**Mint Jutras**

*Making Enterprise Business Systems Pay Dividends*

# INNOVATION FUELS ACUMATICA'S ACCELERATED GROWTH

## AN INNOVATIVE APPROACH TO BUSINESS, COUPLED WITH CONTINUAL PRODUCT INNOVATION

### About Acumatica

*Acumatica is a leading provider of cloud ERP software for small and mid-size businesses. Built on the robust and flexible xRP cloud platform, Acumatica delivers a suite of fully integrated core modules, including Financials, Distribution, CRM, Project Accounting and industry "editions" including Field Service, Manufacturing, eCommerce and Construction editions.*

*As a subsidiary of Swedish investment firm EQT Partners, Acumatica does not disclose revenue, but working exclusively through partners (VARS, OEMs and ISVs), Acumatica signed on ~1,300 new customers in 2019, bringing the total to over 6,500. License revenue grew 72% year over year. A year ago there were no user groups. Today there are 9. In 2019, 1,500 people attended the annual conference. This year, over 2,500 attended Acumatica Summit 2020.*

*Acumatica, a prominent provider of cloud Enterprise Resource Planning (ERP) software, has been calling itself "the world's fastest-growing cloud ERP company" for several years now. But growth can be measured in many different ways – as an absolute or a percentage increase, measured by revenue, number of customers and/or employees, just to name a few. This opens the door to multiple competitors claiming that top spot of "fastest growing." But as Acumatica shared some statistics at its recent Acumatica Summit 2020, it would appear that it is indeed moving away from the pack.*

*As a subsidiary of Swedish investment firm EQT Partners, Acumatica does not disclose revenue, but does share some numbers. License revenue from all deployment models grew 72% year over year. Acumatica signed on 1,300 in 2019, bringing the total to over 6,500. A year ago there were no user groups. Today there are nine. In 2019, 1,500 people attended the annual conference. This year, over 2,500 were in attendance at Acumatica Summit 2020, with thousands more tuning into the live stream.*

*Given the growing acceptance of cloud and Software as a Service (SaaS) in recent years, Mint Jutras has been expecting (hoping) to see at least one of the native cloud solution providers enter a period of explosive growth. Thus far we have been disappointed, but now Acumatica appears to be doing just that. How has Acumatica been able to achieve what others have strived but failed to do? We see several factors combining synergistically to create a perfect storm to drive growth. The common theme across all these contributing factors is Acumatica's ability to continually innovate, not just in terms of the product, but in terms of its own business model.*

*Therefore, here we will look at how innovation fuels growth from both of these perspectives, starting with how Acumatica does business.*

## AN INNOVATIVE APPROACH TO BUSINESS

Although members of the Acumatica leadership are veterans of the world of enterprise applications, the company has never been constrained by the way business has always been done. Unlike most enterprise solution vendors that have a direct sales force, Acumatica works exclusively through partners (VARS, OEMs and

ISVs). In addition to being "partner friendly," there is also no resistance to "not invented here." Partners with specialized expertise often offer extensions to Acumatica ERP that are so seamlessly integrated, users might think they are part of the product. While other vendors continue to price their software on a per-user basis, Acumatica's pricing is based on the resources you use. And finally, while many software vendors claim to have a "customer focus," Acumatica has put some muscle behind this claim, going so far as to publish a "Customer Bill of Rights." Based on the philosophy that customers deserve better vendor practices from cloud business application vendors, this is Acumatica's challenge to those other vendors and the industry at large.

## 100% CHANNEL

Acumatica has no direct sales force, nor does it have any plans to create one. In the words of CEO Jon Roskill, "There is no plan B." It sells exclusively through its channel partners with the following models:

- Acumatica branded Value-Added Resellers (VARs)
- Private label (OEM) business: Visma, MYOB, Acceo, Senior Software, LexWare, censof and cegid give Acumatica expanded international reach
- Vertical Independent Software Vendors (ISVs) that specialize in a specific industry (e.g. hotel or property management, non-profit fundraising, public housing, etc.)

