

IDC MarketScape

IDC MarketScape: Worldwide SaaS and Cloud-Enabled Midmarket Finance and Accounting Applications 2020 Vendor Assessment

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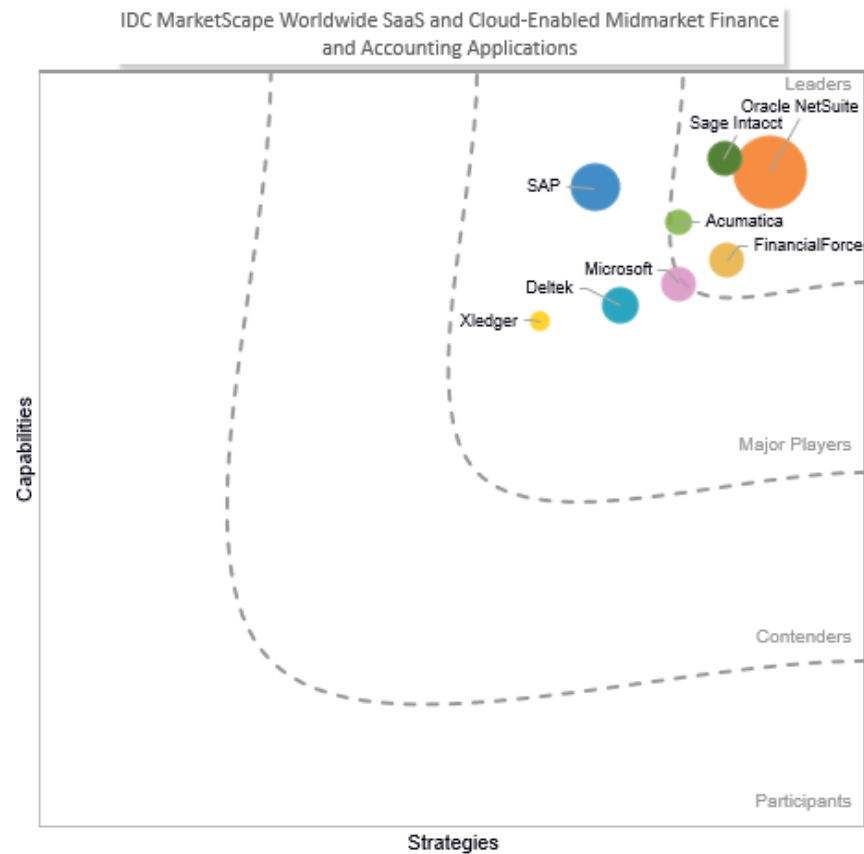
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THIS IDC MARKETSCAPE EXCERPT FEATURES: ORACLE NETSUITE

IDC MARKETSCAPE FIGURE

FIGURE 1

IDC MarketScape Worldwide SaaS and Cloud-Enabled Midmarket Finance and Accounting Applications Vendor Assessment



Source: IDC, 2020

Please see the Appendix for detailed methodology, market definition, and scoring criteria.

IN THIS EXCERPT

The content for this excerpt was taken directly from IDC MarketScape: Worldwide SaaS and Cloud-Enabled Midmarket Finance and Accounting Applications 2020 Vendor Assessment (Doc # US45837220). All or parts of the following sections are included in this excerpt: IDC Opinion, IDC MarketScape Vendor Inclusion Criteria, Essential Guidance, Vendor Summary Profile, Appendix and Learn More. Also included is Figure 1.

IDC OPINION

Midmarket financial application vendors have made great strides over the past year, increasing the visibility and transparency of financial workflows. As a result, organizations are more agile than in previous years, and the profile of the CFO is also, in turn, becoming more strategic. Still, accounting organizations are inherently looking backward, examining transactions once they have been made and detailing the impacts of decisions made in years/quarters/months past. More and more, CFOs are being asked to take the data from current transactions and use it to forecast and predict the future. Today's CFOs are being asked to anticipate their business market and competitive landscape changes and forecast their organization's outcomes.

