



Navigating Economic Turbulence with Quality Client Data: Expert Tips and Insights



Abstract

In the first half of 2023, headline inflation was predicted to **peak at 17%**; the highest since 1980, but **'some economists think inflation may have already peaked'** and the **Bank of England** is expecting inflation to fall sharply mid 2023. The pound has recently dipped to its weakest against the dollar in nearly 40 years. Spiralling energy prices, hikes in business costs across the board, and the largest fall in real wages since records began are all adding up to economic slowdown and supply chain volatility. Insolvencies are already up by a third with many businesses looking at their financing/ refinancing options.

Thankfully, your clients have you, their trusted accountant/bookkeeper to hold their hands and navigate them through this period of uncertainty... working together, you can get ahead of their numbers and future proof their business. But how do you do that, in ways that remain manageable and profitable to your practice? The answer? Automated, accurate, real-time financial data from which to generate your insights and deliver your recommendations.

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Focusing on data quality

A guide to proactively helping clients navigate economic uncertainty with accurate, real-time financial insights

It's an undisputed fact that businesses of all sizes and maturity should be on top of their numbers. Never is this more important than in times of economic uncertainty, when working with the most up to date financial information can quite literally make or break a business. Particularly businesses that rely heavily on supply chains operating in the leisure, retail, manufacturing or construction industries.

At the same time, some business owners and leadership teams may be looking to reduce overheads, wherever they can, as the stagflation mentality takes hold. It's not uncommon during these times for clients to need more of your time and additional support, putting your team under additional pressure to meet deadlines. So demonstrating the value - beyond tax and accounts compliance - that accurate, real-time financial data and insights can deliver, is key to managing your workload, protecting revenues and supporting your advisory services through this period.

In this guide, we look at the types of information

that accounting and bookkeeping firms could be proactively reporting on to help clients get ahead of their numbers, and continue to grow their advisory services. Not just because these services are key to clients' businesses surviving and thriving, but because they are also the future of accounting practices everywhere.

As well as facilitating real time insights that are extremely difficult to achieve manually, automated data processing and checking can save practices up to 40% of the time spent manually retrieving, resolving and reporting on clients' data. So we will also consider the accounting technology stack that can help improve data quality, ensuring insights are accurate and easy to come by, and that they can be served up, profitably, to clients - in time to make a difference.

Before that, we will start by looking at what checks to automate in order to help track trends and pinpoint which clients could be in difficulty, across a portfolio of clients with varying financial cycles.

"A little while ago, I witnessed a completely avoidable situation, where a business owner made redundancies on Christmas Eve due to one bad debt. With the right debtor management and cash flow plan in place, there could have been a very different outcome. All it would have taken was more regular conversations with their accountant to address the risk, before it became an issue. Communication between you and your clients is so important during times of economic uncertainty; but it's good data that underpins the conversation and enables the best decision-making."



Paul Lodder
VP of Accounting & Product Strategy,
Dext

Three major business challenges during times of economic uncertainty

1. Inflation and higher costs

Rising rents, utilities and wages are driving up the cost of doing business. Your clients will have several options to cope with inflation, depending on their reserves - including raising prices, cutting costs, transforming business practices, or re-organising supply. None of these things are necessarily bad for business, but your clients should consider all their management information in order to make the best decisions for both the short and longer term. Understanding your clients' businesses and their business strategy is essential if you want to tailor your accounting advice in ways that could help them come out of an inflationary period, stronger than before. Helping them automate their financial data capture, processing, analysis and reporting is the first step in ensuring your clients have the accurate and actionable insights they need, at their fingertips, to be confident in their decision making.



2. Cash flow challenges

As the old adage goes, turnover is vanity, profit is sanity, but cash is reality. Poor cash flow can kill an otherwise healthy business. A slip in general cash flow and an inability to pay invoices on time is commonplace during uncertain times, but left unchecked, it can quickly lead to insolvency. Enabling a real-time and accurate view of the money going into and out of your client's business is perhaps one of the most valuable things you can facilitate, and it's really easy to get right with the appropriate tech stack in place. With this view, you can then offer your advice on relevant operations, finance, and/or investment strategies to help improve your client's cash flow and 'weather the storm'. Should a client's cash flow remain really poor, despite their best efforts, as their accountant you can still offer light at the end of the tunnel if you have a Plan B or C in your back pocket to achieve a realistic but hopeful outcome for the business. But you can't do any of this if you are not in regular communication with your client and working with the most up to date inflow/outflow data.

