



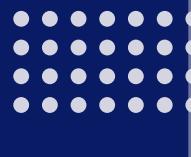
A large, abstract circular graphic is positioned on the left side of the page. It consists of several concentric rings and segments in various colors: yellow, blue, purple, and grey. The segments are cut out at different angles, creating a dynamic, pie-chart-like appearance. The entire graphic is set against a dark blue background.

Codat's guide to the accounting software market

July 2020



How is the accounting market changing and what does this mean?



Across the world there are certainly dominant players within the accounting software market. However the market is rapidly changing and expanding.

Key players are diversifying and fragmenting their offering to suit the ever changing needs of their key audience – the small business.

A long tail of other accounting packages has emerged, spurred on by a huge shift in demand from desktop based packages to cloud based services which has largely been attributed to changing consumer expectations and regulation that has driven accounting and tax online.

The expansion of cloud services has opened the door to more accessible and cost-saving software packages that include more automated features meaning that individuals with little to no accounting experience could navigate them.

The cloud also allows for more centralised data which freely flows through APIs and integrations across platforms leading to greater insights and analysis that can be vital for a small business to survive and flourish.

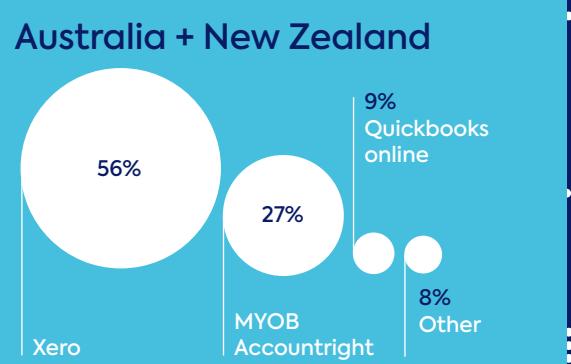
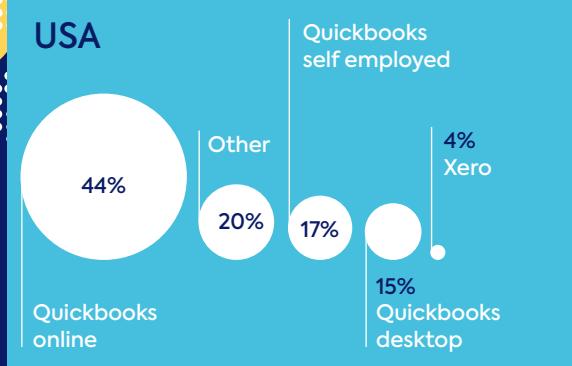
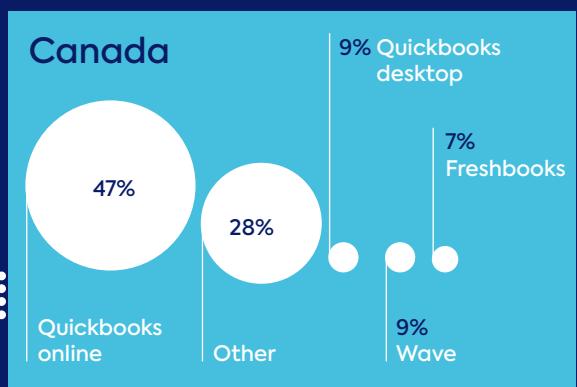
The accounting software market has transformed into a highly competitive, digitized and interconnected landscape which is largely driven with one customer in mind – the small business.



Accounting platforms by region

The companies with largest market share in accounting software include Intuit (Quickbooks), Xero, Sage, FreshBooks, Wave and MYOB.

However, various other companies operate in the market and are coming up with new technologies and offerings which are helping the market expand rapidly in terms of revenue and users.



How we gathered the data

Data on accounting software market share is not publicly available and difficult to gather, which is why we have written this report, entirely on a best efforts basis. We have used a combination of publicly announced numbers from annual reports, governmental statistics, press reports, public surveys and private surveys conducted by Codat in individual markets, private surveys conducted by Codat clients of their SME user bases, figures of businesses synchronising data through the Codat platform and other public and non-public data sources. The methodology of how these figures were reported may not be publicly available and therefore may not be possible to accurately combine or contrast. Based on the information available to us, we have provided our best estimate of the market share in the respective region. If you know of additional sources of data or believe that our estimates are incorrect, please do let us know – we intend to continue refining these figures and will update them as new information becomes available.

*All data has been provided on a best-efforts basis, however Codat cannot guarantee the accuracy or completeness of this information.

Codat accepts no liability which might arise from the content of this paper.