Change Is the Only Constant in Financial Applications

As always, core financial applications are the foundation of business. However, today's financial applications are being pushed to provide more than a system of record for financial transactions and other financial events. Today's financial applications are being asked to support evolving business models, shifting regulations, changing deployment models, converging workflows, and the emergence of digital business:

- **Evolving business models:** Subscription business models are set to grow rapidly in the coming years in nearly every sector. However, the greatest challenge for financial applications comes from the rapid rise of mixed/hybrid business models (i.e., traditional and subscription based). More and more, companies are operating mixed business models that offer both products and services in a traditional as well as a recurring model. For example, a software-as-a-service (SaaS) software vendor (e.g., Red Hat or Adobe) may also sell professional services/consulting. Lately, some of the larger consulting companies (e.g., EY and Deloitte) are offering software applications in addition to their consulting services. Many hardware companies (e.g., Apple and Nest) are offering software solutions that run on top of their hardware.
- **Shifting regulations:** There have been major shifts in core regulations impacting financial workflows. For example, ASC 606 has been the source of a tremendous amount of angst and anxiety since its announcement by the Financial Accounting Standards Board (FASB) and the International Accounting Standards Board that went into effect in 2018. Also, in 2018, the *South Dakota v. Wayfair* ruling allowed states the ability to require retailers to collect sales tax on online purchases, even if the selling company doesn't have a physical presence in the buyer's state of residence. This latter ruling greatly complicated the compliance workflow for many retailers.

- **Changing deployment models:** Financial application vendors are investing more and more resources in building out the functionality of their cloud software. This includes investment in infrastructure functionalities such as databases, service-level agreements (SLAs), and microservices. Also, financial applications vendors are working diligently to support their sales teams and implementation partners with customer evaluation tools to facilitate the transition to the cloud.
- **Convergence of workflows:** The traditionally siloed nature of financial functions within an organization, such as accounts receivable, expense management, tax management, treasury management, and accounts payable, is rapidly changing. In the coming years, we will see these walls break down, allowing for more coordination, collaboration, and communication among these financial functions. As such, decision makers will have a much more holistic view of the company's financial position to make better strategic decisions.
- **Emergence of digital business:** As organizations move into the digital economy, focused on digital transformation initiatives, the function of finance is turning to advanced technologies to enable its evolution. Fueled by the enormous amount of waste and inefficiency within the finance workstreams, the CFO requires more advanced and innovative technology. Vendors are supporting digital transformation with new use cases that financial applications leverage, with technologies such as big data/analytics and machine learning to bring more actionable insights across a broader workstream.

The ground underneath the feet of today's financial professional is rapidly shifting to digital. It will be the companies with the right mix of talent and software tools that will be best able to thrive in these changing conditions. Software vendors that prioritize features that provide/enhance visibility, flexibility, and agility will find themselves well positioned for future growth.

The Midmarket Dilemma

Midmarket companies (100-999 employees) have a unique dilemma. They have much of the complexity of larger enterprise businesses as many of them are selling products and services globally; midmarket companies encounter all the same issues related to global complexity (i.e., currency issues, localization issues, shifting customs, and tax regulations). However, midmarket companies are often forced to cope with these issues with fewer resources than larger businesses. This dilemma drives midmarket companies in their quest for features and functionalities that are critical to their business needs. As a result, midmarket companies have developed a core set of requirements as it relates to their accounting software:

- **More focus on vertical markets:** Many midmarket companies tend to specialize in serving one customer group; often coalescing around a vertical (i.e., professional services) or micro-vertical (i.e., wealth management). Those midmarket companies are looking for financial applications with a deep reservoir of functionality related to their chosen vertical market. While certain financial processes are common among all industries, there are industries like public schools, healthcare/pharma, government, and nonprofit or service organizations where business processes and reporting requirements differ greatly.
- **More emphasis on ecosystem:** Midmarket businesses often use a partnering strategy to drive growth. This often means more complicated transactions and partner interactions. This places greater emphasis on the accounts receivable and accounts payable capabilities within their accounting software. Also, a partnering strategy places more emphasis on the software's capability to connect to other point solutions – both internal and external. As a result, it is essential for midmarket accounting software vendors to provide robust APIs to streamline the data flow between systems.

