



Good Bad Ugly

Insight Poll | 2021 rates, pricing & outlook

Benchmarking Report and Insights for
Australian Accounting Firms

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Outlook

Good Bad Ugly Insight Poll 2021 rates, pricing & outlook

The next 12 months for the Australian accounting profession will be largely positive based on the results of the Good Bad Ugly Insight poll – 2021 rates, pricing and outlook.

Twenty eight percent (28%) believe it is difficult to know what the next 12 months holds for the profession with just 8% predicting a grim future. Does this optimistic future convert into revenue growth? The poll results reveal the median revenue forecast for the EOFY 2021 is 5%. It seems the trend in the Australian accounting profession is a 5% revenue forecast increase year on year, based on many years conducting this poll. Clearly there are firms who are projecting significant higher results when you look at the spread of revenue forecast being -24% to 120%.

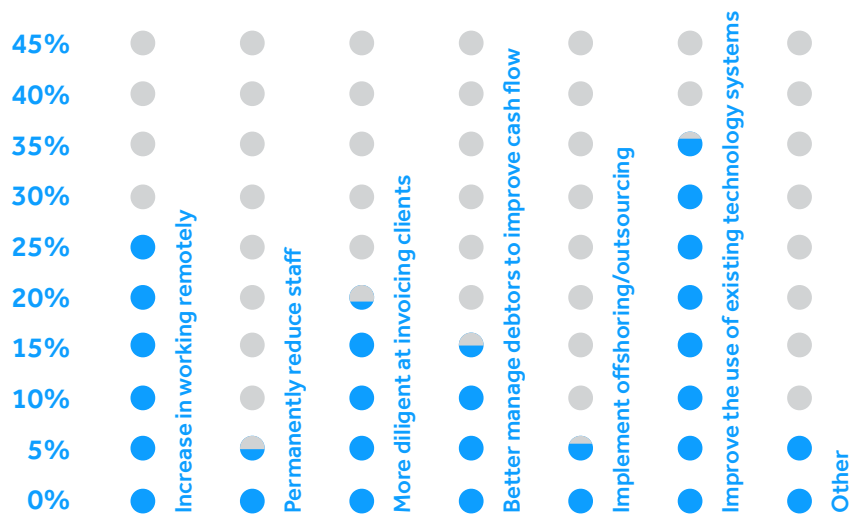
An additional aspect to this year's poll was understanding what impact COVID-19 has had and will have on the profession. Interestingly, prior to COVID-19 participants identified 'finding quality staff' as having a major impact. But post COVID-19, two areas recognised as having the biggest impact on the profession in the next 12 months were 'the economy' and 'fee pressure from clients'.

Further mining the data into the impact of COVID-19 (specifically cash flow and your clients who have been impacted) shows one-third of respondents identified their

cash flow has increased either due to COVID-19 workload or the current time of year being tax planning and EOFY. Another third of respondents identified their cash flow having decreased mainly due to not invoicing time to clients or a reluctance for clients to pay. Results show almost two out of three firms have up to 15% of their clients currently in financial distress. What impact will this have on your firm in 2020-21 if you lose 15% of your client base?

The two major lessons learned during COVID-19 which accounting practices will embrace in 2020-21 are 'improving the use of existing technology systems' and an 'increase in working remotely'.

Business Fitness has always been on a mission to help accounting practices boost productivity and growth, and the current environment has been a timely reminder of what we set out to do when we started Business Fitness almost 20 years ago – and that's to help you standardise, streamline & systemise your processes. This ethos has never been more significant as we all adapt to new ways of working, which is why Australian accounting firms are jumping on board our latest version of our flagship document management platform, HowNow.



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Rates

Timesheets are not dead, along with compliance services. 83% of firms are still completing timesheets which has remained similar over the past years poll results. Results show smaller firms under \$500k have a large number of firms not using timesheets compared to 100% of firms over \$4m completing timesheets.

On average, the accounting profession will increase their fees by just 2% for the 20-21 year. (The lowest result over the last 5 years). This can be compared to a 5% charge rate increase in 2020, and half the increase forecast in the 2018 year.