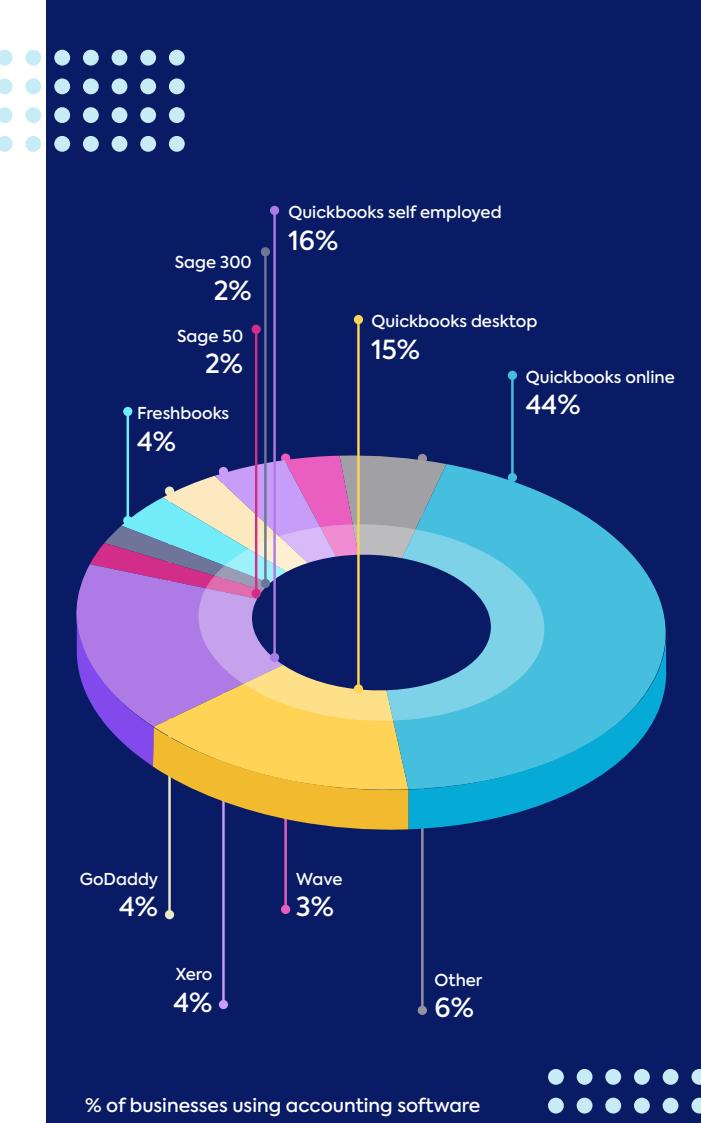
Spotlight USA

SMALL BUSINESSES

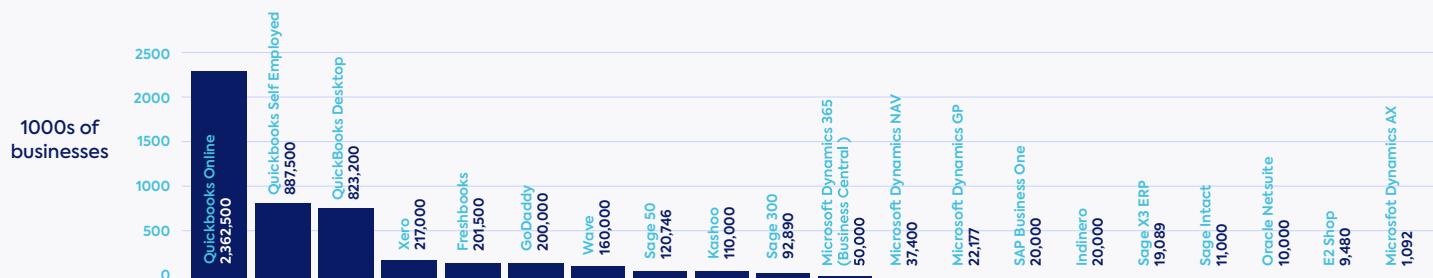
There are around 30.7 million small businesses in the United States making up over 99% of the total number of businesses in the region – 75.3% of which have 10 employees or fewer.

A fragmented Quickbooks offering

Quickbooks is the dominant player in the United States however their offering is highly fragmented with numerous different versions on offer. They are making strong progress at converting their desktop user base to their cloud offering, but, as is the case across the globe, it is typically the larger, more valuable clients which are more reluctant to make the switch.



OTHER PLAYERS IN THE REGION



Does the size of a business determine the package they use?

