**The Pain of Not Offering Higher Level Services**

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In 2015, the New York Times told the story of Steve Sasson, an engineer who worked for Eastman Kodak in the 1970s. At the time, Kodak held a virtual monopoly over the photography business in the U.S., from cameras to film, flash cubes, photo processing and photo paper. In 1975, while working for Kodak, Sasson invented the first digital camera and demonstrated the device to Kodak executives by taking a picture and bringing the image up on a television screen. In the Times article, Sasson remembers the reaction he received from Kodak executives.

“They were convinced that no one would ever want to look at their pictures on a television set,” he said. “Print had been with us for over 100 years, and no one was complaining about prints, they were very inexpensive, and so why would anyone want to look at their picture on a television set?”

Although Kodak patented that first digital camera, they refused to market it, preferring to stick to film sales. Through the 1980s and 90s, Kodak wasn’t feeling any pain. They were still working their cash cows: print photography and licensing their digital technology to other manufacturers.

Of course, we all know what happened to Kodak. They eventually got into the digital camera business, but by then it was too late. The market was crowded, and Sony and Canon were the big players in digital photography. Kodak, a company that had been the standard in photography for 131 years, filed for bankruptcy in 2012.

We see many accounting firm leaders these days with the same mindset as the Kodak executives. “We’re making money from tax and audit. We’re even growing. Why change?” Their firms may well be growing, but I suspect the growth they’re experiencing is incremental rather than transformational growth. It’s not the kind of growth that will carry them through commoditization and disruption.

Most firms in the Top 100 are already making moves to add consulting, advisory services, strategic planning and succession planning to traditional compliance services, but the smaller firms still see tax and audit as their cash cows. In many cases, those firms already have the knowledge and technical ability to add higher value services. After all, CPAs already have the financial fluency and analytical capabilities to act as a trusted advisor. The problem is they’ve been serving as a technical advisor for so long, they’re loath to challenge the status quo and unsure about how to price based on value rather than effort (rate x hour).

Another argument we hear is that firms just don’t have the time for advisory services. We liken this to being too busy bending over to pick up $1 bills to reach for the stack of $100 bills on the table. We can all agree that this doesn’t make sense, but nor does keeping the status quo because the firm’s partners are currently able to draw a decent salary.

We’ve been hearing about the commoditization of tax and audit services for years. So why now? Well, in Kodak’s case it took more than 35 years to go from keeping the digital camera under wraps to bankruptcy.

Remember Blockbuster video stores? In 1999, Viacom held the Blockbuster IPO, valued at up to $4.8 billion. A year later, they had several offers to purchase Netflix for $50 million, which they declined in favor of delivering on-demand movies with Enron Broadband Services (a subsidiary of ***that*** Enron). By 2003, Netflix posted their first profit, earning $6.5 million on revenues of $272 million, and Blockbuster decided to enter the online DVD rental market. By 2010, Blockbuster was delisted from the New York Stock Exchange when shares hit an all-time low and the company declared bankruptcy. Clearly, the pace of change in today’s environment is much more rapid. Uber began operating in 2013. How much longer do you think the taxi industry will be able to hang on?

Most people - and accounting firms - don’t change unless they are forced to, or they see their peers and competitors flourishing under a different model. By the time Kodak got serious about digital photography, releasing its EasyShare line in 2001, they were not able to make up for lost time. By 2008, 120 million camera phones were in use in the U.S. alone, and digital camera sales were beginning their slow and steady decline. So the question is, will you wait until you feel the pain to get serious about changing your business model? Or decide to be a transformation agent and capitalize on the knowledge and experience you already have in your firm?