

E-ZINE: ACCOUNTING SOFTWARE GUIDELINES

How to Select an Accounting Software Vendor

Issue #3

Consolidation in the market is rapidly narrowing the choices for accounting software vendors. Here are approaches for selecting your next vendor.

The big 3 vendors to look at now

Intuit, Microsoft and Sage Software have become the “Big 3” vendors supplying accounting software to small and medium sized businesses in the US. For accounting software priced under \$10,000 suitable for small businesses, the products available from the “Big 3” are Intuit – Quickbooks, Microsoft – Small Business Manager, and Sage Software – Sage BusinessWorks, Peachtree by Sage and Sage DacEasy.

Why do these 3 vendors make the Big 3? Each of the companies are over 800 million in revenue, have more than 1 million customers, and have acquired many smaller accounting software manufacturers. For example, Microsoft acquired Great Plains, which had acquired Solomon, and Real World. Sage Software now owns Peachtree by Sage, Sage DacEasy, Sage BusinessWorks, Sage MAS 90, Sage Timeslips, and several other products. Intuit is looking to acquire specialty products to compliment its Quickbooks line. We are truly seeing a consolidation in this market space.

While there are more choices above \$10,000, there is a new focus to supply the 7 million small businesses (under 100 employees) with more affordable solutions. The “Big 3” will continue to dominate the market and invest in research and development going forward. Smaller companies may not be able to continue to compete.

The rest of the pack

Vendors like ACCPAC®, BusinessVision®, CYMA, Netledger, Cougar Mountain, Redwing, MYOB and others will struggle to attract the attention of CPA's and resellers of accounting software who can support and train small businesses on their respective packages. While these products continue to be viable solutions, small businesses may

be best advised to stick with the larger players who continue to build market share and can support their products over the long haul.

Accounting software is very expensive to develop and support.

The big companies have built infra-structures like technical support teams that have dozens and dozens of support analysts to answer questions over toll free telephone lines. The big companies offer on-line support with knowledge bases of questions that customers can access 24 hours a day, 7 days a year. As tax laws change, larger companies can allocate engineering resources to address the tax changes in their accounting software in a timely manner. And when updates in operating systems occur, such as Microsoft Windows XP, the larger companies can migrate their applications quicker to take advantage of the newer features.

Training and support

Another factor is training and support of the accounting software. More consultants know the “Big 3” software packages so that finding someone to help you is easier. Locating experienced accounting and bookkeeping professionals when you need to hire replacements is simpler, because more of them will know the popular packages. Your CPA firm also is more likely to know and use a software package from a “Big 3” company because more of their clients use “Big 3” accounting packages that the CPA supports. Classes on the software are also more available because trainers of the packages have a larger installed base of businesses to provide training to.

3rd Party Solutions

Enhancements and add-ons to the “Big 3” accounting packages are more abundant, because the developers of those packages have a bigger market to sell their enhancements to. Over the years, it has become a better strategy to link your vertical package to an established accounting package than to write the package yourself. The reason for this is because of focus. Instead of having to re-invent the wheel writing a general ledger, accounts payable and accounts receivable, the vertical market software developers can invest the time making their features in the vertical market better instead of writing general accounting software features.

Narrow the search

My advice to a small company looking for new accounting software is to start with the products from the “Big 3” for reasons mentioned above. Make sure that you have a “Wish List” of features that are important to you and your company (see Issue #1), and then try out the software if possible. Finding a good consultant that knows the products and can advise you on how the software may address your needs is also invaluable to the success of your new accounting software choice product.

If you are in a vertical industry, for example, a plumbing company that dispatches plumbers, then you may want to find a “bolt-on” service solution with dispatching that links to one of the “Big 3” accounting vendors products. There are hundreds of vertical solutions out there that can link to the popular accounting software products. Avoid buying a vertical market product that attempts to write its own core accounting software. You will get a poor accounting system because of lack of focus by the vertical market provider on core accounting.

Websites for help

The Internet is a perpetual trade show going on at your computer all the time. You can gather information on accounting software any time. Here are a few of the sites that can be of help.

www.findaccountingsoftware.com

This service of CPA on-line provides information on hundreds of accounting packages, and tools for searching by various topics, such as industry, application, operating system etc. Beware! A search by distribution / wholesale trade, as an example, brings up 400 companies! You can make a career of researching accounting software. This service is free to companies looking for software, and charges consultants a fee to be listed by geographic location.

www.ctsguides.com

Computer Training Services, founded by Sheldon Needle, CPA, has been around since the 80's and provides independent guides and search tools to evaluate the top accounting packages on the market. You purchase the guide you need for the type of accounting software you are looking for.

www.20-20software.com

This site features useful information and comparisons of the top accounting packages, and also sells accounting software as well.

Conclusion

While there are hundreds of choices for accounting software programs, there has been significant consolidation in the market place. Your business depends on accounting software to be competitive, and while a car like a Yugo may have had a cheap price and appeared to be a good value a few years ago, a GM, Ford or Chrysler was a better investment over the long run. The same is true with accounting software, in my opinion. Good luck with finding the best value accounting software for your needs!