3. Supply Chain insecurities

Supply chains in most industries experience both upstream and downstream uncertainty in times of economic downturn. Add to this the cross-border complications that many importers and exporters are contending with in the UK, along with widespread workforce shortages, and it's easy to see why supply chains are currently considered 'volatile'. Any insight you can provide to help your clients understand their supply chains, and proactively manage their suppliers could be transformative through this period. As previously highlighted, running reports on their outflow data to show 'over-reliance' on particular suppliers can help them calculate their risks and put in place effective mitigations, should a supplier fail to deliver as required.

"Over-reliance on a single supplier - or customer - in times of economic uncertainty should be a big red flag to your clients. Volatility in the supply chain can easily create supply issues that leave your client scrambling to find alternatives. I saw this recently where a company had their entire profit wiped out because of having to find a different supplier to support fulfilment at short notice. If your clients are not checking for over-reliance, they won't have sight of the risk their business is carrying. Supplier Reliance Management Information is easy to generate if you're working with accurate and complete data and some software can run reports to see where there is customer or supplier reliance. Which you could do for each of your clients and then walk them through the results to show you have their back through this period. Having started the conversation, the key then is to check in regularly with your client, and help them work with their financial data in an agile way."



Katie Hoare
Global Head of Practice Solutions
& Sales Enablement, **Dext**

How to identify clients that are struggling with these challenges

If you are only providing services to clients at year end, your client runs the risk of only drawing attention to financial risks, when they are difficult - or perhaps impossible - to do anything to mitigate. A more impactful cadence is required. And with the wealth of business apps available today, there really is no excuse for 'accounting and bookkeeping' to be seen as a 'once a year', resource-intensive activity. Keeping on top of their financial data daily, couldn't be easier with the help of your best advice, supported by technology like Dext [Prepare](#) and [Precision](#), and other complementary accounting software.

Chances are, you have already convinced your clients that they need to embrace technology for Making Tax Digital (MTD) - so it should be fairly easy to sell them on the benefits of using apps and systems to help them keep high quality, real-time financial data records. Working in partnership, your practice can then track this data and regularly search for leading indicators that could help you identify clients in your portfolio that are struggling.

10 leading indicators of businesses that might be struggling:



Poor cash flow



Inability to pay creditors as they fall due



Debtors days are increasing



New loans, credit cards and finance



Overdrawn bank accounts consistently going over the facility



Directors introducing personal funds into the business



Drop in Net Assets



Unhealthy debt-to-equity ratio



Liabilities outweighing assets



Over-reliance on a particular customer/supplier

Other 'client action' data points that you can easily track via a practice management dashboard, like those in [Dext's Practice Insights](#), include:

- + Less communication with you/your team than usual
- + An increase in the length of time it takes to respond to your data requests
- + Poor or missing data and records

This might be because your client is focusing all efforts on revenue generating activity at the expense of timely bookkeeping, or they have in-housed bookkeeping as a way to save money, but they are not making it a priority. Either way, instigating a conversation with your client at their earliest convenience, when you identify any of these signs of struggle is a way to position your partnership for the long haul and ensure they are getting the best possible support from your practice.

**Top tip
for Dext users**

The 'items to action' widget in Practice Insights shows you exactly which clients are up to date, and which have items that need actioning. You can also filter by those items for which your firm is responsible, and those where the client is responsible. If any of your team have downtime, you can redeploy them to support those clients whose bookkeeping needs attention. This function also frees up your team from 'busy work'.

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Proactive ways to help clients through periods of uncertainty

Manage out the risk of bad data

Accurate data that paints a 'full picture' of business health gives you and your clients the confidence that they are making informed decisions and acting on the best available advice in any given situation. Accurate data also reduces costs; both in terms of time spent data processing, and investment wasted on unnecessary or ill advised spending. As previously highlighted, it's also the foundation for cash flow forecasts and management reporting. Helping clients deploy and embed solutions across their end to end processes to manage out the risk of bad data, is now firmly in the remit of most forward-thinking accounting practices. Increasingly, clients will expect your technology recommendations.

A recent survey found that currently:

- + Accountants spend nearly 5 hours each week checking bad client data
- + One in every eight hours is spent manually looking for data errors
- + Hours spent cleaning up bad client data is actually 3 more hours than estimated
- + A firm of 15 accountants and bookkeepers will spend 3,284 hours annually on bad data
- + 40% of time could be saved by automating data checking

Engage in regular, data-driven conversations

As well as managing data quality, the visibility of the data you are working with is fundamental to your clients' success. If your current systems are not making it easy to access real-time information and work in an agile way with it, then it's time to consider your options. As visible data is key to driving regular conversations with your clients, it will help stop your clients burying their heads in the sand when it comes to their financial performance, and instead encourage them to acknowledge early warning signs of hardships, so that they can put in place the right strategies to mitigate their risks.



