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TECHNOLOGY

A Conversation With Microsoft's Bob Lewis

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LAFOLLETTE: Good morning Bob, you've taken on a very big job with Microsoft — one that's been tried several times before, by Microsoft and many, many others. What's in your background and experience that will help you succeed where so many others have faltered?

LEWIS: First, thank you for taking the time to discuss Microsoft's recent moves to engage the accounting community with Microsoft Office Small Business Accounting 2006. My answers are based on my experience working in this field. Over the past 13 years, I've been networking with, selling and marketing to, and working as a CPA. My professional experience includes working as a CPA at Coopers & Lybrand (now PWC) and serving as a senior product manager for Intuit, specifically representing the company's QuickBooks Desktop, QuickBooks Online Edition, Intuit Payroll Services and Intuit Master Builder products. Additionally, I worked for ADP and Intacct. Yes, I still have the green sunglasses! [Editor's note: In another conversation, I teased Bob and asked him about Intacct's old "green sunglasses" advertising campaign.] As you can see from my background, I've really been part of this community in some fashion for a good portion of my career — over 13 years now.

LAFOLLETTE: Microsoft has had other forays into the "small business accounting" space. Do you think that Microsoft Small Business Accounting is the right product at the right time? Why?

LEWIS: There are a few key things about this product and the expertise the company leveraged between the Microsoft Business Solutions and Information Worker teams that make this solution unique and that I think will likely accelerate market acceptance ... and frankly why I took on this position.

First, and as mentioned, it was co-developed by the Microsoft Business Solutions (Great Plains, Solomon, Axapta, etc.) and Microsoft Office (Word, Excel, Outlook, PowerPoint, etc.) teams. This brings together a combination of ease of use and integration with solid, disciplined accounting functionality that has proper audit controls.

Second, customers were at the heart of Microsoft's development strategy with this product. In our customer research we did before designing the product, we had conversations with many small business customers. We also know that many businesses today use familiar tools like Microsoft Word, Excel and Outlook in those core business processes. And we have heard that they want a solution that can easily be implemented into their business and can be customized to tailor to their specific needs.

Third, we're committed to developing and fostering strong support ecosystems. Of course, we are working with accountants. We are also working with thousands of independent software vendors (ISVs) who are integrating their industry-specific

solutions with Microsoft Office Small Business Accounting 2006, like BillQuick from BQE.

Microsoft has not offered an accounting solution targeted at the low end of the small business market before. We've heard from some industry analysts that SBA definitely feels a gap in Microsoft's product roadmap.

LAFOLLETTE: The Microsoft Office Small Business Management Edition 2006 is a new bundle. What's in the box?

LEWIS: Microsoft Office Small

Business Management Edition 2006 is designed to give owners and managers of small companies a complete view of their business — from sales and marketing to financial, personnel and customer relationship processes — in the familiar, easy-to-use Office environment.

It will include Microsoft Office Outlook 2003 with Business Contact Manager Update as well as the new Microsoft Office Small Business Accounting 2006. In addition, it will include Microsoft Office Word 2003, Microsoft Office Excel 2003, Microsoft Office PowerPoint 2003, Microsoft Office Publisher 2003 and Microsoft Office Access 2003.

LAFOLLETTE: Tell me about the Microsoft Professional Accountants' Network.

LEWIS: This is where we deliver on providing the detailed product information, training, support, tools and access to the latest Microsoft products to the accounting professional and their firm. Most of these benefits are available for free simply by registering to be a member of the Network. Additional support and the Microsoft products, which include 10 licenses of most of the products in the Microsoft stack, are available for a nominal fee of \$299. We will also be rolling out product certification in the coming months.

LAFOLLETTE: The vast majority of accounting firms are recommenders, not resellers. Is the Microsoft Professional Accountants' Network for them?

LEWIS: We understand that most accountants refer products and services that meet a client's needs and typically do not act as resellers. They may install the product, set it up, migrate previous data and even tailor reports to a client's specific needs. But we understand they typically don't resell retail software. There is little margin in it, and more importantly, it's important not to compromise professional independence by taking commissions for sales.

LAFOLLETTE: Why did Microsoft choose to partner with ADP rather than build its own payroll product?

