Hey! What's New? 2024-135

Growth In Client Advisory Services Set to Continue Rapid Increase

Bryan Strickland writes, in the current issue of the *Journal of Accountancy,* that firms offering client advisory services (CAS) project their CAS-related revenue to double over the next three years, according to a biennial CPA.com report. "Collectively, the 206 U.S. firms taking part in **2024 CPA.com & AICPA PCPS *Client Advisory Services Benchmark Survey* report** projected a median growth rate of 99% over the next three years. The firms reported a 17% median revenue growth rate for 2023 over 2022 and projected a 15% growth rate for 2024."

The growth story is further supported through the significant jumps in other key metrics reported by survey respondents, including that median reportable annual CAS revenue (net client fees) rose by 61% to $1,606,409 for all respondents and $2,959,383 for top performers. According to the report, "this increase is supported by firms' responses indicating that they are doing more CAS engagements rather than just tax clean-up or annual project work for clients, and that they are taking steps to 'right price' work with fixed-fee strategies that are not impacted by efficiencies gained from standardized processes and technology. Additionally, for all respondents, median net client revenue rose by 30%, while median total CAS employee FTE rose by 31%. CAS net client fees per professional (NCFPP) rose to $156,250, an increase of 29% over the 2022 survey."

"Firms are continuing to double down on client advisory services (CAS) as a key growth area, but there's still so much more potential for those that take an intentional and strategic approach to building and scaling their CAS practices," Kim Blascoe, CPA, senior director of CAS professional services for CPA.com, the AICPA's technology subsidiary, said in a news release.

The report highlights seven data-driven insights that point to the vast potential of CAS and can guide firms looking to offer or increase their investment.

1. **CAS growth continues to be significant and outpaces the profession's overall growth.** While firms reported a 30% increase in median net client revenue compared with the 2022 CAS Benchmark survey, the **2023 National Management of an Accounting Practice survey** reported a median increase in overall firm net client fees of 9.1% in 2022 compared with 2021.
2. **Firms can increase revenue by expanding their higher-level service offerings.** Firms that generate significant revenue from CFO or higher-level business insights advisory services earned more than 30% higher monthly recurring revenue.
3. **Defined strategy and planning are key to a successful and profitable CAS practice.** Practices with a formal written CAS business plan report $27,761 in median average annual client revenue — nearly $10,000 more than all respondents.
4. **Defined client niches are key to promoting standardization and efficiency and, ultimately, increasing profitability.** Firms in which more than half of their revenue comes from industry niches report 38% higher median CAS revenue and 51% higher median CAS services net revenue per client than all respondents. The top niche areas served are construction, professional services, not-for-profit, and retail.

5. **Adaptability and agility are key to staffing in CAS.** Seventy-eight percent of those surveyed have staff members who are fully dedicated to CAS. Top performers in the survey — defined as firms in the top quarter of median net client fees per professional — show a greater commitment to upskilling employees.
6. **Better strategy and investment around technology means better productivity, efficiency, and staff satisfaction.** Going hand-in-hand with attitudes toward staffing, firms that strongly agree that they're committed to continuous investment in technology report higher median net client fees per professional and are able to serve a median of 100 clients compared with 67.
7. **Pricing in the CAS space has shifted away from pure time and materials billing.** CAS practices continue to lead the way in rethinking billing, with only 10% of respondents still employing hourly billing as their primary pricing method. In 2018, the first year of the survey, 53% primarily employed hourly billing.