Offer cash flow improvement strategies

There are many ways to improve cash flow, not all of which will be relevant for every client. The following initiatives are all things you can discuss with your clients to help invigorate their cash flow and protect their reserves.

- + Lease don't Buy initiatives
- + Credit checking services
- + Immediate invoicing processes
- + Early payment incentives
- + Electronic payment enablement
- + Inventory improvements
- + Buying cooperatives amongst similar clients
- + Cheaper supplier alternatives
- + High-interest savings accounts
- + Pricing and discounting strategies

Of course, data quality and your client's receptiveness to technology are likely to determine which strategy you are able to advise on, where your client focuses their efforts, and the opportunity for improvement.

Provide customer portfolio and supply chain analysis

The current volatility of supply and demand is putting pressure on businesses throughout the supply chain. This means, at any given moment, your clients' suppliers or customers could find themselves in jeopardy. The knock on effect could be very challenging for your client if they contribute significantly either to the creation or sale of products/services, or their bottom line. Helping your clients understand their customer portfolio in terms of revenue generation, as well as identifying dependencies on particular suppliers will help them pinpoint where they need to consider alternatives, so that they don't suffer as a result of having 'all their eggs in one basket'. In Dext Precision, it's a simple case of running the Customer Reliance and/or Supplier Reliance reports to check your clients have a 'healthy' split and are not overly dependent on particular businesses. You can also set up these views as Business Performance Report Tiles, to track customer and supplier data over time and report back to your client on a regular basis.

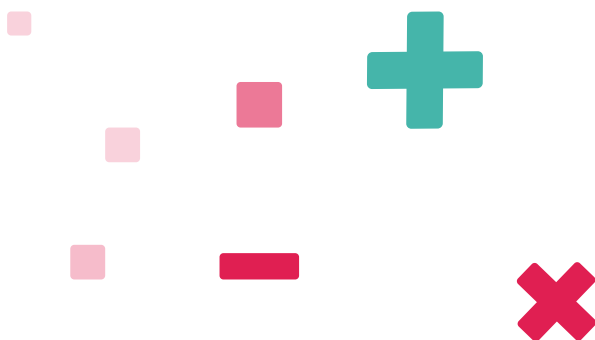


Schedule and chase payments

Helping your clients schedule payments to make the most of 30 day credit terms is an easy way to get better control of cash flow. You could also guide your client when to make big purchases, to ensure it's the most tax efficient time to buy to protect their cash reserves. As for getting them paid on time - or even early - there are a range of instant invoicing apps that enable the user to automate the generation of invoices 'on the go', spread out payments, revise fees, and set up direct debits. Payment apps in particular are proven to reduce average payment days from 42, to 20. Similarly, you can review aged debtors and recommend credit chasing automation to tackle late-paying customers. Many credit control apps now offer automated credit checking and debt-recovery workflows to close the loop on making sure clients are more likely to get paid what they are due.

Maximise tax savings

Building on advice for big purchases and tax efficiencies, depending on the size, turnover, region, and industry your client operates in, they may be eligible for a range of tax relief schemes and other government support. Furlough is now front of mind after recent events, but there are plenty more schemes including R&D, patent, industry and loss reliefs, training and apprenticeship levies, pension contributions, mileage claims, business expenses, party funds and many, many more. Your practice could help by advising which schemes and funds they are eligible for and how/when to apply to ensure they are making the most of the financial aid available whilst paying the least amount of taxes required by law.



Benchmark against comparable businesses

In times of economic uncertainty, business benchmarking can provide the confidence that a client is set up for success, or indeed, it can highlight opportunities to reduce cost bases, improve operations, or indeed make investments to recuperate and/or develop a competitive advantage. This level of analysis and insight is difficult to achieve manually, but some accounting solutions have built-in capabilities that your practice could commercialise. For example, using the Benchmarking insight built into Dext, Precision can benchmark both Turnover and Expenses for your clients, within their region, industry, or all other clients, either against your own practice or across a wider Precision dataset. There's also a detailed dashboard that offers an overview of all clients, health scores and workflow status – giving you the visibility as to which clients would most benefit from benchmarking against comparable businesses so you can target your services.