One of the most requested pieces of Good Bad Ugly data is director/partner charge rates. Are they increasing in 2021? Simply, yes to an average of \$327 per hour.

We recommend you review the charge rates table to identify the director/partner charge rate based on your revenue group which has a range of between \$252 and \$427.

Pricing

Are pricing methods changing within the profession?

It seems that firms are equally divided in the way they price their services:

- 32% - Review WIP (but look at last year's fee and increase by certain percentage)
- 25% - Time charged to WIP x charge rates
- 33% - Value bill what the job is worth
- 10% - Other

Research reveals if you send your client invoice closer to the completion of the job, the faster you will get paid.

On average 61% of firms send the invoice at the completion of the job compared to 13% who send the invoice at the end of the month in which the job was completed.

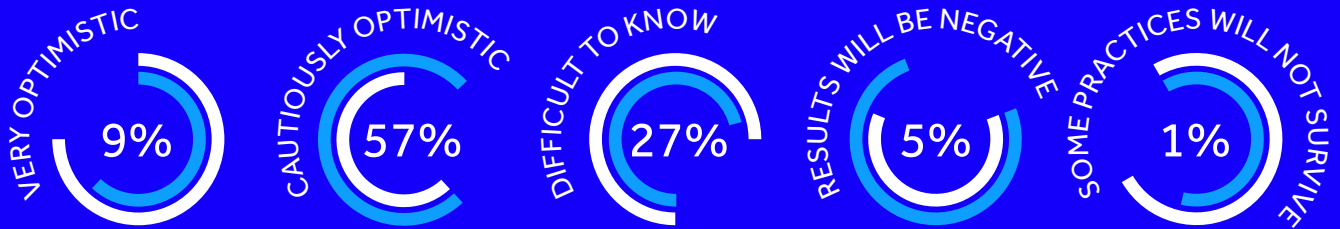
Just 5% of firms request an upfront retainer and only 19% have some kind of periodic fixed recurring invoices (monthly/quarterly).

These results have remained consistent over the past few years of conducting the Good Bad Ugly – Rates, pricing and Outlook poll.



2020-21 Outlook

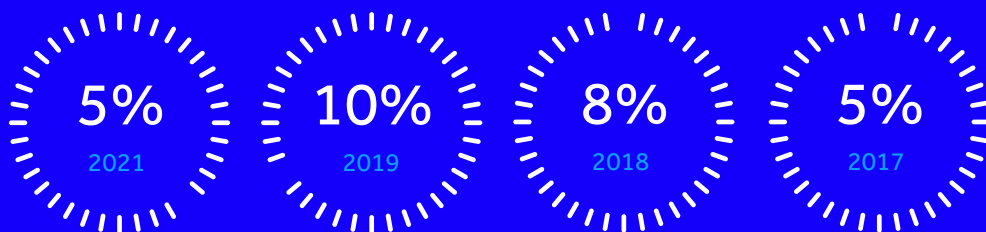
Outlook for the overall state of the Australian accounting profession for the financial year ending 30 June 2021



Predicted to have the largest impact on the Australian accounting profession in 2021

	2020	2018	2017	2016	2015
Changes in technology	6%	27%	34%	27%	41%
Fee pressure from clients	34%	18%	22%	24%	15%
Regulatory changes	7%	15%	16%	22%	15%
The economy	46%	10%	22%	21%	27%
Outsourcing of work	0%	6%	6%	6%	2%
Finding quality staff	7%	24%	-	-	-

Percentage increase in revenue forecast for 2021



Rates

Average percentage increase or decrease for charge rates/client fees - 2020

	2020	2018	2017	2016
Average	5.0%	3.6%	3.1%	4.1%
Range	-24% – 120%	-6% – 50%	-10% – 12%	0% – 15%

Average percentage increase or decrease for charge rates/client fees - planned 2021