- **Better user experience (UX):** User experience is becoming a major point of differentiation for midmarket software purchases. Simpler and easy-to-use user interfaces, more configuration/flexibility, mobile functionality, increased automation, and even implementation processes will factor into the overall user experience with the software. In fact, data from IDC's most recent *SaaSPath Survey* of over 2,000 survey respondents reveal that "ease of use" is the most important vendor selection criteria among finance applications users of all sizes.
- **More agility through collaboration:** Agility is core for midmarket companies as it is often one of their most reliable advantages over larger competitors. A large portion of that agility comes from collaboration capabilities. Companies are utilizing real-time collaboration aspects of more modern cloud-based accounting software solutions to share access to critical sales and operational data with teammates. With this technology-driven collaboration in place, companies can more effectively respond to market changes quickly – essential for a midmarket company competing with larger firms.
- **Demand for greater process controls:** In contrast to smaller companies, midmarket companies are large enough to have dedicated job roles and departments. As a result, many of them are looking for a full suite of process workflows and process controls. The ability to tailor the employee's user interface to only necessary information is critically important for midmarket companies.

The finance and accounting software market for midmarket companies is attracting much attention from industry competitors and industry investors. As a result, software players are fervently looking to develop the right blend of functionality, pricing, and customer support to be profitable and thrive within the midmarket. This strategy also helps the vendors stay with the organization as it grows into a larger enterprise.

IDC MARKETSCAPE VENDOR INCLUSION CRITERIA

The vendor inclusion list for this document was selected to accurately depict the vendors that are most representative of any given finance and accounting functional buyer's selection list based on the following:

- Vendors were investigated to ensure that their offerings were qualified as "SaaS" or "cloud enabled" and that the vendor had won recent deals within the relevant customer segment.
- Finance and accounting software must be able to be purchased and implemented separately from other associated operational/enterprise resource planning (ERP) software.
- Incoming IDC inquiries are related to finance and accounting software.
- Vendors were asked to name which other vendors they most often compete against in deals.

ADVICE FOR TECHNOLOGY BUYERS

The process of moving from a paper-based or Excel-based business accounting operational model can be a challenging one. It is important to structure your accounting process to be more efficient and agile to cope with the ever-changing compliance and business demands. The following are a few key steps in the journey toward optimizing your financial operation through the addition of an advanced software package like the ones listed in this document:

- **Begin by looking inward.** Before you choose your accounting software vendor, you should first take the opportunity to do some self-reflection. Here are a few key questions to ask regarding the internal resources and processes:
 - What are some of the issues I would like to resolve with this new system?
 - Are the issues technology related?
 - What are my internal support resources and capabilities?
 - How should we define success for this implementation?
 - Which internal stakeholders should we include in the evaluation processes?
 - How will a new system change my organization?
- **Select the right partners (internal and external).** The first step in the journey to successful implementation of financial software is developing a strategy and plan for the implementation. This includes doing the due diligence in finding the right financial application vendor. Here are a few key questions to ask regarding the financial application vendor:
 - Does the vendor have experience with my type of product, service, and company size?
 - Can the vendor show me a hands-on demo with my organization's "live/real" data to show the benefit to the business?
 - Does the vendor understand the regulations that will impact my business? How are these regulations reflected in my current product, and how will it change in the future?
 - What is the vendor's strategic investment outlook for the next three to five years? Why? How will that change and enhance my business?
- **Take ownership of the implementation.** For the best results, organizations must take a very active role in the actual implementation of the software. Financial software touches upon a lot of other back-office systems (i.e., HCM, supply chain, inventory). As a result, extreme attention must be given to how the system is set up and how it interacts with other systems within your organization. Here are a few key questions to ask regarding the financial applications implementations:
 - What levels of support are available, and are they geographically available for my business?
 - How should I set up the service-level agreement before signing any contracts?
 - Can the financial software integrate with my company's other IT systems and those of my partners?
 - Which IT system needs to be integrated and to what degree?
 - How are we set up to deal with frequent product updates?
- **Recognize that post-implementation is critical.** In many ways, the success of any SaaS implementation hinges on what happens after the implementation is up and running. This is where change management takes center stage and the people side of financial management becomes essential. Here are a few key questions to ask regarding the post-go-live phase of financial application implementations:
 - Do we have a strategy to encourage rapid adoption among treasury employees?
 - Do we have the right amount of training for employees to master the new features within the finance system?
 - Are we communicating the purpose and benefits of the system change to the financial employees?

