

The Just Word Podcast

Transcript of Episode 17 – Accounting in a Pandemic Era

Pat Bolland 00:00

Harrison, welcome to the podcast a pleasure to have you here. Talk to me about what digital accounting is and what it is that you do. And you've been doing it for a few years.

Harrison White 00:11

Yeah, I have. So it's a remote accounting service. So I think traditionally, there's been accounting offices, everyone sees them, when they drive around, they're usually above some other building ... kind of nondescript. But I think eventually people realize that you don't really need to go into an accounting office to get the services. Because everything is online, all of the software, all the communication, you can easily do online. So it just made sense that eventually, a business like accounting would move mostly online. And as the pandemic hit, obviously, all of the accounting services had to do a similar thing themselves. So the whole industry in general is kind of moving in that direction, where if you want to get accounting services, you can now find any accountant online and access to services. So there's a lots of options out there. Okay, then what is the difference between what you offer as an accountant, and if I were to do it on Quicken, or QuickBooks or TurboTax, or there's all kinds of other more commercially oriented accounting programs out there?

Pat Bolland 01:27

Hmm, well, we use the same, a lot of the same software. So like QuickBooks is my main choice for bookkeeping software. But what I found is that a lot of people who are preparing their own bookkeeping, they might think that they're doing it correctly, but it ends up being such a mess that they'll end up having to spend a lot of money to try and get it fixed afterwards to begin with. So in general, I do recommend having a bookkeeper to help with that kind of stuff. But my service in general, it's we like to offer bookkeeping services as part of it. But the main thing, where we're helping businesses, we're helping them to figure out what they're doing going forwards. So we're helping with forecasting how much money you're going to have available in the future, and what your revenues and expenses are going to be in trying to determine what when you need, potentially, need to raise money and get investment for a lot of these companies. I think that's a really difficult thing for a lot of people, and it helps to be able to understand where they're going. Yeah, I saw that on your website. That's ... the fancy word for that is financial modeling. But I guess a lot of the assumptions are important when you're building the modeling overall, what are the key assumptions? If you're looking at just a general business?

Harrison White 02:51

Oh, well, yeah, there's lots of different assumptions that go into model, of course, and when you're, if you're first starting a business, like say, you're a startup, and you don't really have any money coming in yet. Everything is assumptions, because you don't know. And a lot of it's feels like it's kind of made up at the beginning to some people. But is, the most important part is you have a basic understanding of what you would call like the unit economics of the product or service, you're offering. So how much you're going to charge, how many clients you're going to have, and what the costs are, that are going to

go into that product or service or whatever it is you're offering. And once you can figure that out, then that can determine your whole business, how you're going to go about your whole business. Because if you're a newer business, and you don't know how much to charge, you don't know how much it's gonna end up costing to provide that service. Well, if you try to actually figure it out and look forwards, you might realize that, Oh, well, I can't actually offer this service at this price. It's not going to work. So I'm going to have to try and figure out a different way to do my business. So I think that's like the most important part of ... those are the most important assumptions to get right when you're starting or running a business.

Pat Bolland 04:09

Okay? That's, that's fascinating, because, you know, you say you're making beeswax candles or something like that, and you decide to charge \$10 and they're not selling and you walk it down to \$8. I mean, how often do you have to adjust your assumptions? Is it an annual thing? Is it a quarterly thing? In your experience? How often?

Harrison White 04:32

Yeah, well, you want to, especially the early stages adjust as often as possible, but most people are not, I'm not gonna have the time to do it every month. So that's kind of out of the question for most people. But for any newer business, things are gonna change so quickly that you want to try and do it at least once every quarter, so every three months or so. And that way you can look at what's happened in the last few months and you can compare with what you thought was going to happen, and then you can learn from how you projected versus what actually happened. And then that way, you get to understand your business better every three months, and you get a better idea of how to run the business, as well as the projections.