Micro Small Medium



Quickbooks Self Employed Quickbooks Online

Freshbooks Xero

Wave Sage 50

Quickbooks Desktop

Microsoft Dynamics

SAP

CODAT SUPPORTS

72%
of businesses currently supported

94%
of businesses supported by end of year

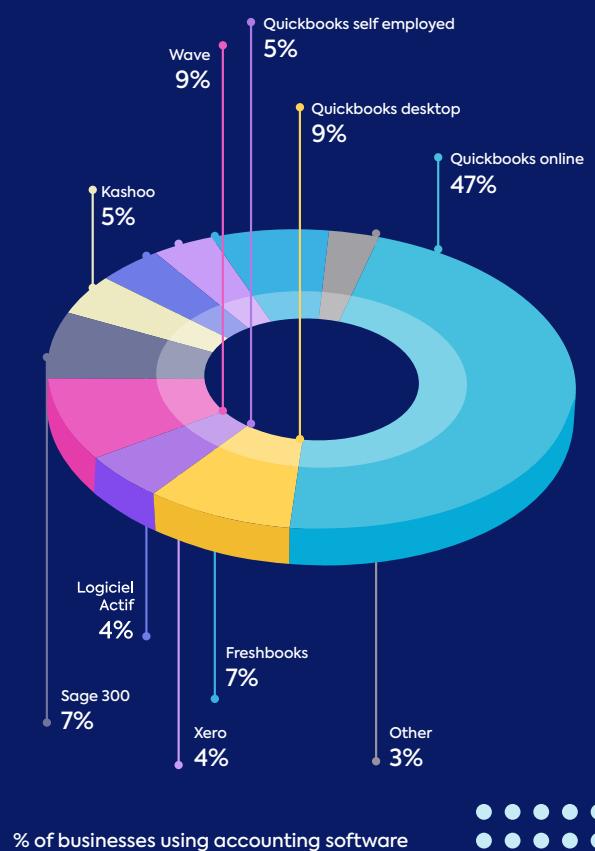
Spotlight Canada

SMALL BUSINESSES

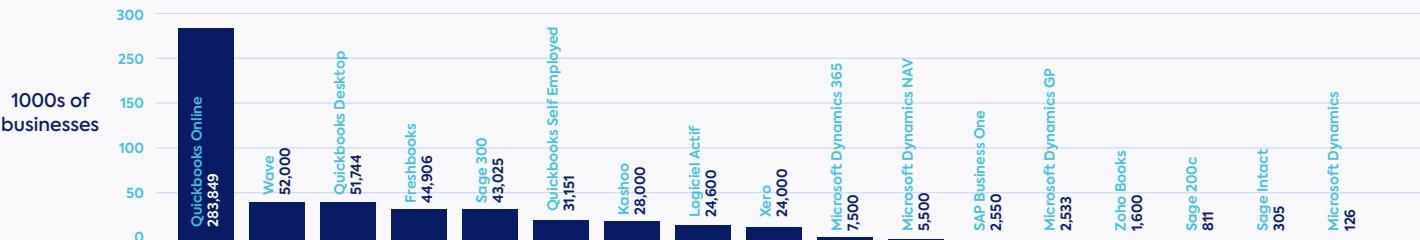
There are 1.15 million small businesses in Canada making up 97.9% of the total number of businesses in the region – 75% of which have 10 employees or fewer.

In-house accounting

In Canada, accounting practices are driving the adoption of cloud accounting. [82% of business owners regard their accountant as a trusted advisor and partner](#), and the steady adoption of cloud accounting software has allowed them to [expand the range of services from compliance](#) (tax returns, bookkeeping) to repeatable advisory services (budgeting, cash flow projection).



OTHER PLAYERS IN THE REGION



Does the size of a business determine the package they use?



CODAT SUPPORTS

76%
of businesses currently supported

94%
of businesses supported by end of year

Spotlight UK

SMALL BUSINESSES

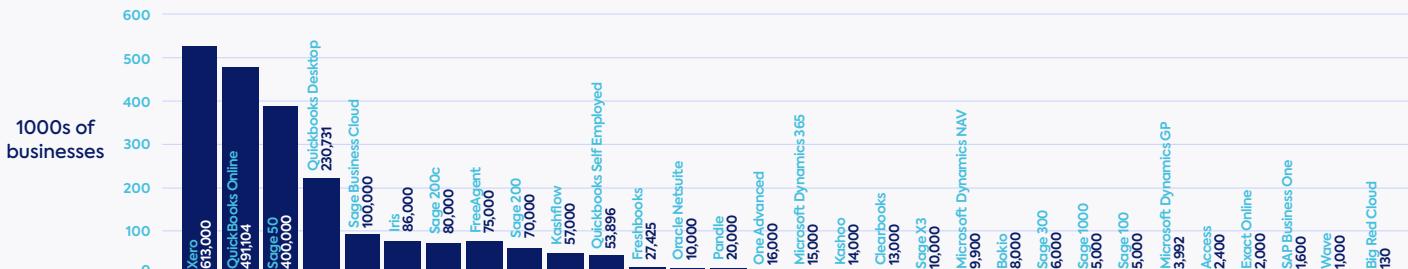
There are 5.9 million small businesses in the UK making up 99.9% of the total number of businesses in the region – 95% of which have 10 employees or fewer.

