **4X more likely to be in touch with their accountant at least once a week than those over 45.**

## How frequently do you communicate with your accountant.

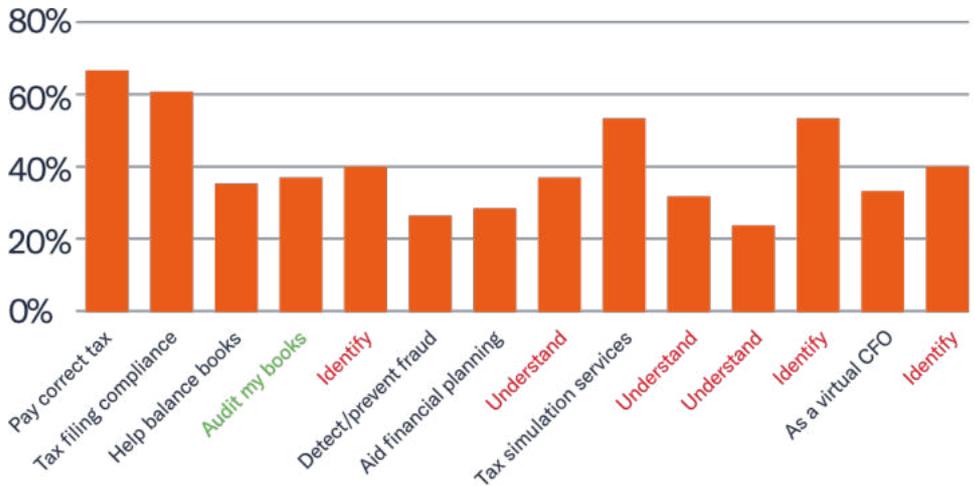




## Perceptions of Value

While accountants retain significant value to SMBs across a range of services, the data suggest that the majority still view their accountant primarily as a source of value in traditional compliance areas.

### How useful is using an accountant for the following? (% very useful).



## Value vs Spending

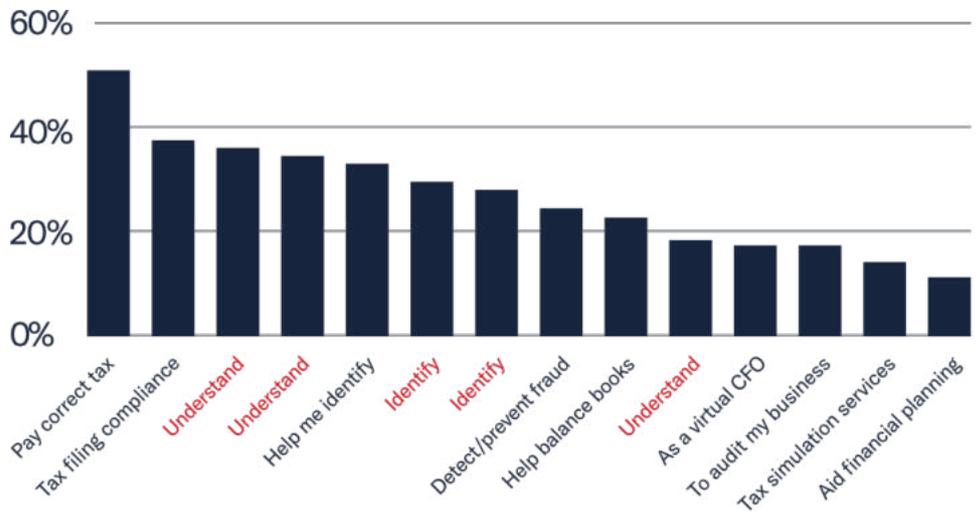
Willingness to pay for accountant services is strongly correlated with the services that SMBs deem valuable, with ensuring that they pay the correct amount of tax being the only majority choice.

Willingness to pay also corresponds closely to perceived value in terms of services, but the overall willingness to pay remains lower than the value perception from SMBs.