	2020	2018	2017	2016
Average	2.3%	4.6%	4.3%	4.1%
Range	0% - 20%	-9% – 50%	0% – 20%	0% – 20%

Charge rates by salary range and revenue group

	>\$500k	\$500k-\$1.5m	\$1.5m-\$4m	\$4m +	All Firms
Less than \$50k	\$117	\$111	\$122	\$108	\$116
\$51,000 - \$60,000	\$140	\$137	\$144	\$138	\$140
\$61,000 - \$70,000	\$152	\$156	\$167	\$163	\$160
\$71,000 - \$80,000	\$177	\$173	\$190	\$188	\$183
\$81,000 - \$90,000	\$193	\$198	\$208	\$210	\$202
\$91,000 - \$100,000	\$204	\$211	\$229	\$228	\$219
\$101,000 - \$110,000	\$210	\$221	\$250	\$260	\$237
\$111,000 - \$120,000	\$221	\$236	\$264	\$282	\$252
\$120,000+	\$245	\$260	\$304	\$328	\$286
Average director charge rate?	\$252	\$321	\$349	\$427	\$327

Director charge rates



	2020	2018	2017	2016
Lowest	\$90	\$61	\$120	\$150
Lower Quartile	\$250	\$250	\$250	\$250
Median	\$320	\$300	\$320	\$300
Upper Quartile	\$400	\$360	\$380	\$375
Highest	\$600	\$750	\$600	\$520
Average	\$327	\$312	\$325	\$313



Pricing

PRIMARY method of calculating job invoices

	2020	2018	2017	2016
Value bill what we think the job is worth	33%	35%	35%	29%
Review WIP (but look at last year's fee and increase by certain percentage)	32%	36%	34%	41%
Time charged to WIP x charge rates	24%	26%	28%	25%
Other	11%	3%	3%	5%

Firms currently offering fixed price agreements

	2020	2018	2017	2016
Yes	81%	80%	78%	79%
No	19%	20%	22%	21%

Percentage of firms fees subject of fixed price agreements

	2020	2018	2017	2016
Lowest	0%	1%	1%	1%
Lower Quartile	5%	10%	17%	10%
Median	25%	30%	35%	20%
Upper Quartile	70%	70%	73%	60%
Average	37%	40%	43%	35.2%

Percentage of firms fees attributed to the following billing methods

	2020	2018
Invoice sent at the completion of the job	61%	62%
Invoice sent at the end of the month when the job is completed	13%	12%
Upfront retainer	5%	6%
Periodic fixed recurring invoices (Monthly/Quarterly)	19%	15%
Change Orders - when additional work outside scope of any fixed fee is required	4%	5%



Challenge for 2021

Challenge trends for the Australian Accounting profession



Challenges by Revenue Group

\$0 - \$500k	\$500k - \$1.5m	\$1.5m - \$4m	\$4m +
Pricing your services correctly	Client fee resistance/ sensitivity	Client fee resistance/ sensitivity	Client fee resistance/ sensitivity
Efficiency of your firm's processes	Efficiency of your firm's processes	Efficiency of your firm's processes	Cash flow - getting paid
Getting new clients	Cash flow - getting paid	Growth (revenue)	Efficiency of your firm's processes
Client fee resistance/ sensitivity	Management of work flow	Cash flow – Getting paid	Growth (revenue)
Key person dependence	Growth (revenue)	Key person dependence	Management of work flow

Top approach to improve business performance

\$0 - \$500k	\$500k - \$1.5m	\$1.5m - \$4m	\$4m +
Getting the right clients	Improving efficiency by implementing new technology	Getting the right clients	Improve marketing and sales focus
Doing compliance work faster	Getting the right clients	Upskilling staff	Automating processes
Automating processes	Automating processes	Building stronger relationships with existing clients	Building stronger relationships with existing clients
Improving efficiency by implementing new technology	Standardising work practices	Disengaging unprofitable clients	Improving efficiency by implementing new technology
Building stronger relationships with existing clients	Improve marketing and sales focus	Improving efficiency by implementing new technology	Standardising work practices





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