Sensitivity analysis

If your client has invested in your recommended systems to support high quality, real-time data, then it's likely you have the necessary information to provide sensitivity analysis or 'what if' analysis to assist with scenario planning for a range of eventualities. For example, predicting what would happen if 'turnover dropped by 20%'. Modelling client data in this way means you can help paint the picture of how resilient their business model/mechanisms are to economic uncertainties, and input to their risk management strategies.

Support financing and investment applications

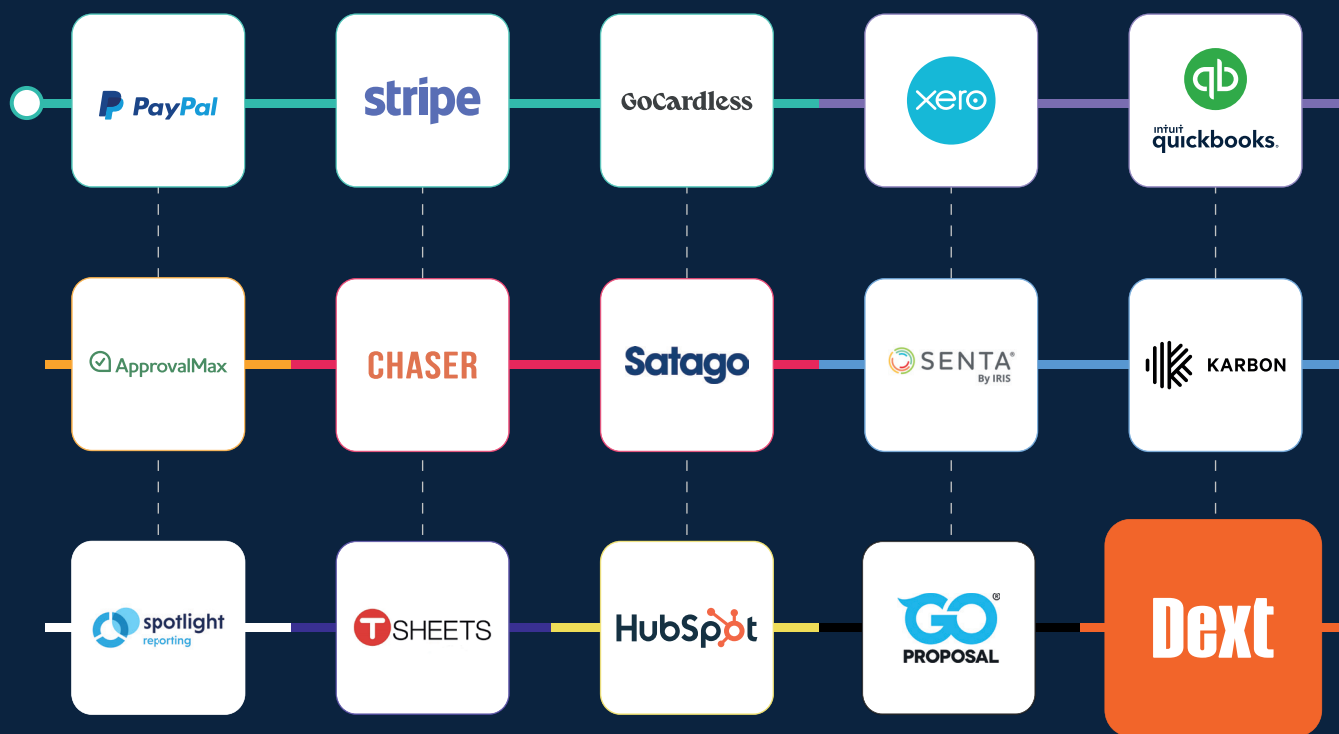
By automating the tracking of leading indicators to identify clients that may need extra attention and services, Dext Precision could also help you identify clients that would benefit from your support with finance or investment applications. Understanding your clients' business goals, as well as their financial performance puts you in a good position to liaise with banks, lenders and business finance specialists to get the advice and funding that's needed to put their recovery - or indeed their expansion - plans into action.