This suggests that while SMBs can see the value of these services they are wary of incurring extra costs. It is not surprising then that willingness to pay for accounting services is primarily concentrated in the services that form a legal obligation: compliance, tax, audit - and less on the value-add services. However, this portrait varies considerably from business to business.



## How useful using an accountant is for the following reasons?



**“For us at Sagars, the constant is our role as trusted adviser – helping clients with their decisions and supporting them to achieve their life goals. What continues to change and evolve is how we do this. Technology and digital solutions have enabled us to raise the bar and provide faster, better and more wide-ranging support to our clients than ever before.”**

**Ali Jones, Partner, Sagars**



Ali provides strategic business planning, consulting and corporate finance advice and support to SMBs, professional practices and not-for-profit companies. With a first-class degree in Management Studies and Psychology from Leeds University, Ali qualified as a Chartered Accountant with a big four firm before joining Sagars. Now, as Consulting and Corporate Finance Partner, Ali specialises in supporting clients through periods of change, which is now more important than ever.



## Supporting across the **business lifecycle**

While tax is consistently the most important service, there is significant variation in willingness to pay for services depending on the age group of respondents.

Older SMB owners have a much stronger willingness to pay for compliance based services. While younger entrepreneurs (18-44) have a lower willingness to pay across all services, potentially reflecting smaller revenues and therefore less ability to afford these services, there are several value-add services where this cohort shows the highest willingness to pay, including:



**Virtual CFO services**



**Risk exposure**



**Supply chain risk**



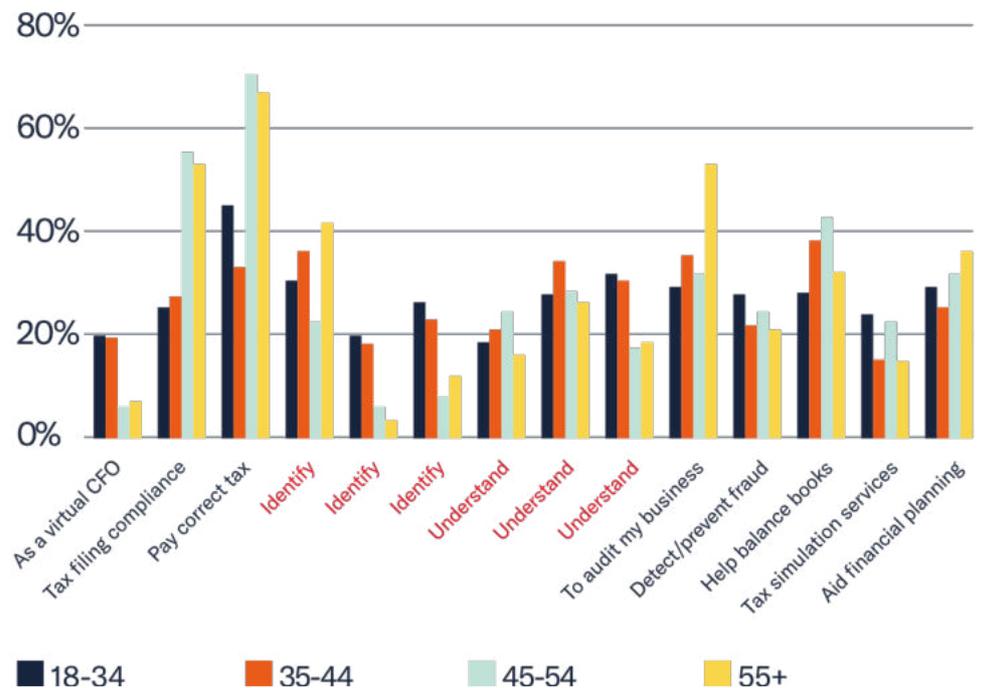
**Tax simulation services**



**Revenue distribution by customer**

While these figures reflect the more precarious financial position of newer SMBs, there is also the possibility that with the right services available at the right price point, accountants could have the opportunity to play a larger role in these entrepreneurs' long-term success.

