



VENDOR PROFILE

Intacct's Cloud ERP Software Eases Adaptation to Changing Requirements

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IDC OPINION

Intacct, a fast-growing provider of cloud ERP solutions for the finance function within medium-sized organizations, is rapidly evolving its products to align with dynamic market conditions and changing regulatory frameworks. IDC finds the recent additions to Intacct's financial application platform involve the following shifts:

- With the introduction of Intacct Contract and Revenue Management, Intacct will claim an early position and gain a differentiator in helping existing and prospective customers cope with looming accounting rules changes.
- With its most recent round of financing, Intacct remains well positioned, both productwise and financially, to take advantage of the rapidly growing demand for cloud-based financial applications.
- Intacct continues to provide innovative solutions to enable medium-sized organizations to modernize their business (e.g., the new subscription billing offering, collaboration capabilities); automate repeatable, but necessary, tasks; and enable the finance function to deliver financial and operational insights (e.g., the new Digital Board Books) to the organization's strategy team.

IN THIS VENDOR PROFILE

This IDC Vendor Profile looks at Intacct, a fast-growing provider of cloud ERP solutions for medium-sized organizations.

SITUATION OVERVIEW

Intacct focuses on delivering solutions for finance professionals at medium-sized organizations. The company currently counts more than 11,000 customers, with most falling in the 20-1,000 employees range. The industries the company serves include accounting firms, franchises, healthcare, hospitality, nonprofits, services, software and software as a service (SaaS), and wholesale distribution.

The company puts customer satisfaction at the center of everything it does. All Intacct employees have part of their compensation based on customer satisfaction, so there is no ambiguity about what is important.

This approach has yielded Intacct a top echelon rating among similar accounting products, according to an independent customer research organization.

As the software market rapidly adopts the cloud deployment model, Intacct is well positioned to support a horizontal function with increasingly rich and market-calibrated solutions that will help it compete with larger and smaller competitors.

For many medium-sized organizations, getting timely, accurate, and actionable financial metrics is difficult. The data is often coming from multiple systems, is not available until after the close of a financial period, and then may show up in an error-prone and outdated spreadsheet. Intacct has built a general ledger (GL) architecture that enables customers to gain deep management and operational insights from the same transactional data that drives financial reporting. Intacct continues to enhance its architectural foundation to make business insights more readily accessible.

In May 2015, Intacct introduced Digital Board Books to provide deeper financial analytics aimed at supporting strategic planning and subscription billing. The initial Digital Board Books and subscription billing products targeted software companies. Late in 2015, Intacct introduced the Digital Board Book for Fundraising to provide information on donations, grants, events, and expenses; enable nonprofits to monitor fundraising progress against targets; and ensure that nonprofits are efficient in fundraising and are using the raised funds to drive maximum impact.

Finance teams at medium-sized organizations must also cope with increasing business complexity as their organizations grow – complexities that include expansion into multiple locations and countries, expanded product offerings that include services and subscriptions in addition to tangible items, and regulatory changes. To help finance teams cope with this complexity, Intacct has invested in configurable capabilities to help finance automate processes such as global consolidations, revenue recognition, and subscription billing.

Examples of this increased complexity are looming accounting rules changes known as ASC 606 and IFRS 15 – related to revenue derived from customer contracts and subscriptions. These rules changes will have wide-ranging impacts on many companies. The changes will affect billing, accounting, taxation, and forecasting. Compliance for public companies is set to begin in 2018 and in 2019 for private companies.

Intacct introduced Intacct Contract and Revenue Management in May 2016 to help public and private organizations negotiate the transition. The new module arms finance officials with:

- Integrated billing, accounting, and forecasting
- The ability to track performance obligations and apply dual accounting treatments according to current and new guidelines
- Automated amortization of related expenses as revenue from performance obligations is recognized
- Automated reallocations for contract changes
- Dual reporting during the transition based on the old accounting rules and the new ones

Using the new Contract and Revenue Management software will help prepare organizations for auditing under both sets of accounting rules and automate reallocation and amortization that will be required under the new rules for many contracts and subscriptions.

Intacct expects Intacct Contract and Revenue Management to forestall attempts to develop ad hoc, spreadsheet-based solutions without requiring organizations to script new solutions to cope with the complex rules changes.

Company Overview

Intacct is based in San Jose, California. It was formed in 1999, delivering its application as a multitenant, cloud-based service from its inception. It has gradually expanded the depth and range of its accounting product line. In 2005, it began Salesforce integration, and in 2009, it became a preferred provider of financial applications for AICPA.