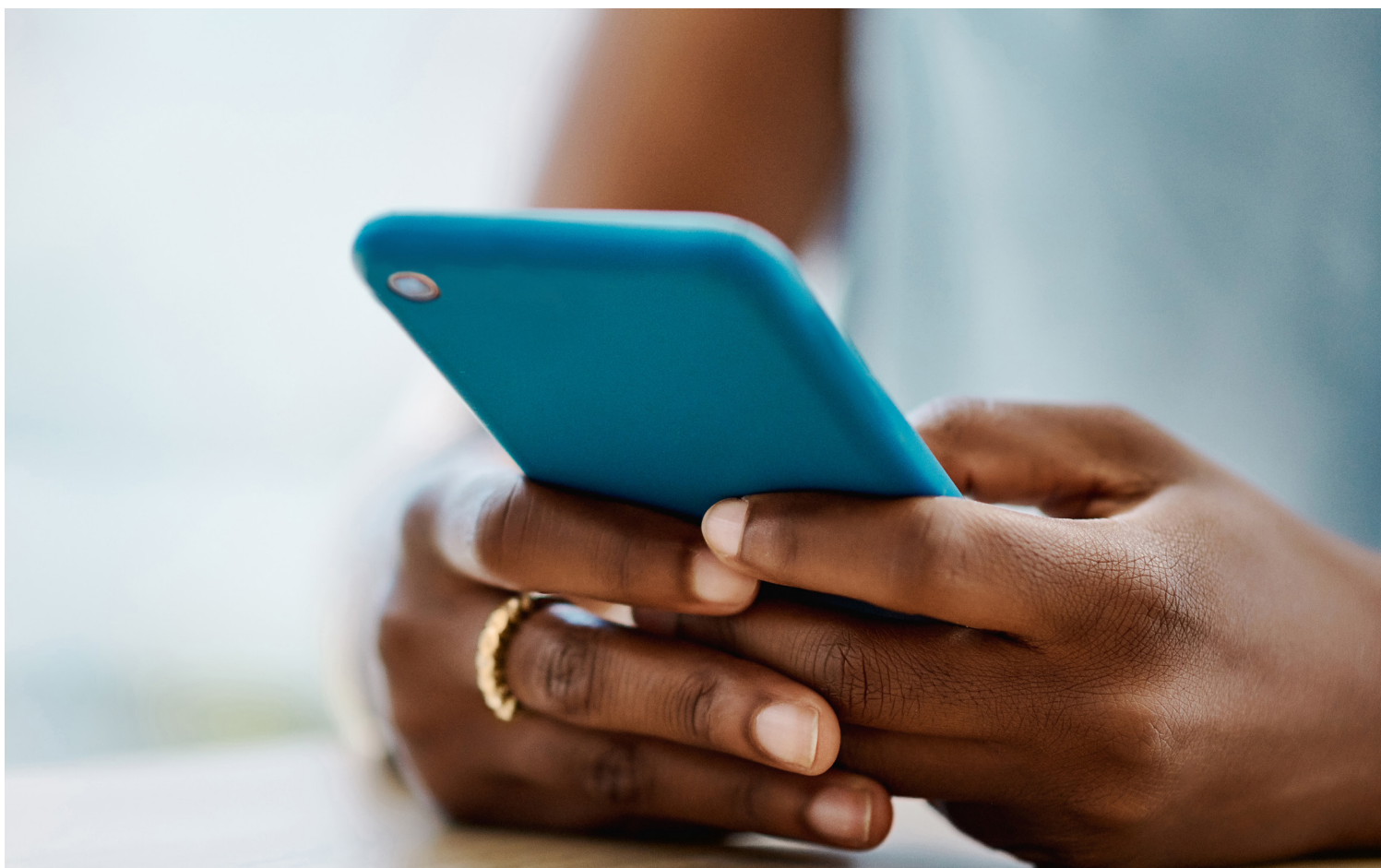
Implementing an accounting tech stack to improve data quality and streamline workflows

The benefits of high quality financial data to your clients' businesses are clear, especially in terms of the additional value-add analysis and services you can provide to help them get ahead of their numbers. But the benefits to your practice are also significant. Quite apart from recovering the time wasted on processing and fixing bad data, automation helps you catch errors before they get out of control. One mistake can build and can cause habitual errors, which can then take an inordinate amount of time to fix and affect your recovery rates. Which is why accounting and pre-accounting software is designed to highlight data inaccuracies and inconsistencies for your investigation, as well as making information accessible so you can work with it in an agile way.

