

# SURVEY

## Accounting Software Summary

**Recent years have seen significant changes in the accounting software market. As technology advances and matures, users are demanding flexible, multi-location solutions from their accounting software providers. Reflecting these requirements is significant market growth in both web-based and web-enabled accounting software systems and the need for a fully integrated product.**

Cloud based platforms are becoming the norm across the industry rather than an add-on, and leading software providers are improving these to integrate a variety of the workflows within a business, rather than just the basic accounting function. This includes budgeting, benchmarking, timesheet recording and job costing.

## WHAT IS CURRENTLY USED AND BY WHO?

**A wide range of software packages are being used by the businesses surveyed, although the front-runners from previous years stand out once again, being Paprika (25%) and Sage Line 50 (16%). Both these frontrunners have ceded ground to increasingly mature competition from Xero, with 10% of respondents using this software, its highest result in our survey.**

It is perhaps of no surprise that Paprika remains at the top in our survey, as its focus is on providing fully integrated solutions specifically for creative agencies. Sage, on the other hand, whilst not focused on the creative sector, appears to be the software choice for a number of agencies, as it is familiar to users from any discipline. Xero, again, is industry agnostic but the

New technologies are being adapted to bolster the capabilities of competing platforms, with A.I. image recognition becoming more prevalent across cloud platforms, taking advantage of distributed computing power.

To get a better understanding of how businesses view the current market and what they are demanding going forward, we recently ran a short survey.

Our survey received over 100 responses and comprised results from agencies representing all the major marketing services disciplines, as well as a number of market research businesses, TV and film production companies and theatres. The income generated by these

low up front cost is effective when challenging Sage on their key client base and so has experienced the most relative growth.

Our survey responses suggest that, for our clients, size of business does not appear to be a particularly important factor in the choice of software, but it is evident that the mix is changing. Whereas “traditionally” Paprika covered medium-sized businesses, Sage Line 50 provided solutions for the lower-medium end and Xero captured the smaller end of the market, this is demonstrably no longer the case.

The average turnover for a Xero client is now £5m, the same as Sage Line 50 and catching up with Paprika on £6.5m. The average Xero and Sage client employs 46 people, with Paprika again leading with larger agencies on 64. The whole landscape of software usage is converging and merging as nimbler agencies grow and/or are acquired, and different platforms add features to outdo the other.

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businesses ranged from small start-ups generating less than £100,000 to mature businesses turning over more than £300m per annum. Excluding extreme outliers, the average respondent's turnover was £7m.

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Although results are varied, a general pattern does emerge. Agencies with a relatively new, simple business structure are making use of more basic, straightforward, accounting packages such as Xero and lower-end Sage packages. More mature businesses are tending to use the more complex variations such as Paprika, with the largest businesses who responded either keeping with Paprika or moving to more heavy duty, complex software, such as SAP, DDS and Navision.

## REASONS FOR USING THE SOFTWARE

Somewhat disappointingly, although not that surprising given the inherent inertia associated with changing accounting software once it is embedded, the feedback was that a large proportion of respondents are using the packages that were used at the time of joining the company (40%). Just 20% had been recommended their current product by colleagues or business contacts and for 10% it was perceived value for money.

## ARE CURRENT PACKAGES DELIVERING?

With the general attitude being one of caution when it comes to changing IT, it is interesting to understand how incumbent software is meeting expectations. The majority of businesses (65%) are broadly happy with their current software, stating that it meets their expectations. This compares to the 56% seen in our last survey. Where any expectation gap manifests itself it is most likely to be in respect of usability and flexibility. However, with the on-going switch to cloud platforms designed from the ground up with these goals in mind, it is perhaps not surprising that the overall picture is more positive this year.

Across the platforms, 21% of Paprika users are looking to change provider compared to 14% of Xero users and 33% of Sage users.

Cloud platforms fare better for satisfaction in our survey, perhaps because of the regular product development and enhancement, rather than the annual update at additional cost.

All software suffers from inherent restrictions in being able to meet the operational and reporting requirements of a creative business, with most respondents suggesting that their accounting package could not meet all of their needs alone.

This reflects the view that changing IT systems can involve a significant upheaval of a business and, when this does occur, it is more likely to be on trusted recommendation rather than a general assessment of what the market offers.