## If your accountant offered the following services, which are you most likely to pay them for?



## How can accountants be growth partners?

The potential value of accountants goes beyond core compliance services. However, while accounts remain the first choice for many SMB owners when it comes to growth-driving services for their business, there are also signs that there is a lack of awareness among SMBs regarding the extra value that accountants can provide.

## The growth potential for accountants

We asked SMBs who they would consult for support on the following services between:



**Accountant**



**Management consultant**



**Financial planner**



**Family / friend**



**Bookkeeper**



**Business troubleshooter**

While accountants were the most popular choice for many of these services, including being a more popular choice for financial planning advice than Financial Planner, there were also options where respondents were clearly unsure where to turn. For several choices, the most popular choice was “Not sure”, including:



**Access to investment/ financing**



**Understanding the risk exposure of my business**

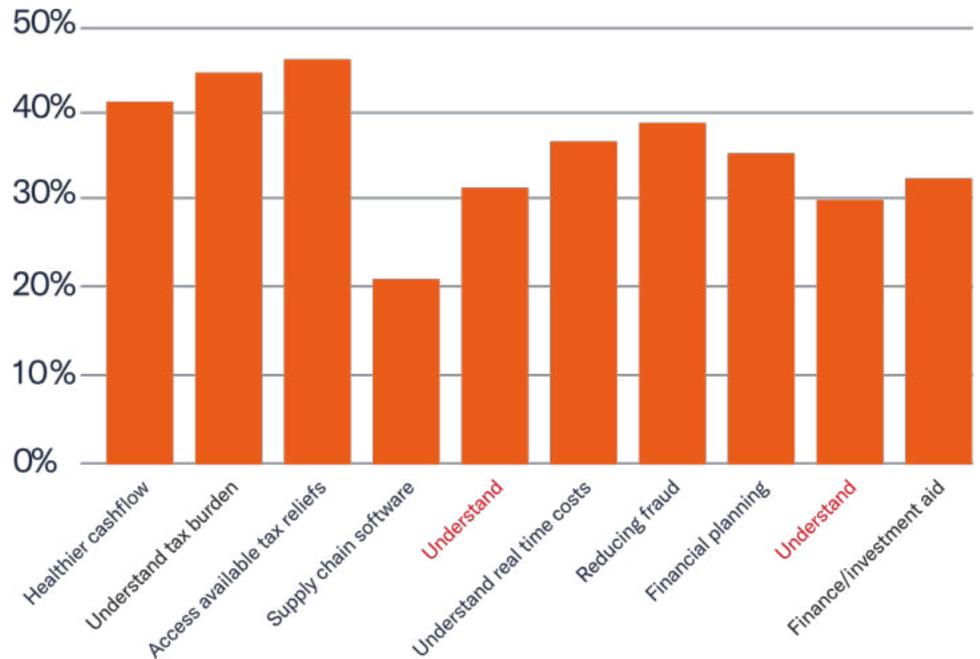


**Software that supports my business supply chain**

A lack of clarity over where to turn for these services was concentrated mainly among SMB owners 45+. For accountants looking to expand their value add service offerings, this indicates there is an opportunity to better educate existing customers on the value you can provide.



## Which of the following would you seek support from your accountant?



## Matching Services to Growth

According to SMBs, there is a wide variety in value add services offered by firms, with only financial management support offered by the majority of respondents' partner firms.

However, financial management support is not the most popular service to help grow for SMBs, with more choosing general business planning.

In general, availability, value and willingness to pay track very closely, however, a more detailed view emerges when looking at different types of business.