- Have we aligned existing policies and procedures to enable the adoption of the new workflows?

This IDC MarketScape vendor assessment assists in answering the aforementioned questions and others. The goal of this document is to provide potential software customers with a list of small business finance and accounting software companies that have taken great strides to incorporate the previously listed capabilities. We have profiled and assessed their capabilities to support the complicated area of finance and accounting software.

VENDOR SUMMARY PROFILES

This section briefly explains IDC's key observations resulting in a vendor's position in the IDC MarketScape. While every vendor is evaluated against each of the criteria outlined in the Appendix, the description here provides a summary of each vendor's strengths and challenges.

Oracle NetSuite

After a thorough evaluation of Oracle NetSuite's strategies and capabilities, IDC has positioned the company in the Leaders category in this 2020 IDC MarketScape for the worldwide SaaS and cloud-enabled midmarket finance and accounting applications market.

Oracle NetSuite is a global business unit of Oracle and pioneered the cloud computing revolution in 1998, establishing the world's first company dedicated to delivering business applications over the internet. Today, Oracle NetSuite provides a suite of cloud-based financials/enterprise resource planning (ERP), HR, PSA, and omni-channel commerce software that runs businesses around the world. NetSuite's Financial Management module includes features for general accounting, billing, financial planning/reporting, revenue recognition, consolidation, and GRC. Quick facts about Oracle NetSuite:

- **Employees:** 10,000+ (IDC estimate)
- **Total number of clients:** 20,000+
- **Globalization:** Supports customers in 27+ languages in 200+ countries
- **Industry focus:** Software, professional services, nonprofit, advertising, media, publishing, manufacturing, distribution, and retail
- **SaaS:** Offered in a multitenant deployment at the application, database, and cloud infrastructure layers
- **Pricing model:** Subscription based by module and user type
- **Partner ecosystem:** Over 800 partner companies

Strengths

- **Enhanced tax capability:** Oracle NetSuite's SuiteTax module offers a wide breadth of functionality for global end users including localization capabilities for over 200 countries. The solution provides a native tax engine and covers both direct and indirect tax such as value-added tax (VAT), goods and services tax (GST), or sales and use tax. Oracle NetSuite's SuiteTax module is one of the most comprehensive among the large financial applications providers.
- **Implementation methodology:** Oracle NetSuite is packaged in industry vertical use cases with best practices specific to that industry. This go-to-market strategy is called SuiteSuccess.

Oracle NetSuite's SuiteSuccess has demonstrated the ability to get customers up and running in 90 days or fewer with less than 5% of implementations requiring a charge order.

- **Single platform:** NetSuite runs on a single SaaS platform, with a single code line, and all customers are on the same version of the product. Because NetSuite is a single platform, customers have one source for customer information across the platform.

Challenges

- **Limited use of AI:** Oracle NetSuite has not yet fully implemented machine learning as a part of its financial application. This limits the end user's ability to automate lower-level tasks like transaction mapping, account reconciliation, and intercompany transactions. NetSuite has released initial AI/machine learning capabilities specifically in the areas of account reconciliation and matching and supply chain and SuiteAnalytics, and Oracle NetSuite is further developing AI and machine learning functionality for release in upcoming versions.
- **More mobile functionality:** Customer references mentioned they would like to see more mobile functionality within the Oracle NetSuite solution especially as it relates to expense management and invoice management. This issue, based on the executive briefing, is on the near-term product development road map.

