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My company rules

Market dominance is the aim of most companies around the world, but things can get unpleasant when a leader's position is challenged. By **Andrew Heathcote**

THE PUBLISHED MARKET-SHARE FIGURES of listed accounting software provider MYOB are a joke, according to its main competitor. The executive in charge of APS (a division of Reckon), Clive Rabie, is angry about a claim by MYOB that it has 94 of *BRW's Top 100* as clients. He believes it is his company that has most of the market.

The dispute about its market share is the latest setback in a challenging year for MYOB's accounting group. Some accounting firms are seeking compensation from MYOB after alleging that its products failed to live up to their expectations.

The most recent *BRW* annual list of the 100 biggest accounting firms was published on August 17. Two weeks after its release, MYOB put out a media release that claimed: "MYOB has again been confirmed as the leading provider of business software solutions for accounting firms with the latest *BRW Top 100 Accounting Firms* survey showing 94 of the top 100 firms are using MYOB software – up from 88 firms last year."

The managing director of the Australian division of MYOB, Tim Reed, said in the release: "This survey confirms MYOB's position as the preferred business solutions provider among Australia's top accounting firms. We're delighted too that more of the leading firms are choosing MYOB on an ongoing basis. Last year 88 of the top 100 firms used MYOB, while this year it is up to 94."

Rabie says these comments distort the true picture; he believes his firm is dominant. "From an investor perspective, it has become a joke," he says. "We are the software provider of choice and we deserve to be recognised for it."

The *BRW Top 100 Accounting Firms* list is made up predominately of groups of practices. Many are associations that share branding but operate as separate practices and have distinct ownership arrangements. MYOB counts each association as a client as long as one practice in the group uses its software.

Rabie believes this is potentially misleading and refers to MYOB's treatment of big four-firm Deloitte. MYOB counts Deloitte as a client even though most of its offices do not use MYOB products. Rabie says only the Hobart and Launceston offices use MYOB.

According to Rabie, analysts became concerned about the numbers last year. In Reckon's results presentation in June 2005, it claimed 65 of the Top 100 as clients. In December 2005, MYOB claimed in its results presentation to have 88 of the Top 100 as clients. "The numbers did not add up," Rabie says, as the data gave the two companies a combined 142 per cent of the market.

Rabie says subsequent internal research showed that there are 29,400 users among the Top 100 firms (that is, individuals who use the software). Of the total users, 48 per cent are working in big-four firms. If the big-four firms are excluded (they typically use their own proprietary software), Reckon argues it has a 57 per cent share of the market.

The difference between firms and associations is not explained in MYOB's media release. Reed says: "We took the list you published and went through and had a look at who we have existing contracts with and who is in a

Many problems, few changes

Despite many firms having problems with their accounting software providers, few are planning to change. That is one of the key findings in *BRW's* survey of the country's 100 biggest accounting firms for 2006. The firms were asked to comment about their accounting software as part of the *BRW* survey, which was undertaken in July and August.

Of 75 responders, 19 per cent said they had changed providers recently and 12 per cent said they were planning a change.

Changing software providers can be difficult. The practice manager at Rhodes Docherty, Carol Rees, says her firm is unlikely to move away from its MYOB software in the near future.

"The other programs that are out there are extremely hardware hungry," she says. "They need extra services and extra grunt. You have to do a huge amount of staff training as well."

Even when you do make the change, it is difficult to evaluate benefits to profitability, Rees says.

One alternative for disgruntled practitioners is to create their own software. Although this can be

a costly, time-intensive solution, some small and medium-size firms have done it and have been happy with the results.

The mid-tier firm Hayes Knight bought a small technology company last year. Technical experts from the company then sat with Hayes Knight's accountants and designed a system to manage work flow and client communications.

Hayes Knight managing partner Greg Hayes says the software has helped make the internal practices more efficient.

Creating software may not be for everyone, he says, but he believes many firms are moving away from being reliant on one software provider.

This can help them improve their processes without having to go through the hassle of completely changing the way all work is done, Hayes says.

"There is an increasing trend to disaggregate software supply," he says. "There is a lot of disillusion about single software providers. A lot of firms are tied to a supplier more because of the pain of leaving rather than the joy of staying."

current billing relationship with us. They have to be active in paying for our applications. "Many of the firms you list are groups of firms. It may well be that they are using our application and don't recognise it as a MYOB application. It may be part of the group is using it but not part of the group that you spoke to."

Reed says it is not up to MYOB to provide further explanation about the numbers. When asked whether the difference between firms and associations should have been explained in its media release, he says: "It probably should be explained in the statistics you put together. You are the ones who call it the *BRW Top 100 Accounting Firms* when in fact there are multiple practices that make up one of those firms. We just measure it consistently with the way you report it."

MYOB has come under fire recently for the quality of its new Accountants Enterprise Tax software, which was released in June. Many firms claim that since adopting the new software their productivity has fallen dramatically.

BRW spoke to partners in firms who were considering claims for compensation against MYOB independently and in possible class actions. "There is a lot of disquiet in the industry," one practitioner says. "They have made assertions that they won't lose any customers over the stuff-ups but I can't see how they won't."

Reed says MYOB is on top of the issues. "The change-management process is ongoing for some practices," he says. "But those I have spoken to are now starting to really enjoy some of the new features." ●