The overwhelming majority of respondents use their current software for sales and purchase ledger, nominal ledger, VAT returns and bank reconciliations. Only about half use their software for timesheets and job costing, whilst less than a quarter use it for budgeting and staff resourcing.

Whilst the basic financial reporting tools are obviously valued by the finance teams surveyed, a significant number identified having an integrated job costing and finance system as the most important feature. Staff resourcing and revenue forecasting were also noted as important.

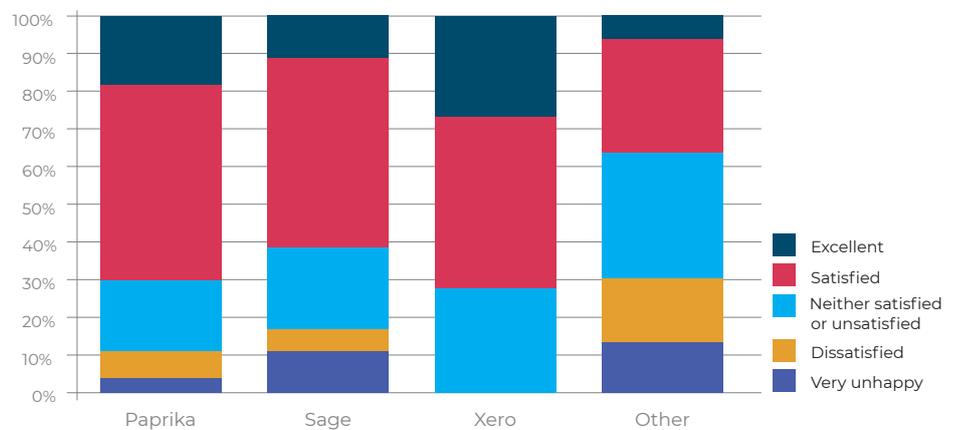
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Where other tools are required to meet reporting obligations, the overwhelming software of choice is Excel. This suggests that Excel is providing the usability and flexibility that users are craving from their main reporting product.

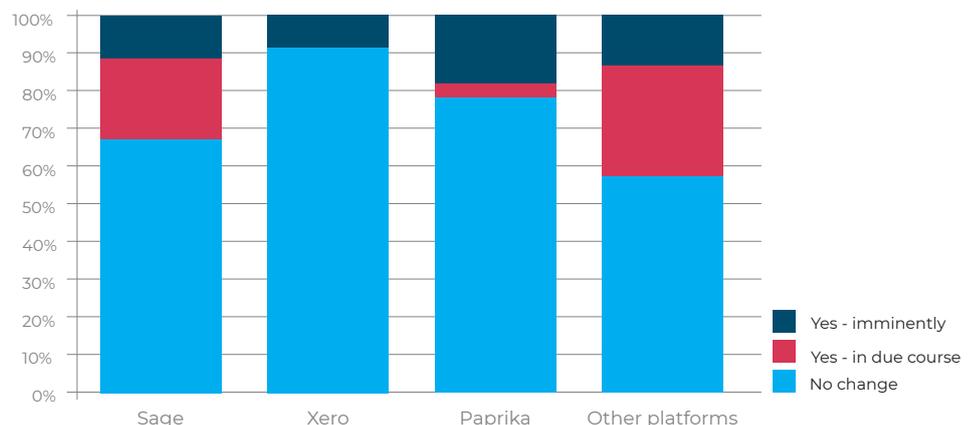
With the requirement to supplement software packages with other tools, is there a large market to provide a fully integrated solution?

Xero's and other cloud platforms' solution to this is to offer a marketplace of add-on software so clients can tailor the functionality.

Satisfaction by platform



Are you planning to change accounting software?



## CLOUDS ON THE HORIZON FOR STANDALONE SOFTWARE?

**Cloud software has taken off in a big way this year, with over half of respondents now using a cloud-based product, twice the number reported last time. This is down to the increasing popularity of “native” cloud platforms but the older software solutions such as Paprika are evolving as well.**

Most accounts desktop software is being maintained but not developed. Software companies are instead focusing much more resource on developing cloud software.

## OVERALL

**The market appears to be slowly moving towards an integrated cloud driven solution, as there is demand for such a system to sit at the centre of any modern-day creative agency, providing the foundation for making sound and informed operational and strategic decisions.**

It will be interesting to see if this trend continues and whether desktop solutions such as Sage

Benefits of the cloud infrastructure tend to be ease of access and back-up/disaster recovery as well as their significant market of add-on software. However, cloud is perceived to be weaker in the areas of reliability and security.