LEWIS: We're excited to partner with ADP to offer a new, easy-to-use, payroll solution to our small business customers in the United States. Once activated, users have two choices of solutions to best meet their payroll preferences. ADP Payroll is a do-it-yourself, low-cost solution for users that seek full control over their payroll processing and tax filing. ADP Total Payroll is a solution for small businesses that prefer to retain control over their payroll processing, but want the tax compliance of a full-service solution. Customers also will have the choice to use any payroll service they prefer.

LAFOLLETTE: It's a commonly accepted fact that at least 75 percent of the small businesses in the United States are still not utilizing accounting software. How will Microsoft's product impact those businesses?

LEWIS: Microsoft Office Small Business Accounting has been developed to offer deep integration with Office, the most commonly used business productivity software.

So it looks and feels like the software they use in their businesses everyday. I think this means they are more likely to adopt the use of accounting software and use it during the course of business. And the good news for the accountants is more accurate and up-to-date financial record keeping.

LAFOLLETTE: Intuit's QuickBooks product has over 3 million users and controls nearly 80 percent of the small business market today. Should those users be looking at your product? Why?

LEWIS: Office Small Business Accounting is designed to be a great accounting software program for people who use Microsoft Office. We aren't specifically targeting Intuit's users. We are focusing our energy on attracting those businesses that aren't using accounting software yet and the significant number of new businesses that open up annually (approximately around 610,000).

We are passionate about this space and see an opportunity to serve customers around the world. This is a priority for Microsoft. It's definitely not a saturated market; rather, it's underserved. About 40 percent of small businesses use technology.

LAFOLLETTE: Practicing accountants want to be certain their clients are using products that will win broad market approval. Will Microsoft's Small Business

Accounting 2006 do so? What's your definition of success? How many users do you anticipate having by the end of 2006?

LEWIS: As you can already see, we are excited at the response we are hearing from those participating in the beta of Office Small Business Accounting (SBA). As of the end of June 2005, we have well over 2,000 active beta customers using the product with a consistent high satisfaction rate of approximately 80 percent. These customers are reporting great things about how well it works for their business in comparison to the methods they previously used, which does include QuickBooks users.

Microsoft also has significant traction with Independent Software Vendors (ISVs) to support the users of SBA with industry-specific functionality requirements. Microsoft's April 5 ISV Forum drew 250+ ISVs to Redmond; 2,500 to 3,000 SBA application downloads via the Microsoft Developer Network; 15K to 20K SBA Software Development Kit total downloads.

As part of our outreach these last two months to the accounting professional community, more than 3,000 accounting professionals have opted to receive the SBA product. Many have also expressed interest in the new Microsoft Professional Accountants' Network. In anticipation of this active community, we are listening to the community needs of the accountants who are ready to support and recommend SBA this fall.

We understand that this is going to be a long-term campaign for market share in the small business software segment. Based on internal data, the average small business company uses the same software product for 5+ years, and the U.S. and International markets have many entrenched competitors. That said, we will remain focused on doing what is right for the customer and delivering a solution that makes it easy for them to do business, and we think SBA will be a unique product in the market truly aimed at solving small business pain points. We recognize it's going to take time to make traction to meet these needs, and we definitely have a long-term vision in place for this space.

LAFOLLETTE: Since I live in Ann Arbor, I'm a Big 10 guy, and you're a West Coast guy. Let's talk football. I'm really tired of the BCS system. Do you think there's any chance of getting back to a Big 10 – PAC 10 Rose Bowl?

LEWIS: I went to Santa Clara University, a WCC school that unfortunately chose to terminate its football program. So by default, I'm a PAC 10 fan. And I've been to the

Rose Bowl. Honestly, I miss the old format and wouldn't mind seeing it come back. But as a competitive spirit, I relish the idea of bringing together the top two contenders to fight it out and see who has the right stuff.

[A note from Isaac O'Bannon, Technology Editor and Website Content Manager for The CPA Technology Advisor:

As a graduate of the University of Oklahoma and a die-hard Sooner Fan, you might expect me to be in favor of the current system since many East, West and "North Coast" football fans think that the Sooners benefitted unjustly over the past two years. However, I am no more in favor of the BCS than Mr. LaFollette or Mr. Lewis. While I have no direct relationship with the Rose Bowl (although the Sooners played and won there in 2002), my rationale is different: I would like to see a playoff that utilizes the current bowls as playoff sites. Dream the impossible dream.]

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