

Looking at Niche Markets from the Inside Out

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Niche markets and the ways to take advantage of them have become popular topics for consultants and the accounting trade press. Experts point out the benefits of niche-focused marketing. CPE programs help practitioners hone skills they need to develop niche markets. Stories identify the top niches, the fastest growing markets, and describe the successful efforts of firms to take advantage of them.

But what about the personal qualities and skills that are required to develop a specialized business niche?

In interviews with three members of the New Jersey Society of CPAs, we've identified several key elements required to build a business within the business of being a CPA. While the interviews use the experience of each individual to illustrate the niche-building process, we've tried to pull out more generalized ideas that can be applied to any effort to specialize.

Know Your Stuff

At Trugman Valuation Associates, Inc., the company name says it all. "We are primarily a business valuation firm," says Gary R. Trugman, CPA. The overall work of the firm includes litigation support, primarily in the form of expert testimony, but that is a result of its expertise in business valuation. "Our litigation work includes assignments like establishing the value of a business in a divorce case, testimony in business partnership disputes or working for the IRS in tax court matters," Trugman says.

"I have always been enamored with the law," Trugman says. "When I was completing my education, though, I was also studying for my CPA exam and planning to be married. Something had to give," he says. "Law school was what gave."

Trugman has been a CPA for more than 20 years. His background includes experience in small public firms, work in industry as a controller and work as a sole practitioner. A visit to his personal attorney in 1983 set him on the course for niche specialization. "He asked me what my practice was worth, and explained the principles of equitable distribution. I bought the only book I could find on the subject, by Shannon Pratt, and began my studies in business valuation."

A few months later, Trugman got a call from a client who was getting a divorce and needed a valuation for his gas station. "I found out that the Institute of Business Appraisers was doing a seminar," Trugman says. "I attended and left saying, 'This is for me.'"

In the years since, he has earned ABV (Accredited in Business Valuation) certification from the American Institute of CPAs; MCBA (Master Certified Business Appraiser) from the Institute of Business Appraisers, Inc.; ASA (Accredited Senior Appraiser) certification from the American Society of Appraisers; DABFA (Diplomate of the American Board of Forensic Accounting) designated by the American College of Forensic Examiners and a Masters in Valuation Sciences degree from Lindenwood College in St. Charles, MO.

In other words, he went to school for his specialty. And that's the course he recommends for other CPAs who want to specialize.

"Go after it. Become good at it. Excel at it. You want to show the world that you're not 'just another practitioner,'" he says.

"We've become a national firm, with engagements valuing firms worth over \$500 million," Trugman says. Some of the success has been due to his professional involvement in the NJSCPA and other organizations and some due to "being in the right place at the right time." But the critical factor in building his niche business has been education: knowing everything he could learn about his specialty.

Ya' Gotta Believe

"You have to believe in your product," says Paul Rich, CPA.

"Have empathy. Listen and care so much that you become almost a partner in your client's business. Knowing the facts and figures isn't enough," Rich adds.

A CPA for more than 30 years, Rich, with his partner Seymour G. Siegel, CPA, founded a practice and built it into a major regional public accounting firm. Then they sold their interest and struck out on a new course, forming Siegel Rich, Inc., which has recently become the Siegel Rich Division of Rothstein, Kass & Company, P.C.

Siegel Rich might be described as a management-consulting firm, but its service is more focused than the term suggests.

"We are business advisors. `Consiglieri,'" says Rich, using the Italian term for close, highly trusted advisors. He also describes his service as "coaching" and frequently attends training programs and workshops on the subject.

"Coaching is a new industry outside the CPA field," Rich says. "It's expanding because people are looking for advisors with empathy and motivational skills. We're combining them; the soft and hard, empathic understanding with business goals."

In Rich's view, today's business professionals have become increasingly technocratic and legalistic. They have lost touch with the needs of a large number of owners and entrepreneurs who run private companies.

"They have needs that the typical CPA of 2001 doesn't address," Rich says. "Qualities that the CPA of the 1950s or 1960s possessed. The sense of being `like family.' Decisions that involve buying or selling a company, or an owner's retirement, are difficult. We include factors such as loyalty and a company's culture. We want to take all that into consideration, without losing sight of the business objectives," he adds.

"You have to care about your clients, putting their needs first, second and third. Take their interests completely to heart," says Rich. "Combine that with your professional skills and your business knowledge, and you present your clients with what they are truly seeking: your wisdom."

What are some of the other qualities that can help you establish and develop a new market niche? Rich, who started his new business from scratch, believes an entrepreneurial mindset is required, as are many of the same qualities he looks for and identifies with in his clients. Self-confidence is essential, he says. "Few people are groomed to go into business for themselves. You need an entrepreneurial vision. You see the world differently when you are starting with your own capital and you have to meet the payroll and pay the rent.

"You have to be hungry," Rich says, "have some fire in your belly. It's not enough to be good; you have to want to excel. Have an ego. Want your name on the letterhead."

Rich identifies another characteristic that encompasses ethics, an understanding of human nature and its frailties, and more, when he talks about having a "sense of honor."

"I have my own rule, which works well for me," Rich says. "I ask myself: `My father - if he was alive - would he approve?'"

"Honor fills in the soft places. After you understand all the advantages and disadvantages - what do you do? How do you make a truly good decision? You can't lose touch with your own sense of honor," Rich says, "especially when someone else may be unaware of the ethical ramifications of a decision, or whose business principles are still in the process of being fully defined."