Automating data capture, processing, analysis and reporting for end to end processes requires a range of solutions. And key to joining the dots on the data is choosing solutions that integrate and complement the incumbents in your tech stack. Dext is one of the most integrated solutions on the market, and will not only improve the quality of the data in systems like Xero and Quickbooks, but will also work with and complement other apps and software that your clients (or your practice) may use, including:



-  Payment apps
-  Prompt invoicing apps
-  Accounts Payable software
-  Credit checks and control apps
-  Practice Management software
-  Business Intelligence and reporting apps
-  Timesheets software
-  Marketing systems
-  Pricing tools



It's why the Dext platform is a vital part of any accounting tech stack:

- 01** Prepare is designed to take the stress out of data entry with a range of submission tools and market leading 99% extraction accuracy, ensuring all supplier invoices, expenses, and bank statements are captured, coded and sent to the accounting products your clients use, or the export formats your practice needs.
- 02** Precision then takes all of the data you or your client have fed into Xero or QuickBooks Online and provides you with a client data Health Score, plus highlights any data discrepancies that should be reviewed for quality control (through a variety of data quality checks) so you know how much of the data you can trust. It also fast-tracks the client jobs your firm does day in, day out, monitoring bookkeeping at all times and automating data checks for efficient compliance control results and insights your clients really value.
- 03** Meanwhile the business intelligence you can generate using Precision and Prepare's Practice Insights helps your managers optimise your team's time. Whether that's balancing workloads, spotting bottlenecks, or identifying opportunities to improve accuracy and efficiency, it gives you the oversight you need to manage a team, and keep your clients happy by proactively identifying when they might be struggling, so you can tailor your services and support accordingly.

Conclusion, and a cautionary note for accountants and bookkeepers

With the right systems and processes in place, high quality, complete datasets are now achievable for most, if not all clients. And this means better recoverability and power to offer more value to your clients at every engagement. So focussing on improving the quality of your client data, and building a technology stack to help you do this profitably should now be a strategic goal for accounting practices everywhere.

Whilst it's true that accountants and bookkeepers tend to fare well, even in difficult financial times, because they provide essential, compliance services - it's likely you will experience some attrition, and if your clients are struggling, this could put undue pressure on your team.

Our expert top tips for relieving the pressure on your practice:

- 01** Review your client onboarding and retention strategies to improve and optimise them with regular engagements that help in the long run.
- 02** Look at your entire accounts and tax cycle for a client and ensure any time that needs to be charged is invoiced at the point it is delivered rather than being "locked-up" in WIP. This often results in time being written off and the client forgetting about the value that you added.
- 03** To that end, consider direct debits for your services to spread out the costs of your fees and avoid large invoices that might not get paid or see payments further delayed. The option to pay in small increments will really help your clients too, and keep your services front of mind.
- 04** Motivate clients to embrace MTD using cloud compatible software and recommend other tech solutions that will help them, and you.
- 05** Tech in place, focus on improving data quality for your practice, starting with your most challenging clients.
- 06** Automate practice workflows to get full visibility over all tasks and ensure reporting is consistent, even if you have lots of clients with varying financial cycles.

Focussing on your own business and getting your house in order must be a priority through this period of uncertainty. Remember, if you have not invoiced for work completed, the point at which businesses go into liquidation, your business has no chance of being paid. Your bill is the only thing that gives you a claim. So it's important to take a big dose of the medicine you're recommending to your clients and make sure you are on top of invoicing and chasing payments. Apply the same rigour to your own financial data and analysis as you do to your clients to ensure you are working with it in the most agile way possible to optimise profits and sustain your own healthy cash flow.

About the authors



Paul Lodder - VP of Accounting and Product Strategy, Dext

Paul joined Dext with 20+ years in practice at Sagars Accountants where he was a partner heading up the cloud accounting offering. ACCA qualified since 2003, Paul led the firm's MTD and digital strategy, and provided support on digitalisation to accountants & bookkeepers across the country as well as providing solutions to clients' challenges and supporting them to achieve their goals across accountancy, taxation and business advisory services. Paul is recognised as a leading expert on the implementation and benefits of digitalisation.



Katie Hoare Global Head of Practice Solutions & Sales Enablement, Dext

Katie joined Dext in January 2021 having spent 13 years in practice, specialising in small business development and focusing over the last 5 years on the digital transformation project for the 5-office firm. Katie spear headed the navigation through the app marketplace, developing a tech advisory offering and getting the firm MTD for VAT ready. She then spent 3 years working for one of the world's largest cloud accounting software platforms as a partner consultant and then as a practice solutions specialist, supporting and advising a large number of accounting firms across the UK.

Additional Reading

[Dext Precision: 4 ways to guarantee your practice stays ahead of the data](#)

[4 reasons why you need quality control](#)

[Practice management during tough times](#)

[6 essential use cases from our new feature practice insights](#)

