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career in technology. The opportunities to help vendors build hardware products, as well as networking, productivity, accounting and document management software have been som

Randy Johnston • Jun. 10, 2016

Market Adoption Of SaaS Accounting For Microbusinesses

| Product | Company/User Counts | Source |
|-------------------------------------|---|---|
| QuickBooks Online | 1,257,000 paying companies globally (230,000 are outside of US) | Intuit Q2 FY16 Fact Sheet, 3/30/16 Intuit Q2 FY16 Earnings Call Script, 3/2016 |
| Xero | 593,000 global (9/30/2015) 47,000 N. Am (9/30/2015) | Xero Mid-year Investor Briefing (9/30/2015) |
| FreshBooks** | 5MM users of ecosystem** | www.freshbooks.com/about (2/21/2015) |
| Wave | 1MM businesses, adding 10K/week (note number of companies, pace of growth is similar to Intuit's QBO growth), 2.5MM in ecosystem | http://bit.ly/wave20150512 (5/12/2015) |
| Sage One | 173,000 globally, 92,000 in UK/Ireland | The Sage Group 2015 Year End Investor Presentation (12/2/2015) |
| Kashoo | 150,000 companies | www.kashoo.com/about (2/21/2015) |
| QuickBooks Self Employed | 50,000 users at 1/2016, up from 35,000 as of 10/2015, and 5,000 at 1/2015 | Intuit Q2 FY16 Earnings Call Script, 2/2016 |

** Definition of users includes all named users as well as customers who retrieve invoices online.



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Most of you who know me understand that I've had the privilege of having a long

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permission to many organizations to use this model to present their products conceptually to the market. Consider the following chart:

Note in the slightly lighter color in the pyramid is the Small to Medium Business (SMB) space. Although difficult to get the logos exactly positioned next to the pyramid, as well as to represent the range of coverage, the placement loosely represents the capability of a product. There has been a frenzy of vendors creating new, browser-based SaaS products since 1998, which are pictured on the left. A significant number of these are for entry level businesses, services only business, or micro-businesses. While these products are interesting and important, they are not the focus of this article (a chart of public adoption rates is at the end of this text). Virtually 100% of all traditional premise based products are offered in a hosted environment for a monthly fee today if you want to minimize your upfront capital expenditures. Frequently a more robust hosted product, Epicor for example, is less expensive than a SaaS product with all of the add-ons required. A side benefit may be greater speed, too.

Why should a business choose a more sophisticated SMB product?

There are a number of reasons to choose a more sophisticated, comprehensive, complex and expensive product. Although not intended to be comprehensive, consider the following:

- The business has greater needs, without the need (or budget) for the highest level ERP or Enterprise system. SMB businesses frequently need:
 - More flexibility without having to design, program, and implement new processes
 - Multi-location/company, possibly with consolidation
 - Multi-lingual and multiple localizations, in some cases

- More transactions, so need something with a “real” SQL database, for 6+

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More reporting and analytics options

- More third-party solutions available to solve difficult issues and specialized industry needs
- Sizing considerations
 - Implementation budget – \$15,000 to \$1MM
 - Historical VAR model (although that is changing with many vendors – Open Systems, Epicor, etc.), so you may wind up dealing direct with the publisher
 - Company size not hard and fast
 - 5 – 2,500 employees
 - \$1MM-\$1B revenue
 - Smaller companies who do hard things (grants, job costing, manufacturing, international, etc.) will need higher-end SMB solutions than EE/revenue guidelines may dictate

Typically, a **few key questions** about size, complexity, locations, multi-currency, and type of business will filter products quickly to a few candidates that are a “best fit”. Most publishers have refined their products so far that they target micro-verticals, that is to say a very specific need. For example, industrial fasteners, plumbing, flooring or electrical supplies are micro-verticals best served by a few products from the myriad of products available.

What are a few SMB product examples?

And for that matter, who are the key players? In increasing order of sophistication, this list represents the best of the 300 or so providers in the U.S. market (products were sorted within the company for increasing capabilities, too, and a high end product pushed the publisher further down the list):

- Intuit
- CYMA

- Sage

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Open Systems

- OSAS
- TRAVERSE
- Exact
 - Macola ES
 - Globe
- SYSPRO
- Intacct
- Acumatica
- NetSuite
- Microsoft Dynamics
 - GP
 - SL
 - NAV
 - AX
- SAP
 - Business One
 - ByDesign
- Deltek
- Epicor
 - Eclipse
 - Prophet 21
 - Epicor ERP
- Infor
 - Distribution SX.e
 - Syteline
 - Fourth Shift
 - Infor 10x
 - Lawson

While there are a number of other good products that could be named, it is

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Classical mistakes and misguided selection

Although some vendors are trying to claim that the feature wars are over, note that these claims are usually made by publishers that lack features in their products. The good news is that most products don't have glaring deficiencies like they did 20+ years ago, which drive a very detailed needs analysis with tools like The Accounting Library. We still find merit in this feature based approach. However, a reasonable alternative is to do a process mapping and a gap analysis. Failing to do enough analysis on the front end of an implementation is still the key reason for failure in SMB and ERP implementations. A simple process to follow can be found at <http://www.accountingsoftwareworld.com/articles-white-papers/selection-steps>. A great installer can still make a marginally capable product work, but most businesses are best served by selecting the right product with a competent installer.

One final caution, contacting a publisher or VAR before you have done some preliminary work can cause a number of problems including not locating the best installer because you are treated as a "claimed lead", and you may early be sold on the wow factor of a demonstration instead of the thoughtful work of finding a product that fits the business best. Improper selection can lead to cost and schedule overruns and complete project failures.

Small Business • Technology

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