Intacct has more than 120 partners. Salesforce, American Express Global Corporate Payments, and athenahealth are strategic partners. It also has value-added resellers, outsourcing partners, and a marketplace with Intacct-ready applications that can be easily combined with the Intacct platform.

Its customer base includes Axcient, BidPal, DonorsChoose.org, GrubHub, Kayak, Marketo, Puppet, Renal Ventures Management, and Videology.

The company secured \$40 million in additional debt financing from Silicon Valley Bank (SVB) in May 2016, adding to the \$21 million in credit and loans it had received from SVB in previous financing rounds. In 2014, the company secured \$30 million in venture capital financing from a group including Battery Ventures, Bessemer Venture Partners, Costanoa Venture Capital, Emergence Capital, Sigma Partners, Split Rock Partners, and Morgan Creek Capital Management. In 2012, it secured \$7.5 million in venture capital from a group led by Split Rock Partners and including Bessemer, Emergence, Sigma, and Sutter Hill Ventures.

Intacct's cloud-based accounting software includes general ledger, accounts payable and receivable, purchasing, order management, cash management, reporting and dashboards, and a so-called *Digital Board Book* with real-time operational metrics such as committed monthly recurring revenue, annual recurring revenue, customer acquisition cost, churn, and customer lifetime value. The core financial functions also include a secure social collaboration function connecting all enabled devices and processes.

Optional modules include multientity management and global consolidations, project accounting, time and expense management, subscription billing, sales and use taxes, check delivery service (part of Intacct's partnership with American Express) connected to the accounts payable module, and inventory management.

Subscription covers 24 x 7 operational (guaranteed 99.8%) uptime, upgrades, and enhancements and United States-based support. Supported devices include PCs and Macs, as well as all major tablets and mobile phones. Intacct is built on a highly reliable Oracle database infrastructure, housed in two redundant Fortune 100-class datacenters with high-level data security.

Intacct has specific solutions for accounting firms, franchise businesses, healthcare, hospitality, nonprofits, services, software and SaaS, and wholesale distribution organizations.

Intacct can integrate with existing packaged and custom applications through prebuilt, system-to-system connections in the Intacct platform or that are available through its Intacct Marketplace. It also can develop custom connections through its professional services group, an Intacct partner, or the customer's IT team, using Intacct's web services API.

To support customer/partner extension and customization of its core applications, Intacct provides a visual development platform that requires no programming expertise and mimics the main application's interface and forms controls. Applications built in the development environment will run on Intacct's cloud infrastructure and thus leverage its infrastructure security, high availability, and backup standards.

Application objects created on the development platform can be related to the objects in the main Intacct application. The development environment allows developers to quickly add capabilities to Intacct applications.

Intacct's short-term overarching product goals are to:

- Make customers audit ready at the journal/transaction level for new rules (ASC 606 and IFRS 15).
- Deliver continuous insights – dual book forecasting and providing SaaS metrics, including lifetime customer value and acquisition/retention costs.
- Expand the range of Digital Board Books to offer more industry-specific financial and operational insights.
- Enable users to act faster without IT dependence by providing a platform where changes can be made via configuration rather than scripting.
- Extend connectivity to Salesforce to include contract capture and edits.

Customer Use Summaries

ACD

ACD (Carlsbad, California) is a provider of auto insurance claims processing technology. The company wanted to replace an established accounting product and insource its accounting function to accommodate continuing growth. The company's finance team searched for a scalable ERP solution that could help automate manual processes and integrate with its custom claims management front end.

ACD evaluated two other vendors but chose Intacct because of its combination of ease of use and sophistication.

The implementation of Intacct improved customer experience through value-added reporting, saved 45 hours/month by automating manual accounts receivable and accounts payable processes, dramatically reduced accounts receivable aging, and reduced the ratio of finance staffing to revenue generated.

Solutionreach

Solutionreach (Lehi, Utah) offers software-as-a-service solutions for patient engagement, serving healthcare providers such as dentists, physicians, and optometrists. As the company's growth accelerated, its finance team realized it needed to upgrade its accounting software. The company searched for a cloud-based ERP system that could more efficiently handle its exploding B2B subscription revenue model while providing greater visibility into business performance.

Solutionreach evaluated Intacct against one other vendor, ultimately choosing Intacct because of its capabilities around subscription billing, revenue recognition, and financial visibility, as well as Intacct's tight integration with Salesforce.