Partners find the Acumatica Partner Program quite attractive. Not only is there no channel conflict (i.e. no risk of the deal being taken in house after the partner has expended time, effort and resources), but Acumatica offers some of the best profit margins in the business. Indeed, while Mint Jutras has not confirmed this, they are probably **the** best. Some other vendors offer an up-front commission on a SaaS deal and then keep all the profits after the first year or two. When this is the case, it is no wonder that the vendors have a hard time getting partners to transition away from selling on-premise licenses (think big up-front fees and commissions) to selling subscriptions. In contrast, Acumatica partners "own" their customers for life and have been steadily transitioning away from selling on-premise licenses for the past few years. In 2019, 97% of new business was sold as a SaaS subscription.

And so, the channel has become a force multiplier in terms of growth. The channel itself grew quite steadily for several years. The company added 21 new Value-Added Resellers (VARs) in the first half of 2019 alone, along with 47 new ISVs and two new OEMs in the last year. But the focus now is not on a big push to add a lot more partners, but to focus rewards and attention on partners that can generate a high volume of sales. The program is a true meritocracy. The more the partner invests, the more it receives in rewards and benefits.

### *ADDING VALUE BEYOND SERVICES*

With the introduction of new development platforms, it can and should be much easier to "customize" and extend the functionality of ERP solutions. One would hope that partners that have traditionally made a living off of delivering and maintaining invasive customizations would instead turn their attention to developing extensions that could be developed once and sold to multiple customers. But it simply hasn't happened to the extent one might expect.

The Acumatica Cloud xRP Platform is one such development platform (Figure 1). Acumatica also actively encourages partners to extend the solution, requiring no fees to use the platform or to partner, and also offers partners free in-house use of the software and demo platform.

**Figure 1: Acumatica Cloud xRP Platform**
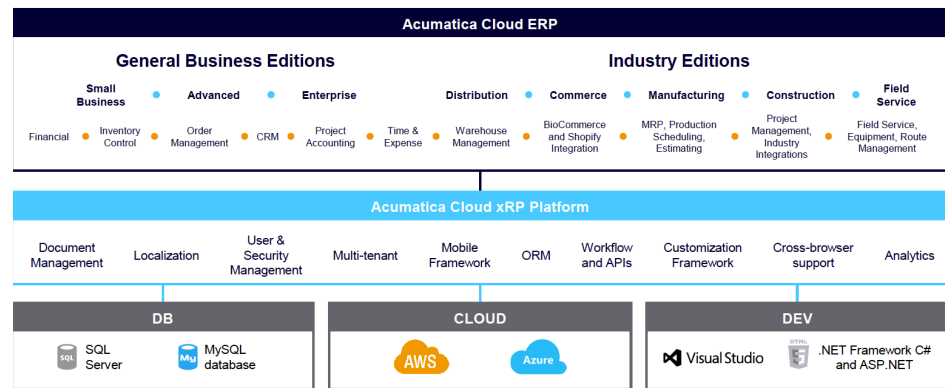


Source: Acumatica

This is quite unique in the industry. While many software vendors, even those that have modernized development platforms, might pay lip service to encouraging partners to fill gaps in functionality and extend their solutions into new verticals, these kinds of fees often present an economic barrier to executing on that strategy.

Not only does Acumatica make its platform available to all, with no added fees, it also hosts an online Marketplace in which viable, certified extensions can be showcased and purchased. Of course, purchasing enterprise software online is still a rare occurrence, for good reasons. And therefore, often the Marketplace is simply a place where good leads are generated. And Acumatica passes those leads on to partners so they can engage directly with prospects.

So far 150 companies have offerings in the Acumatica Marketplace. This too, while not unique, is not all that common today. More often vendors talk about the possibility of an online marketplace in the future tense. It is still rare for ERP solution providers to host them.

Last year, a Mint Jutras report, Acumatica 2019 R2 Leverages Platform Capabilities for More Innovation, talked about the role the microservices

architecture (on which the application is built) plays in making Acumatica's ERP flexible, extensible and inherently easier to integrate to. These factors are all critical in encouraging meaningful partnerships. Some of these partnerships result in up-sell and cross-sell opportunities, but others are simply representative of Acumatica's focus on delivering value to its customers.

Some of the more notable partnerships in recent announcements:

- Acumatica has partnered with The Construction Financial Management Association (CFMA), an international professional nonprofit association focused on the educational needs of finance professionals in construction. Included in this announcement was an exclusive offer for prospective customers of Acumatica Construction Edition: a free one-year membership to the association that comes with (also free) access to a CFMA benchmarking tool, Benchmarker. This Construction Financial Benchmarker product is a user-generated online report that compares company data with that of up to five different comparison data sets.