A.I. is a hot topic at the moment and you're likely familiar with Apple's Siri and Amazon's Alexa. In the accountancy sphere, optical character recognition (OCR) and data analytics are becoming more prevalent. Data analytics can scan transactions for anomalies and OCR is technology that turns images into readable and editable text. By uploading the receipts to the cloud your paperwork is transported directly to your online accounting platform, pulling out all the relevant

text and data along the way, thereby letting the cloud computers do the heavy lifting in analysing and posting all the data. However, the need for human intervention to ensure it all makes sense is of course still there. There are a couple of big players in this space, notably Receipt Bank and Expensify.

evolve with this change in the market, as for example the Sage Line 50 product has not fundamentally changed in many years. There are challenges ahead for all platforms; all of the software companies are having to work with HMRC to ensure that they are compliant, ready for 'Making Tax Digital', HMRC's flagship digitisation of personal and company tax accounts.

Software providers (including the desktop applications) appear to be

doing a better job of listening to their users, with satisfaction scores the highest seen for some time. 65% of respondents reported a positive experience, 61% were satisfied with the support received, and crucially 68% were not looking to change.

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# ABOUT MOORE KINGSTON SMITH

**Moore Kingston Smith LLP is one of the UK's Top 20 audit and advisory firms, and has been helping clients build their businesses for more than 90 years. Outside the UK, our membership of Moore Global Network offers our clients the strength and experience of 609 offices in 112 countries throughout the world to support their international reach.**

Moore Kingston Smith's West End office, with its team of six partners and 60 staff, specialises in advising media businesses. We are able to provide a full range of audit, accountancy, tax and corporate finance services, as well as specialist ad-hoc advisory services on all financial issues. Such specialist areas of advice include employee incentive schemes, benchmarking, succession planning, exit planning, business valuations, profit improvement reviews, business plans, preparing for sale, pre sale tax planning, mergers and acquisitions.

Our clients are spread across the media sector, covering all the key disciplines within marketing services, TV

and commercial production, theatre, media technology, publishing, consulting and music.

Our services have been developed to advise growing, successful businesses at every stage of their growth, with our clients ranging from start ups and sizeable independents through to multinationals and AIM listed groups.

International expansion is of increasing significance to our clients' growth plans. At Moore Kingston Smith, we support our clients as they move into new markets, providing commercial and timely advice throughout the transition and using our Moore Global Network to assist them locally. As part of our international focus, we are also commercial partners of the Creative Industries Council [www.thecreativeindustries.co.uk](http://www.thecreativeindustries.co.uk), which works with the UK government to put creative businesses at the heart of the UK's productivity and growth agenda.

For more information on Moore Kingston Smith's services to the media sector, visit [www.mks.co.uk/media](http://www.mks.co.uk/media)

## SOME OF OUR DEALS

Our corporate finance team is proud to have advised on a number of transactions in the media sector, including:

<p>Digital</p> <p>Sale of majority stake in Code Computer Love to Mediacom, part of WPP</p>  <p>Lead Adviser</p>	<p>PR</p> <p>Sale of House PR to W Communications</p>  <p>Lead Adviser</p>	<p>Media</p> <p>Management Buy Out (MBO)</p>  <p>Corporate Finance Advisers</p>	<p>Digital</p> <p>Sale of Flipside to Weber Shandwick, part of the Interpublic Group</p>  <p>Corporate Finance Adviser</p>
<p>Media</p> <p>Growth Capital Fundraising</p>  <p>Lead Adviser</p>	<p>Marketing Services</p> <p>Acquisition of The Brooklyn Brothers by Golin</p>  <p>Transaction Tax</p>	<p>PR</p> <p>Sale of 3 Monkeys Communications to Zeno Group</p>  <p>Transaction Support</p>	<p>Marketing</p> <p>Sale of 4Ps Marketing to NetBooster Group</p>  <p>Transaction Tax</p>

## CONTACT US

If you would like to discuss any of the matters arising in this survey or how we can help you, please contact one of the Moore Kingston Smith West End partners by email or phone.

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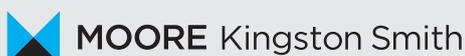
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