Pat Bolland 05:19

Now you yourself are changing. Your business started out in Ottawa, you've moved to Victoria for lots of different reasons, as I understand it, but you're also moving into a different area called software as a service. In layman's terms, what is that?

Harrison White 05:40

So I think most people understand the traditional software business. So how it used to work is company would start up and they would get a bunch of programmers, they would spend a lot of money creating some kind of software product. And then they would go out there, and they would try and market it to people and sell someone a subscription, or like a CD back in the day. And they would just be able to use that software for however long they want. But eventually, some companies realize that, it actually makes way more sense, instead of just doing this one release, to continually update and try and figure out how to improve the software. Because people don't actually know how the customer is going to use the software until they see them start using it. So what, what a lot of companies do now is they offer software-as-a-service. So you can ... most of this is online services. So you can log in, and you can use it every month, as long as you're paying your monthly fees. And the business can keep or, sorry, the software company can keep improving the product, figuring out what parts are being used, what aren't being used, take some away, add some more and keep building and improving the product over time. And they all, these companies who switch to this model, and now it's like, almost every software

company follows this model, because it's worked so well. What they've realized is that they can actually get a lot more money from people. And I don't mean that in a bad way. But it's just that it's a lot easier to tell someone, you have to pay \$100 each month, and you'll be able to use the software, rather than saying you have to pay like \$2,000 right now, just to have access to be able to use this

Pat Bolland 07:29

Almost like an ongoing payment plan, then, Y

Harrison White 07:32

Yeah, essentially, it's pretty much just a payment plan. But it changes the way that the companies operate as well. So that was kind of the key switch towards software as a service. Most of the companies operate differently now.

Pat Bolland 07:45

Okay, and why did you see this as a niche in the accounting business, for instance, and an area that you want to move into? Well, yeah, one thing that happens with a lot of accounting firms or consulting companies of any kind, in general, is that it's really hard to turn down business. You know someone, who knows a friend, who needs help with, you know, if you're an accounting business, there's someone who needs help with, like, property management accounting, and another one that needs help with restaurant accounting, and you can never really get that good at one specific part of it, because you're trying to spread yourself too thin. So just in general, I, I'd say for most like accounting, consulting, any kind of company like that, it's it helps so much to focus on an issue and try to turn down business. But Software-as-a-Service, I think a lot of people underestimate how big of a niche it is. So yeah, when I, when I tell people there, they're often like, oh, that seems like a very focused place to go. But it is a it's a huge industry, like all of the biggest companies out there. If you look at like, Amazon, you've got Apple has Software-as-a-Service now, like Microsoft, Oracle, all of the biggest companies, they're all offering software as a service. So you can tell that it's actually, it's a huge industry, where all of these new companies are trying to find their way and create a new product that they can they can offer, so they need the help. But that was a bit long, but that's the main reason why software as a service is such an important niche to help. Okay, then, against that background, and given that it's presumably quite scalable as a result, how do you roll it out? How do you get people to find out about your product?

Harrison White 09:39

Hmm, yeah, the thing about accounting is a lot of times that you're just getting new clients from referrals from other clients because people tell you that they're their accountants good so we can help you out. But then in order to help to reach out to a broader network, it's a lot harder. So you have to try and do things like podcasts or videos and marketing like that, that would help bring in a potential broader base of clients. So on the marketing side, that's one way to help bring in new clients, I suppose.

Pat Bolland 10:19

Yeah, and the rollout side of things? And then who is your target audience? When I say business? Is it a small business and you have 5 to 25 employees? Are you looking at the 500 plus, if you will, size corporation?

Harrison White 10:35

Well, the way it usually works is there's ... if you're a software-as-a-service startup, you have to raise rounds of funding to try and get the money to, to allow you to run your business. Because often, they have to spend a lot of money to try and bring in new customers and create the product, but they're actually only receiving a small amount of revenue every month from customers, because they're not charging all up front. Right?