- The Acumatica Manufacturing Edition, a complete solution for make-to-stock, make-to-order, engineer-to-order, project centric, job shop, batch and repetitive manufacturing companies, was originally based on functionality authored by partner JAAS Systems. Acumatica has now acquired JAAS Systems. This is a perfect example of how the company is leveraging the investment dollars of its new parent, EQT.

- A brand new partnership with eWorkplace Apps, a spinoff from BatchMaster, indicates Acumatica isn't "done" in terms of providing solutions for manufacturing. While the current Manufacturing Edition addresses the needs of discrete manufacturers, the team from BatchMaster is expert in addressing the needs of process manufacturing. The original developers from BatchMaster "fell in love with the platform and decided to build a team and build extensions to Acumatica." The first, to be released to beta in March is Quality Management for Acumatica, and a "process manufacturing" extension is due to be released in August. Process Manufacturing for Acumatica will extend Acumatica to address needs of food & beverage, meat processing, packaged products, chemicals, paint & coatings and nutraceuticals/supplements.

- Acumatica has also formed a new strategic alliance with BDO, an international network of public accounting, tax, consulting and business advisory firms, to serve midmarket customers with exceptionally complex needs, large national or international requirements.

- The Acumatica eCommerce Edition has always supported integration with any eCommerce platform and some customers do indeed use platforms like Magento, Shopify and WooCommerce. But many of the

smaller and mid-size companies that use Acumatica don't have the kind of technical skills required to set up and maintain these platforms. Moving forward Acumatica will still support other platforms, but it will lead with BigCommerce, an engine that supports both B2C and B2B style commerce. There is some natural synergy between the two companies, as they share common value propositions: easy to use, no need for developers, scalable and built for growth, and low total cost of ownership (TCO). BigCommerce has invested in integration – not with a one-time connector, but what the company calls "super tight" integration that is "practically seamless."

These are just a few of the many different kinds of partnerships Acumatica has formed. Also look for new integration with Smartsheet, the end-to-end work execution platform, demonstrated live onstage and currently available in the Acumatica Marketplace and a new integration with Adobe Document Cloud.

### PRICING

Another example of how Acumatica is innovating as a business is its unique pricing structure. Most other ERP vendors price based on number of users. Per-user licensing is very common, both in the traditional on-premise and the SaaS worlds and anywhere in between. But it can also raise some barriers to growth. As you add more employees or you expand your implementation to a new department or function within your organization, the user count goes up, and so does the cost. You may be tempted to skimp on users, but this can limit the value you derive from the application.

This might have been okay back when only a small percentage of your employees used ERP – those who did heads down data entry and a few super users who were the gatekeepers of information locked away in ERP. But today, nobody has the time or the patience to wait in line for those super users to track down answers. The majority of your employees need direct access. The industry "experts" like to call this the "democratization" of software, but that term can be misinterpreted in today's politically charged environment and your typical business user doesn't speak in those terms. Mint Jutras prefers to keep it simple. Make the data in ERP easily accessible to all who need it. And that means breaking down barriers, including price.

Acumatica is different. Its price is based on the computing resources you use, not on the number of users. Need a price? Just answer a few questions:

- What applications do you want to start using now?
- What type of license are you considering: SaaS Subscription, Private Cloud Subscription, or Private Perpetual License?
- What is your projected level of consumption based on the volume of your business transactions and data storage?

This last question is probably the hardest to answer, but Acumatica and its partners can help. The resource tier you pay for is sized to support the volume

of key transactions for your business. You're not required to pay for additional licenses, even when you add casual users, suppliers, and customers to the mix. Start on one tier and expand **or shrink** as needed. Have you ever tried to get a software vendor with traditional per-user pricing to reduce the number of users?

