

## The Future of Accounting Software – Probably! - June 22, 2005

By Curt Finch, CEO, Journyx

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Over the last decade or so, the industry has shifted from customers installing software at their physical locations to renting Web-based software over the Internet on a monthly basis. It's moving this way because customers want it to, and so do vendors.

Most software companies get their revenue from "shelfware" (software that is rarely used and ends up on the proverbial shelf). Popular programs like Quicken or SAP – for which customers pay the total cost up front – can be complicated, making them difficult to use and achieve maximum benefit from. However, once a customer has paid for these programs, there is no incentive for the company to follow up and ensure that it is working properly for the customer.

But hold on, things might be improving. New companies like Concur (expense reimbursement), Salesforce.com (sales automation), Hire.com (recruiting and hiring automation), and Taleo (also recruiting and hiring automation) are turning out to be quite successful in renting software over the Web to their customers.

If customers sign up for a monthly service from one of these companies and the solution doesn't work, customers will likely stop using the software after a month. This gives these software providers incentive to pay attention to customer usage, realize whether or not the technology is providing business value, and strive to increase its value. With this model, everybody wins. Why is this model best for both vendor and customer?

### **Vendors prefer it because:**

1. They get paid every month. It makes business more stable and predictable.
2. It's easier to support. If the customer has a problem, vendors can see the problem immediately. There is no need to work around a customer firewall, have the customer send a database dump, etc.
3. They can analyze customer usage. Vendors can see what parts of the application customers find confusing, helpful, or hard to find.
4. Pricing models can be changed to fit the customer. Vendors can charge per week, per page viewed or per user, which works in the favor of the buyer.

### **Customers like the hosted model better because:**

1. Low cost of entry. Instead of paying lots of money to roll out a complex solution across the entire company, customers can just roll out one test department of 20 people. The risk is very low if it fails.
2. Onus is on the vendor. If the vendor's software is broken, they won't be getting money from any customer for long. The company is motivated to fix the problem.
3. The vendor works for the buyer. Customers don't have to rely on their IT department to install an application. Everything is running securely at the vendor's location.

4. Less risky investment. Instead of spending \$60,000 all at once, for example, customers pay for the software monthly – the monetary risk is lower and less scary.

5. Vendors must provide a secure data environment, or they're out of a job. Most vendors understand that data must be backed up religiously, and security is the top priority. Customer's IT departments are typically pulled in many directions and can't be as focused on one solution. Customers can rest assured their data security is probably better with a hosted solution, not worse.

In summary, hosted accounting software is on the rise, and many companies will be willing to try it out – especially if they understand the clear benefits. After all, all they have to lose is one month's rent.

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