Pat Bolland 11:04

Right.

Harrison White 11:05

So they end up having this long period of time where they're spending all this money, they're getting all these customers, but they don't ... they need to get funding in order to be able to properly run and grow and everything. So at the early stages, even when you have a startup that's only like four to five people, they're gonna have to start getting big amounts of investment in order to be able to grow. So now, that's when they have to start figuring out their forecasting and, and creating a financial model that they can show to investors. So the actual starting size is pretty small for the kind of clients that I would help out. And then eventually, these companies would get big enough where they wouldn't need ... well they want their own in house staff to be able to do that kind of stuff. So usually, it'd be between somewhere between five and 100 employees, I would say,

Pat Bolland 11:59

Oh, wow. So you're a temporary fix, if you will, for accounting and people getting up and running, getting started. They're below 100 employees, they've been in operation for, you know, 10, 15 years kind of thing. But beyond that, they tend to bring accountants in-house is, that's what I'm hearing.

Harrison White 12:19

Yeah, usually like, it can be helpful to have an outside perspective sometimes to be able to, especially if it's a skill that you're say your CFO doesn't have already. So sometimes it's useful, but for the most part, it's these companies that show a lot of potential, they've gotten some funding, but they want to grow really quickly, and they need to get a whole lot more money in. So they need someone outside to be able to help them do it quickly. Where they, they can't hire themselves quick enough. They don't understand it themselves, they need some coaching and training. So there are a lot more consulting kind of businesses that fulfill that need for these companies now.

Pat Bolland 12:59

Okay, so then, personally, you in five years time, how do you measure your success? Will your success be in the number of clients that you have the assets under administration? Or what?

Harrison White 13:14

Um, well, I'd say the most important thing for me is I want to be able to make this self-sufficient business. And I think that's a good goal for a lot of people. So eventually, in five years, I want to have all of my staff be able to properly train and run the business and market it without my help, so the business will run properly without me. And that way, you know, that it can continue on in the future, and it can continue, keep keeping to provide a great service ongoing, so I don't think there's any specific number I'm looking towards, but I just want to make sure that all the processor ... processes... and people are in place, so that I can just continue on indefinitely, essentially.

Pat Bolland 14:01

Yeah. And as I said, you move physically from Ottawa to Victoria. Do you see this as a life changing plan - you move west, you gain new clients, you build up your business and retire out west - is that ... you plan that far ahead? As an accountant?

Harrison White 14:19

Oh, I don't think I plan that far ahead. I think anything ... people, what people want changes so much, from year to year, so I can't imagine I know what I want 10 years from now, but when you do make a big move, if it does feel like a big change, big life change, it feels like an opportunity to to embrace some new things and try and learn and grow. So I think it does feel like a little bit of a refresh ... most people can probably relate to that.

Pat Bolland 14:49

Totally unrelated to what we've been discussing on the accounting. How did the move go in COVID - like you had a lot of challenges you must have just finding moving companies and all the other stuff

Harrison White 14:59

Well, So the nice thing was the place that we had previously was it was partially furnished. So we essentially sold all the furniture we had. And we shipped everything through Canada Post, ... and it sounds ridiculous. But it's actually so easy. You just put everything in a box, you bring it down to the post office whenever you want to. And then eventually, it makes its way over. So it was probably the cheapest option. Obviously, I had to do a little Excel to figure this out, but it was the cheapest option, but also, it was super easy.

Pat Bolland 15:16

Through Canada Post, Wow. And then presumably you bought new furniture or whatever else you needed in the house out there.

Harrison White 15:43

Exactly. Yeah. So it's a lot of work once you get to a place but not having to drive a whole week across the country is is pretty huge. I'd say.

Pat Bolland 15:53

I would agree. Harrison, we wish you much success in this endeavor.

Harrison White 15:59

For sure. Thanks for having me on. It's great. Okay, Harrison White, President of Virtual Accountant.