Using Intacct's revenue recognition and subscription billing capabilities, Solutionreach was able to streamline its subscription life-cycle management process. Intacct also provides increased visibility and insight to help the finance team confidently report SaaS metrics, revenue, and overall expenses for each new market the business enters – enabling Solutionreach to make smart decisions about when to hire and expand into new vertical markets. Intacct has allowed Solutionreach to eliminate 100 hours of work each month, cut Solutionreach's financial close process by 67%, and save \$100,000 annually in head count costs.

Company Strategy

Intacct targets the finance function in the estimated 625,000 medium-sized organizations (\$10 million to \$500 million in annual revenue and 20-2,000 employees).

Intacct's sales organization is based in the United States, and it targets United States-based companies with domestic and global operations.

Direct sales and value-added resellers evenly divide about 85% of Intacct sales, with 15% coming from the CPA channel. Intacct is structuring its go-to-market strategy to deliver innovation and services expertise to its target finance function in midsize companies, along with building partnerships to connect Intacct with other market-leading line-of-business applications.

Intacct plans to use its early introduction of software targeting forthcoming accounting rules changes to gain market share. Intacct Contract and Revenue Management will help customers and potential customers incorporate those changes into their finance and analytical frameworks.

Intacct's cloud-based, cloud-native product approach will help the company offer faster deployment than on-premises software products.

Intacct also plans to help the finance function drive strategic planning by embedding operational and reporting tools in its platform.

Intacct will continue to focus on ease of use so that the Intacct product line and platform minimize IT involvement in using, extending, and integrating it within organizations.

Recent funding rounds seem to have provided Intacct with the capital to continue its rapid growth, but the company remains committed to an IPO at a time when market conditions are favorable.

FUTURE OUTLOOK

IDC has forecast that the market for financial applications (both cloud and on-premises), which was worth \$18.0 billion in 2014, is growing at a CAGR of 6.1% and is expected to reach \$24.2 billion in 2019. Growth in this market is all in the cloud as demand for public cloud financial applications, at a CAGR of 19.3%, is outpacing that of on-premises software (estimated at 1.0% CAGR through 2019). Intacct, like some other software vendors providing cloud applications for small and medium-sized businesses, is taking advantage of that fast-growing market opportunity. IDC's SMB research indicates that there is still plenty of opportunity for smaller firms to expand their use of cloud resources.

In addition, Intacct is riding the wave of providing solutions to enable customers to adapt and change business models in keeping with shifts to recurring revenue and subscriptions. Currently, much of the subscription business is found in the high-technology sector, but Intacct is seeing other sectors beginning to use subscriptions, including medical services and automotive. IDC recently published a forecast for the worldwide subscription billing and payments market, estimating the 2014 market at \$937 million and forecasting the market to grow at an overall CAGR of 13.5% to reach \$2.1 billion in 2019. Intacct's new Subscription Billing module, released in May 2015, is well positioned in this area to meet changing customer preferences.

ESSENTIAL GUIDANCE

Advice for Intacct

Intacct's rapid growth and ability to secure both substantial venture capital and bank financing in multiple rounds are good validators of its direction and strategic leadership.

While capitalizing on the massive shift among buyers to the cloud software deployment model and targeting a horizontal function that provides a large addressable market, Intacct is finding ways to differentiate itself and capitalize on the disruption of regulatory change.

Intacct remains focused on North American organizations, but IDC expects that bolstering its ability to deal with multinational product and service commerce (extending beyond the multicurrency management and global consolidations it now delivers) – such as adding localized UIs to address the needs of overseas businesses – will expand Intacct's addressable footprint dramatically. This leaves Intacct with a major upside that it is already in the process of addressing.

Boosting its multinational business capabilities and opening sales and marketing fronts overseas will help make Intacct more attractive if it chooses to pursue an IPO.

LEARN MORE

Related Research

- *Intacct Advantage 2015: Turning the Finance Department into a Strategic Weapon for Midmarket Organizations* (IDC #US40732015, December 2015)
- *Worldwide SaaS Enterprise Resource Management Market Shares, 2014: Growth Is All in the Cloud* (IDC #US40715315, December 2015)
- *Worldwide Subscription Billing and Payment Software Forecast, 2015-2019* (IDC #US40676315, December 2015)
- *U.S. SMB Cluster Analysis Update: Technology Business Objectives and Attitudes, IT Spending Priorities, and Growing Use of Service Providers* (IDC #259444, November 2015)
- *Worldwide Financial Applications Market Shares, 2014: Year of SMB and Public Cloud* (IDC #257867, July 2015)
- *Worldwide Financial Applications Forecast, 2015-2019* (IDC #257870, July 2015)
- *Intacct Announces Two Compelling New Features for Midmarket Businesses: Digital Board Book and Subscription Billing* (IDC #lcUS25633615, May 2015)

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