## What services are offered, valuable and worth paying for.



**“Those with a focus solely on traditional, compliance based services, who don’t harness the power of technology, are likely to miss opportunities to drive valuable conversations with clients about their business. Pairing technology supported analysis and predictive insights with the financial and business acumen of accountants is a powerful recipe to provide great support to SMB clients. Firms that master this will be instrumental going forward.”**

Ali Jones, Partner, Sagars



## Expanding services for new businesses

Willingness to pay was generally higher among younger entrepreneurs than more established businesses for all value-add services. For many of these services, SMB owners under 44 were twice as likely to be willing to pay as those 45+, including:



**A plan to virtualise your business model/ operations**



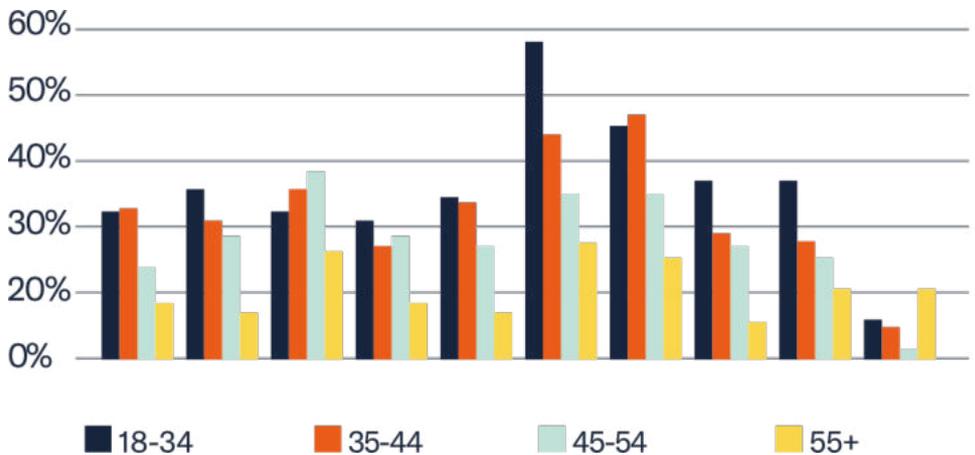
**Financial management support**



**Increasing data integrity**

As new businesses look to new solutions to drive their future success, accountants will need to take a proactive approach to change.

### Which services would you be most likely to pay for to help grow your business in the coming years?



**“Technologies like Dext not only give us and clients visibility of information faster, but free up time for our team who can then focus more on delivering insights, advice and additional services to our clients.”**

Ali Jones, Partner, Sagars



## Driving the next generation of **SMB success**

The UK SMB community has experienced multiple lockdowns and unprecedented disruption in the last 12-months, but we are now able to see a future beyond this moment. The exact rate of economic recovery and what a 'new normal' will look like are still very much uncertain. However, it is indisputable SMBs will be an essential part of creating that future.

The desire to grow is strong across the board, but particularly among the newer generation of SMB owners. These are the entrepreneurs with the most potential, most ambition, and, crucially, the most need for support.

For these businesses, accountants have the opportunity to go beyond compliance and tax to become growth partners and play a key role in their customers' success. However, this will require a new approach.

## **Dext : the accounting toolkit trusted by over 1 million people**

Dext is the multi-product platform that connects accountants, bookkeepers and small businesses. Dext helps free you and your team from manual work so you can focus on what's important for your customers, helping you get as much information about a business as you need and turning that into actionable insights.

**Dext Prepare** makes it simple to prepare client accounts, deliver bookkeeping services efficiently and save time. Our smart software automatically fetches, categorises and publishes your clients' financial data ready for compliance, advisory or value added services.

**Dext Precision** gives you trust in your data by spotting errors before they become a problem for complete peace of mind.

Now more than ever businesses need expert advice to help survive and thrive. Dext gives you the tools, data and time to make that a reality. For firms planning to expand in the next year, Dext is the foundational platform to power growth, efficiency and service for your customers.

To find out more about Dext and discover how you can set your firm up for success, book a call with one of our cloud accounting experts.

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