Consider Oracle NetSuite When

Consider NetSuite when you are a rapidly growing organization with increasingly complex business management global business needs.

APPENDIX

Reading an IDC MarketScape Graph

For the purposes of this analysis, IDC divided potential key measures for success into two primary categories: capabilities and strategies.

Positioning on the y-axis reflects the vendor's current capabilities and menu of services and how well aligned the vendor is to customer needs. The capabilities category focuses on the capabilities of the company and product today, here and now. Under this category, IDC analysts will look at how well a vendor is building/delivering capabilities that enable it to execute its chosen strategy in the market.

Positioning on the x-axis, or strategies axis, indicates how well the vendor's future strategy aligns with what customers will require in three to five years. The strategies category focuses on high-level decisions and underlying assumptions about offerings, customer segments, and business and go-to-market plans for the next three to five years.

The size of the individual vendor markers in the IDC MarketScape represents the market share of each individual vendor within the specific market segment being assessed.

IDC MarketScape Methodology

IDC MarketScape criteria selection, weightings, and vendor scores represent well-researched IDC judgment about the market and specific vendors. IDC analysts tailor the range of standard characteristics by which vendors are measured through structured discussions, surveys, and interviews with market leaders, participants, and end users. Market weightings are based on user interviews, buyer surveys, and the input of IDC experts in each market. IDC analysts base individual vendor scores, and ultimately vendor positions on the IDC MarketScape, on detailed surveys and

interviews with the vendors, publicly available information, and end-user experiences in an effort to provide an accurate and consistent assessment of each vendor's characteristics, behavior, and capability.

Market Definition

Accounting software supports general financial management business processes such as accounts payable, accounts receivable, general ledger, and fixed asset accounting as well as more specialized functions such as credit and collections management and automation, dispute resolution, expense management, lease management, project accounting and costing, tax and revenue management and reporting, nonprofit fund accounting, point of sale, and transactional financial reporting and business intelligence embedded into accounting applications. Financial and accounting solutions are used by individuals to manage personal finances and small businesses as well as organizations of all sizes to manage organizational finances.

LEARN MORE

Related Research

- *Market Analysis Perspective: Worldwide Financial Applications, 2019* (IDC #US45477119, September 2019)
- *Worldwide Financial Applications Forecast, 2019-2023: Advance Technologies Reshaping the Role of CFO* (IDC #US45122519, June 2019)
- *Worldwide Financial Applications Market Shares, 2018: Digital Transformation Reshaping Competitive Landscape* (IDC #US45122419, June 2019)
- *IDC MarketScape: Worldwide SaaS and Cloud-Enabled Accounts Receivable Applications 2019 Vendor Assessment* (IDC #US44754719, January 2019)
- *IDC Market Glance: Financial Applications, 4Q18* (IDC #US44539518, December 2018)

Synopsis

This IDC study provides an assessment of the leading SaaS and cloud-enabled finance and accounting software solutions and discusses what criteria are most important for companies to consider when selecting a system.

"Small businesses can grow rapidly. As a result, they need software that is both easy to use and capable of growing with their business as operations become more complex. Software vendors that can balance simplicity and functionality in a scalable package are well positioned to thrive in the small business sector," says Kevin M. Permenter, research manager, Enterprise Applications.

About IDC

International Data Corporation (IDC) is the premier global provider of market intelligence, advisory services, and events for the information technology, telecommunications and consumer technology markets. IDC helps IT professionals, business executives, and the investment community make fact-based decisions on technology purchases and business strategy. More than 1,100 IDC analysts provide global, regional, and local expertise on technology and industry opportunities and trends in over 110 countries worldwide. For 50 years, IDC has provided strategic insights to help our clients achieve their key business objectives. IDC is a subsidiary of IDG, the world's leading technology media, research, and events company.

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