## PRODUCT INNOVATION

Given its rather unique business approach, coupled with its strong platform offering, it is not surprising that Acumatica projects itself, not as an enterprise application company, but rather a technology company. But its leadership also acknowledges, and rightly so, that technology needs to be combined with people and processes in order to produce the kind of outcomes desired. As such, its product innovation stands on three strategic pillars: A ***modern technology platform*** that is future proof, ***best in class business functionality***, that is increasingly ***industry specific***. But the best technology and the best features and functions are useless if nobody can or will use the applications. And therefore, the development team strives to put it all together and ultimately produce a superior experience, one that is:

- ✓ easy to use and personalized
- ✓ flexible
- ✓ inspires trust
- ✓ is easily integrated to other solutions
- ✓ automates processes where automation is effective
- ✓ is constantly evolving

*"The world is moving faster, and we have to keep up."*

Ali Jani, Chief Product Officer, Acumatica

Of course, this last bullet is what innovation is all about. This has always been the case, but as the pace of business and the pace of change in our global, digital economy accelerates, this becomes increasingly important. Ali Jani, Chief Product Officer at Acumatica sums it up pretty succinctly, "The world is moving faster, and we have to keep up." Acumatica does that with two releases a year… every year, like clockwork. Of course, being a SaaS solution provider puts them in an enviable position to deliver more innovation through more frequent and apparently seamless upgrades.

Solution providers that offer only a multi-tenant SaaS solution are typically able to deliver more innovation than those that offer the same solution with a choice of deployment options (on-premise, single-tenant and/or multi-tenant SaaS). Those who offer their solutions exclusively as a multi-tenant SaaS solution typically have a distinct advantage by only having to maintain a single line of code.

But wait! While Acumatica's solution is offered as a multi-tenant SaaS solution, you can also license it to run on your own premises, or in a private cloud. Does that mean it sacrifices the advantages it would gain from only offering it as multi-tenant SaaS? Fortunately, the answer is no.

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Solution providers that deliver on-premise solutions are often forced to maintain multiple versions of the software. Very often the software is offered on a choice of platforms and databases, and the vendor must support multiple release levels determined by their customers' ability to keep pace with upgrades. For every person-day they spend on innovation, they spend another multiple of that day making sure it works across multiple environments. However, this tends to be true for those vendors that started out as on-premise (only) solution providers and are now in transition to the cloud. The ability to support multiple environments was a competitive necessity back when these solutions were first created. Pulling them to the cloud was the equivalent of adding another environment. Acumatica ERP was never developed under these constraints. Instead it was developed as a native cloud solution that supports multi-tenancy (often difficult to do after the fact) and was designed to be transportable between a public or private cloud, or on premises.

But it is the underlying platform that supports these different environments and so, just like a vendor that offers only a multi-tenant solution, Acumatica maintains a single line of application code. The application itself is entirely platform agnostic and moving it from one environment to another (e.g. from on-premise to cloud) is as simple as doing a backup and restore.

The combination of its microservices architecture, multi-tenancy and the ability to tailor/personalize or even add new features with low code or no code, speeds the development process significantly. In the words of CEO Jon Roskill, "We have to pause sometimes and marvel at the pace of innovation consistently delivered by our product team. Acumatica customers and partners keep clamoring for more and they get it, twice a year, with real quality."

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Apart from the partnerships noted above, virtually every module within the suite that makes up Acumatica ERP was enhanced in some way, along with the platform itself, in the first release of the year. That release is called 2020 R1 and here are just a few of the highlights:

### USABILITY

Acumatica 2020 R1 strives to improve navigation, business intelligence, and import processing. This is a collection of seemingly "little things" that make a huge difference in the day-to-day use of Acumatica, plugging typical leaks in productivity.

- Dashboards: Unlike many other dashboards on the market, all tiles on Acumatica dashboards refresh in real time. While this improves real-time visibility (without constantly hitting the "refresh" button), it can also be a hit to performance. So now users can determine how often each tile refreshes. Indeed, some may be displaying data that is constantly changing. But how often do orders come in? Perhaps a weekly refresh is perfectly suitable. You can decide which are always

refreshed and which can be refreshed daily or even once a week (or on demand).

- Upload to Acumatica directly from mobile devices: How often have you taken a photo or received an image or document via text message and wanted to attach it to a customer, order, service call or product? Now you can grab that file and upload it directly to Acumatica.

- Make your smart phone even smarter: And if that photo is of an expense receipt, the upload now uses artificial intelligence (AI) and machine learning (ML) to record your expense while also automatically dating and classifying it. And it might even know which account (or customer) to charge based on your schedule. If it does, you can use your phone to record travel and breaks right in Acumatica.

- Side panels during data entry: Introduced last year, side panels are a very cool way to get information without leaving the screen you are on. Side panels are now available from data entry screens too.

- Streamlining workflows: Taking advantage of a newly created workflow engine, as you progress through the workflow, the next step pops up in a ribbon at the top of your screen (e.g. add a lead, open, qualify, accept, convert to opportunity, create quote).