Making Tax Digital

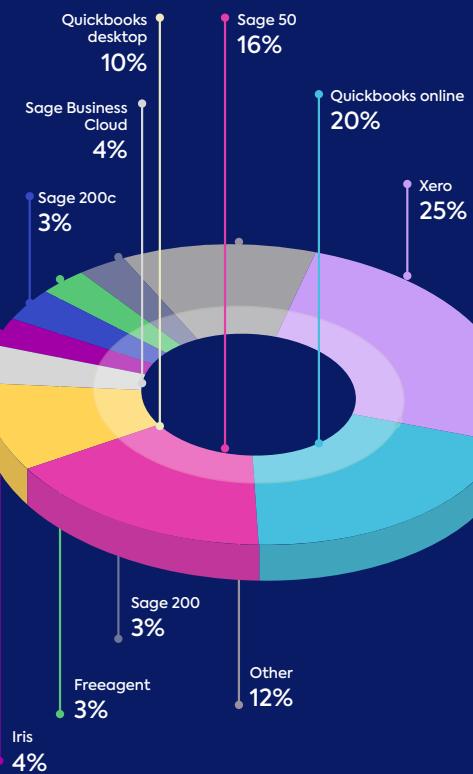
Making Tax Digital accelerated the development of the UK accounting software market allowing it to diversify with new and nimble cloud accounting packages.

This, in addition to the larger market players in the region's slower move to the cloud, provided an opportunity for well-funded players from other geographies to invest effectively in marketing their cloud products in the UK, leading to the most fragmented market of those selected.

OTHER PLAYERS IN THE REGION



Does the size of a business determine the package they use?



