

Advisor Spotlight

October 2002

Tom Joseph
Certified QuickBooks ProAdvisor



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McDonald's revolutionized the food service industry. Through standardization, they perfected the ability to provide consumers with consistent meals in record time. Besides strong marketing and branding, they found that process automation and training were the keys to their success in each individual store and on a worldwide basis.

Tom Joseph, who is a Certified QuickBooks ProAdvisor®, is looking to do the same. Only instead of serving food, his company, Bookminders, is delivering quality bookkeeping services tailored to meet each client's needs. Like McDonald's, they are able to do this by standardizing their methods, automating their processes and thoroughly training their unique and cutting edge workforce.

As a mechanical engineer with an expertise in factory automation, Tom was an unlikely person to enter the bookkeeping market. But early on in his career he got a taste of exactly that while trying to help his family's business implement an accounting system. He got the software up and running but he knew that it would be useless unless he found somebody to maintain it.

Eventually, his sister agreed to help if, and ONLY if, she could do so from her home. That's when it occurred to him that a home-based bookkeeper could service several clients quite profitably.

From Engineering to Accounting

Approximately seven years later, the high-tech startup company that Tom worked for collapsed. This became an opportunity to fulfill a dream to start a company from its inception. Leveraging the knowledge he gained from helping his family's business he envisioned a “payroll service-like” company for the bookkeeping market.

Tom's experience in factory automation led him to approach the business model from a “systems perspective.” His unique angle was to develop processes, formulas and systems for the bookkeeping marketplace. He wanted to “put a methodology in place that could be delivered in a consistent and reliable fashion.” QuickBooks® software helped him achieve that.

Not only does Bookminders use QuickBooks software exclusively but their clients use it as well. Additionally, all clients are required to upgrade to the most current version of the product each year so that Bookminders has only one platform to support. This allows them to maintain standardization and to take advantage of yearly enhancements.

Clients haven't been resistant to this annual software expense. According to Tom, “They look to us to keep up with the technology so they don't mind upgrading when it's just a small portion of what they spend to operate their accounting system.”

Clients use their own copy of QuickBooks software when they want information beyond the management reporting package provided by Bookminders. Clients don't process accounting transactions, Bookminders does. “Without our service, businesses typically struggle with staff and training just to get data into the system. They usually don't have the resources to create a management information system. When we take over, the business owner gains tools to work on their business rather than in their business.”

Bookminders understands the needs of its clients so well because before launching the business, Tom did his research. In his quest to standardize, he sought to understand what small business owners in different industries needed from their accounting systems.

In the process, he discovered that the potential market was reluctant to outsource when things were done on an hourly basis. Small business owners like to know what kind of expense they are facing. So Tom realized he would need to price his services in a way that was clearly defined, and put the business owner in control. This concept turned out to be one of the cornerstones in gaining clients and market acceptance.

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Pricing

“Bookminders’ pricing model accounts for a large part of its success,” says Tom. “It was developed by breaking down the various elements involved in bookkeeping, and establishing a pricing system around them. Price is a function of a thoroughly formulated equation comprised of transaction volume and complexity. It’s our pricing model that makes us unique. Every process is carefully defined and each industry we serve has its own set of requirements and variations. We’ve developed templates, processes and reporting packages for each one so we can be efficient while controlling quality.”

Bookminders begins the process with new clients by conducting an interview to understand the requirements. The pricing system is applied to the information gathered in that interview to calculate an estimated cost. Clients know that each month the exact cost will be based on the actual transaction load. As the number of transactions goes up or down, the client’s cost adjusts accordingly.

“We call it ‘volumetric pricing’ and depending on size, clients typically spend between \$5,000 and \$25,000 per year,” says Tom. “Our system creates an incentive for clients to change their procedures if doing so will reduce their bill. Or, a client may outsource other processes to Bookminders if it’s more cost effective than using their own internal staff. Our mutual goal is to make the clients systems’ more sophisticated and better integrated.”

The Bookminders

But Bookminders’ competitive edge doesn’t begin and end with their pricing model. Each “Bookminder” is equally as important. Bookminders themselves tend to be highly skilled second-income earners looking for “less than full-time” work, flexibility and the ability to work from home. Tom planned to utilize this growing workforce long before the idea of telecommuting really caught on.

Unlike telecommuters, who may represent a small portion of a corporate workforce, home-workers at Bookminders are the rule, not the exception. The company provides all the necessary facilities, equipment and support to properly service clients. They have also developed online training and help systems to accommodate the remote nature of the Bookminders job.

Growing the Business

Tom has grown the business to over 200 clients and 50 employees through proper market positioning. “From day one, the vast majority of clients were acquired on referral. We recognized the importance of our relationship with accounting firms. Since we’re strictly a bookkeeping service, they’re happy to have us work with their clients. It’s our goal to make each client’s independent CPA’s job easier,” says Tom.

“We target companies who need part-time to full-time bookkeepers. That market ranges from \$250,000 to \$10,000,000 in annual revenues. Many companies with large revenues aren’t transaction intensive, so they aren’t necessarily considered to be big clients for us. Or, we may configure our services to carve out certain portions of a company’s accounting. There are many ways to satisfy this market.”

Tom educates his clients on the cost and quality impact of turnover in an accounting department. Reducing the time that management spends supervising in-house accounting staff results in more focus on strategic issues. In the long run, clients discover that it’s more beneficial to outsource to a business partner than to do their bookkeeping internally.

Ultimately the plan for Bookminders’ growth is to clone the operation into other geographic markets using the systems it has worked so hard to develop. This is a business that was built to be replicated. “It would be fitting if my engineering perspective enabled us to roll this out on a national scale.”

Like McDonald’s, Bookminders hopes to redefine industry expectations for bookkeeping services. In Tom’s words. “It’s not unrealistic to think that at some point we could claim ‘Billions Processed’.”

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