

Accounting



CLIVE RABIE and BRIAN ARMSTRONG:  
No massive synergies

## Two can play

Two juniors of accounting software have teamed up to take on the industry leaders. By Bruce Andrews

**T**he accounting software company Reckon is preparing to break into the market for practice-management software for accounting firms that have up to 15 employees. With Advanced Professional Solutions (APS), the software developer it bought on January 1, Reckon will be taking on the dominant company in this market, Solution 6. Reckon, which is the parent company of Quicken Australia, is the Asia-Pacific distributor of the American accounting software series QuickBooks, which caters mostly for small businesses. The APS software is used by 60 of Australia's largest accounting practices.

Reckon and APS had been struggling against their larger competitors, MYOB and Solution 6. Quicken's chief operating officer, Clive Rabie, says: "We both have this David-and-Goliath attitude. We are David, and APS is David. We have been fighting against MYOB, which is a lot bigger than us, for many years. And APS has been fighting for many years against Solution 6, which is a lot bigger than them. So we both had to fight for our market share, and did very well in our respective markets."

APS had also been fighting Solution 6's assertions that it was in jeopardy. In July, *BRW* reported seeing an e-mail from Solution 6's chief executive, Neil Gamble, to a prospective client, saying that APS was underfunded and planning to cut salaries. The chief executive of APS, Brian Armstrong, said then that the allegations were incorrect. He says now that the takeover by Reckon was not because his company was in trouble. "It definitely was not a lifeline. And we most certainly did not need the cash," Armstrong says. "The business has been trading very well. We have been profitable and been generating good cash."

Rabie says Reckon bought APS because it wants to sell more software to accounting firms of all sizes so that accountants might recommend QuickBooks, rather than MYOB, to their clients. Armstrong says Reckon initially approached APS about a strategic alliance, but they later agreed to merge. He says APS will gain from

Quicken's relationship with about 4000 small accounting firms through its professional partnership network. It communicates with the firms through e-mails and newsletters to encourage them to recommend QuickBooks products to their clients.

Reckon bought APS for \$10 million from its owners, who included its managers and private investors. They had bought the company in March 2003 from KordaMentha (the administrators of the accounting consolidator Stockford, which owned APS before Stockford collapsed in February 2003). Reckon initially paid \$4 million in cash and \$4 million in shares. A further \$1 million cash and \$1 million in shares will be paid in July 2005 if performance goals are met. Armstrong and Rabie would not comment on the performance hurdles. Armstrong says APS's investors made a profit from the sale to Reckon.

Armstrong and Rabie say APS and Quicken will operate separately under

Reckon's ownership and that staff numbers will not be cut. Rabie says: "We do not see that there are massive synergies in this merger. We like the way Quicken runs and we want to keep it like it is. We like the way APS runs and we want to keep it how it is."

One area where Quicken and APS will combine is to release a new practice-management software package in April aimed at the approximately 6000 accounting firms with one or two partners and 10-15 employees. Armstrong says he is confident that APS can win 10% of this market within 18 months. Solution 6's Gamble says he is not aware of APS's plans but is not concerned by their challenge and believes his company will continue to have the dominant position in the market.

The software, which will be called Advance Foundation, will be essentially the same computer program as APS's other products, Advance Enterprise and Advance Professional, but with fewer features. The additional features can be bought later if the accounting firm needs them. A division of five staff members with an annual budget of \$600,000 will support the product, which will be marketed through Quicken's professional partnership network. Rabie expects the new division to be profitable almost immediately. ●

### JOINT EFFORT

- 1 Accounting software maker Reckon has bought the practice-management software developer APS to take on the software giants MYOB and Solution 6.
- 2 The Quicken and APS divisions will be kept separate. Quicken hopes to benefit from APS selling products to accountants who may then recommend Quicken's software to their clients. APS will take advantage of Quicken's professional partnership network for marketing its products.
- 3 Reckon plans to release a new APS practice-management product, with fewer features than its other packages, for small accounting firms.