% of businesses using accounting software

CODAT SUPPORTS

83%
of businesses currently supported

91%
of businesses supported by end of year

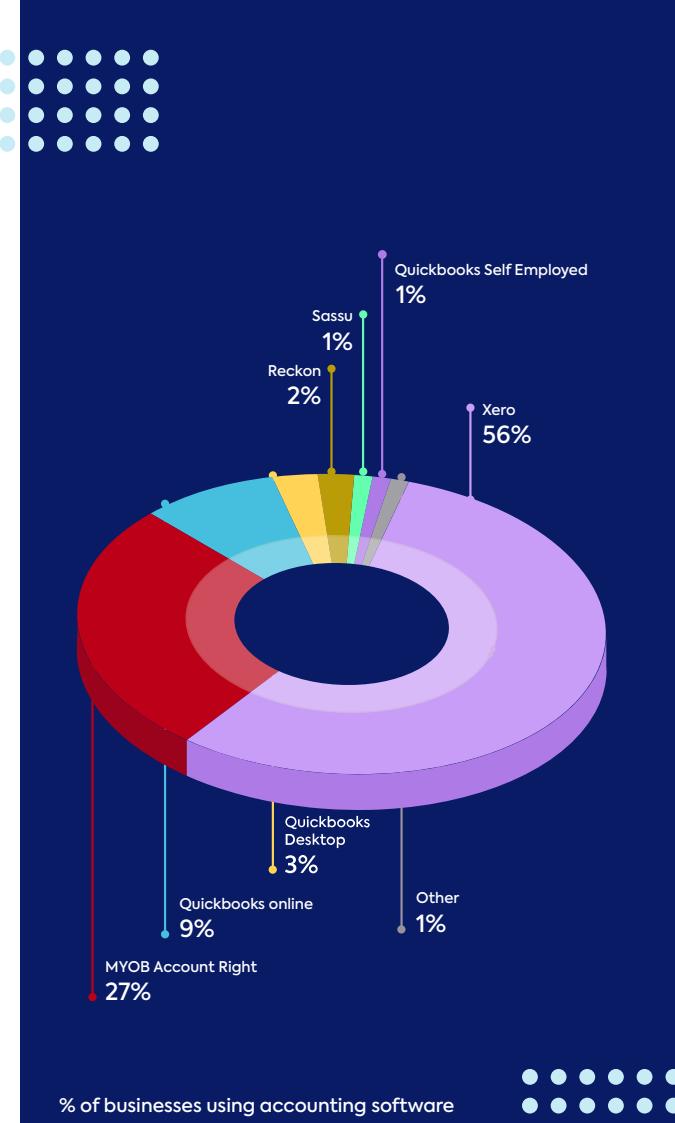
Spotlight Australia and New Zealand

SMALL BUSINESSES

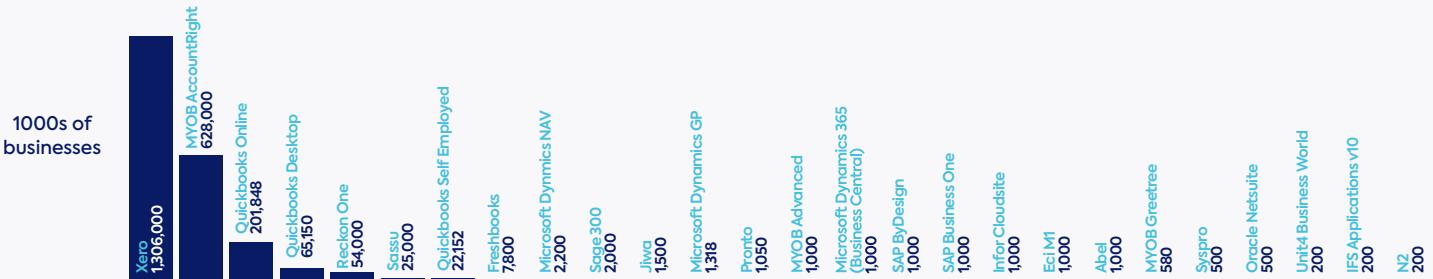
There are 2.9 million small businesses in Australia & New Zealand making up 93.8% of the total number of businesses in the region – 76.2% of which have 10 employees or fewer.

The rise of Enterprise Cloud Platforms

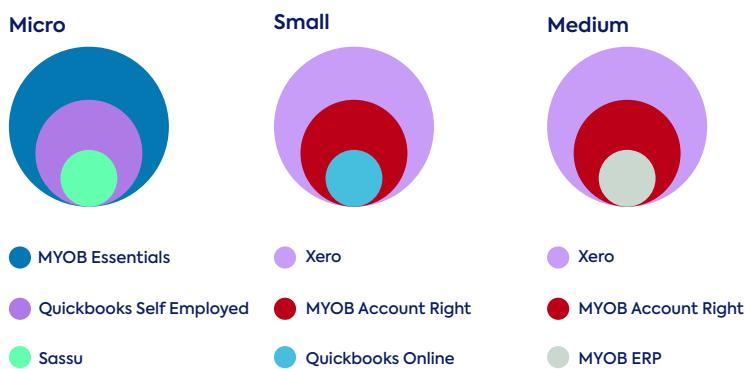
Where MYOB previously dominated in the region, the recent years have shown an upsurge in other software packages such as Xero and Quickbooks. The ANZ market has seen the quickest move to cloud packages anywhere in the world, primarily due to the success of Xero over the last ten years.



OTHER PLAYERS IN THE REGION



Does the size of a business determine the package they use?



CODAT SUPPORTS

97%
of businesses currently supported

98%
of businesses supported by end of year

The future of accounting

With technology automating almost every aspect of accounting what does the future hold for accounting software?

The central impetus behind the change in the accounting software market over the last decade has been the move to cloud. This opportunity for new entrants has resulted in a fragmented market.

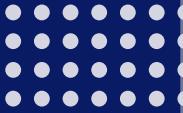
Now that the path is set, with even mid-size businesses expected to mostly convert to cloud packages in the next decade or so – what does that mean for the market and where will the most forward-looking accountants and businesses look next?

Accounting packages are now the central financial operating system of an SME. We're seeing increasing demand for interoperability with other financial products which is concrete proof of this fact – from the rise of government mandated e-invoicing in South American countries to Making Tax Digital in the UK. Even the smallest businesses are moving onto accounting packages as cloud reduces the barriers to entry and legislation mandates their use.

Not only are platforms growing in number but they are also expanding to become marketplaces for financial and business advisory services, with vast and increasing app ecosystems which allow small businesses to plug in the other products that they use to run their business. From accounts payable to cashflow forecasting to audits to the administration of loans, the manual data entry work which has constituted the majority of accountants' work is being slowly automated through integrations.

Therefore accountants will increasingly move into becoming advisors. For the accounting software providers, those who provide the largest set of integrated products and services, from payments to insurance, will see the greatest gains in market share over the next few years. The pace of change will only accelerate.



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Thank you

If you have any questions
about Codat please do
contact us or visit our website

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