- Simplified reporting: Improved performance via dashboard caching and pivot table percentage calculations and distinct counts

We could go on, but hopefully you are starting to get the picture: Seemingly small changes that have a huge impact on worker productivity.

### WAREHOUSE WAVE AND BATCH PICKING

Any ERP that supports manufacturing and/or distribution usually does a pretty good job of managing inventory. But managing the activities in a warehouse often falls outside the scope of ERP and requires a best of breed Warehouse Management Solution (WMS). But Acumatica now takes picking inventory to a higher level.

In the past, each order would be picked individually, oftentimes sending the material handler crisscrossing a (potentially huge) warehouse and negatively impacting efficiency and productivity. Now 2020 R1 supports new picking strategies: single pick, wave pick, or batch pick.

Of course you can still pick each order individually (single pick), but you can also create a wave or a batch to pick items from multiple orders, and be guided through the warehouse as you place them on a cart and bring them back to a central location to sort and pack. Material handlers are directed through the warehouse through a mobile device.

### MATRIX INVENTORY

Matrix inventory allows you to better manage products with various attributes like color, size and style. Each product is defined by a combination of

attributes, which are combined to identify a unique product with its own price and inventory.

### ACUMATICA PAYROLL

While many smaller (and even larger) companies today subscribe to payroll services such as ADP, Paychx, or QuickBook Payroll from Intuit, the announcement of the new Acumatica Payroll module at the Acumatica Summit 2020 was met with a rousing round of applause. There is apparently a great desire amongst the Acumatica community to bring payroll in house in order to minimize overhead expenses, speed paycheck delivery, reduce mistakes, and eliminate interface complexity. It was developed specifically to support the construction industry, which requires very specialized functionality, but is suitable and available for general purpose across all the different industry editions. Beyond the typical support for salaried and hourly workers, integrated taxes and tax forms, deductions and benefits, it can also handle certified wages, union wages, timecard integration with overtime rules, and flexible payroll periods.

### OTHER FEATURES

Some of the other new features supported by 2020 R1 include:

- International depreciation enhancements
- Improved project management tools, including simplified project balance reconciliation, daily field reports with photo logs and weather tracking, payments and retainage by line item in accounts receivable
- The ability to track production and costs through automated shop floor data collection
- New advanced planning features, including capable-to-promise and what-if scenarios

In addition, Acumatica is always looking for ways to bring other advanced, digital technologies to its community in practical ways. It was the first ERP vendor to integrate its solution with Alexa. Today it is also prototyping and exploring the use of other advanced technologies including AI and ML for image recognition, weather tracking with ClimaCell Service and language translation, as well as leveraging data from the Internet of Things (IoT) and powering robots and other forms of automation.

The possibilities for applying these technologies are endless, but Mint Jutras research finds on average, less than a third of the participants in our 2019 Enterprise Solution Study perceive any one of these technologies add strong value. Another third is unsure of the value. They are essentially saying, "Show me." That is exactly what Acumatica set out to do on stage at its Summit through demonstrations that included both automation and guided robots.

## CONCLUSION

From this report, hopefully you can begin to understand how Acumatica is achieving the kind of growth many of its competitors only dream of. But does it matter to its customers and prospects? In short, yes. Continued rapid growth serves to strengthen a company that is already very healthy and strong. And strong, healthy companies are in a far better position to accelerate the value they can bring to their customers. The combination of its microservices architecture, multi-tenancy and the ability to tailor/personalize or even add new features with low code or no code, speeds the development process significantly.

Its partners have confidence in Acumatica and are also embracing these changes, and thus become a force multiplier. It's new owner, EQT Partners shares that confidence and is investing.

While other ERP vendors are still in transition to the cloud, Acumatica started there and remains a leader in bringing new innovative ways of doing business to a market that has stagnated for far too long.

***About the author:** Cindy Jutras is a widely recognized expert in analyzing the impact of enterprise applications on business performance. Utilizing over 45 years of corporate experience and specific expertise in manufacturing, supply chain, customer service and business performance management, Cindy has spent the past 14 years benchmarking the performance of software solutions in the context of the business benefits of technology. In 2011 Cindy founded Mint Jutras (www.mintjutras.com), specializing in analyzing and communicating the business value enterprise applications bring to the enterprise.*