Do What You Feel Good About Doing

Jody Rorick's trip to her niche began in 1993 when she read an article in Business Week magazine on "Financial housekeeping for the elderly."

It was a 'light bulb' experience," she says. "I was thinking about going into personal financial planning. I already had my CPA and an MBA, so I didn't need further training. It seemed to fit my strengths."

With large firm and banking-industry experience, Rorick was working in Manhattan, a two-hour commute from her home in Middletown, when she began laying the groundwork for creating her own professional niche.

"My parents were living with us at the time," she says. "I practiced on them. My father was very encouraging."

About five years ago, she launched her enterprise. "I started from scratch," she says. "Just a brochure and myself."

Her business has developed through networking, with bank trust officers, attorneys, therapists and friends or relatives of clients, and others providing referrals, and just recently, from her Internet website.

Her clientele has been the greatest surprise in the evolution of her business.

"I anticipated that I would be helping widows and working with older people," Rorick says. "I know some CPAs are starting to be involved in eldercare."

"About half of my clients are not elderly. Some of the people are younger than I am. I have some clients with very little money, but they want to hire me to help them put their finances in order."

Rorick's business requires her to go to her clients. She visits their homes and handles a wide range of financial and other related matters starting, in some cases, with opening and sorting the mail. Budgeting, bill paying and money management are key services,

but she also helps with other concerns such as filing and following up on medical insurance claims.

"I like planning and budgeting," Rorick says. "I'm doing the sort of work that I enjoy most and my clients appreciate it."

The interaction with the wide range of people she assists has proven to be one of her biggest challenges. "I didn't realize how difficult some personalities can be," Rorick says. "I have people who listen, but then don't do what I tell them to do. Others can't remember what I've said from one minute to the next. You have to be very patient."

Whenever the work moves too far from her core services, Rorick defers to other professionals.

"I avoid doing taxes," she says. "A good tax accountant has to be immersed in the subject. Many of my clients already have people who do their taxes. I don't try to compete." She also defers questions about investments and insurance, and says she doesn't have any plans to seek licensing. She also tries not to overstep into services that a geriatric care manager might provide such as decisions about long-term care for elderly clients.

The Common Thread

As a CPA, what advantage do you have when you make a commitment to focus on developing a new market niche? If there could possibly be a "secret ingredient," what is it?

Trugman, Rich and Rorick identified the same thing: trust.

Rich identifies a yearning among business executives - at least in some of them - for a return to the past when CPAs tended to have a closer, more familiar relationship with their clients. Many executives find themselves surrounded by efficient, technically proficient advisors who understand the details, but lack the business and life experience to grasp the significance of the whole.

"Bankers, lawyers and accountants today are educated to be technically correct. They are not groomed to be understanding. They know the facts. They aren't called upon, in general, for their empathic skills," says Rich.

"We want to find ways to get closer to the person, to be part of the business," he adds, "to be a close, trusted advisor. Trust is the crucial element. It allows them to take advantage of our wisdom and knowledge, to help them make good decisions."

In business valuation, trust is especially important, but it is measured in different ways. The CPA's reputation for independence, combined with continuous education, forms the foundation for providing information that litigants, heirs, prospective business partners, investors or buyers can trust.

In some instances, success may be measured by what doesn't happen.

"A good amount of our work ends up as preparation for expert testimony in court," Trugman says. "After you start an assignment, it takes on a life of its own. Frequently you don't end up in a courtroom, but you do the job anticipating that you'll be testifying."

The challenge of establishing a value that people can trust is complicated. "We've come a long way, but the technique of business valuation is still evolving," Trugman says. "In this type of work, you can't be the type of accountant for whom credits always have to equal debits," he says. "It's extremely subjective.

"It requires more than integrity and objectivity," Trugman says. "You have to be sure you always remain within your sphere of competence. If you feel any doubts, you have to be able to do whatever you need to do to address your needs."

Trust, in Trugman's field, is measured on a demanding scale. "Most of our engagements are one-time deals for the clients," he says. "The real bond of trust has to be formed with the professional advisor, usually a lawyer, who brings the client to us. When you work with attorneys, you learn that if you don't do the job right, they'll go out and find a new expert tomorrow."

For Rorick, trust is of paramount concern.

"Many of my clients are extremely vulnerable," she says. "Everyone who is involved, the individual, other professionals such as bank trust officers, and of course, family members, have to have full confidence in me."

She brings a healthy dose of "auditor's skepticism" with her, in managing her clients' finances. "I look hard at expenses and any withdrawals. I will challenge the rejection of medical claims or a questionable bill. I have found instances in which my clients have been deceived by people who were very close to them."

Rorick sees her tight focus on money management as a key element in maintaining her position as a trusted advisor. "I want my clients to have 100-percent faith in me," she says.

While the opportunities for CPAs are expanding, as seen in the evolution of the wide range of niche market services, the experience of these NJSCPA members seems to reflect a "back-to- basics" approach for reaching into new markets.

Education, a cornerstone of CPA certification, remains vitally important. Confidence in yourself and your services, based on real-world business experience is essential, along with an understanding of a client's needs that goes beyond the business/professional surface level.

Focus and doing what you feel you can do best also are important, as is the willingness to call on other professional colleagues, rather than trying to be all things to all people.

Above all, according to these professionals, is establishing and maintaining the role of trusted advisor. The specific skills involved in delivering services may be changing, but the bedrock values for these CPAs remains the same.

[Back to News](#)