



Bob Scott's

Insights

Spring 2016



Top 100 VARs 2016

*A New Direction:
But So Many Choices*

Sponsored by



Top 100 VARs 2016

A New Direction But So Many Choices

From the late 1980s on, the mid-market accounting software market operated in what became a standard pattern. Companies sold core accounting modules and provided support and usually some customizations. There was little variety in how they operated.

That model has fallen apart over the last few years as the Internet made large channels irrelevant by increasing the reach of resellers. Software has gotten more complicated; subscription pricing is racing through the market, replacing the license sale model. Resellers face the long predicted need to develop their own intellectual property as the software publishers crowd into what was once their market. And of course, there is the cloud.

“The market this year in terms of channel players is really in a transformative state,” says Robert Lane, CEO of East Greenwich, R.I., based Copley Consulting, an Infor reseller. “Software as a whole has become a commodity buy to a large extent, the differentiators are the expertise in that nuanced version of it in the market your prospects may be in.”

Then there is always the pressure on small dealers to remain competitive as software becomes more complex and larger competitors more powerful. Many small firms have sought shelter under the Microsoft Master VAR program, or by joining the Net@Work Partner Network or more quietly signing up with DSD Business Systems.

But whatever the factors, many firms in this year’s Top 100 list showed strong revenue growth, registering increases that have not been seen for some time.

Among the big percentage revenue gainers is the Edison, N.J.-based SBS Group, which reported \$40 million with this year’s Top 100 submission, up 17.8 percent from



Robert Lane,
Copley Consulting
Group

\$34 million listed in last year’s entry. A Dynamics Master VAR, SBS sells Acumatica and Dynamics AX, GP, NAV and SL, and the relatively new cloud-based Unanet.

Asked about the source of the growth, co-CEO Jim Bowman said, “It’s coming from a number of things: growth in the Master VAR program, organic growth in our traditional business and a couple of acquisitions last year. All cylinders are firing here!”

Socius, another Master VAR, also rang up strong numbers over the last year—\$29 million for the 2016 list, an increase of 60.2 percent from \$18.1 million for the 2015 selection. A significant part of that came from last year’s purchase of the Dynamic GP business of I.B.I.S., which had been an important player in the GP market.

“In addition, we have been strategically growing our Microsoft Dynamics AX practice by providing an agile implementation approach that better suits the needs of midmarket companies,” a spokesperson says. Socius saw growth across all practice lines, especially in its Cloud Services practice with sales to new clients and with on-premise clients, along with the Analytics practice with the firm providing pre-configured dashboards leveraging Power BI for a variety of business roles.

Then there is the classic growth by acquisition and the last 18 months, M&A has touched the Top 100 as never before, with larger VARs on last year’s list buying smaller ones on the list and by firms of all sizes that are diversifying through the purchase of resellers that handle applications other than financial ones.

Since early last year, the following firms that were on the Top 100 for 2015 have been purchased with the



Jim Bowman,
SBS Group

continued on page 11

NETSUITE IS #1 IN CLOUD ERP



10,000+
LIVE CUSTOMERS

20x more live deployments than the next two enterprise software competitors combined.

More than 24,000 organizations worldwide run NetSuite's cloud-based business software. They're getting powerful financials, CRM, ecommerce and more, built for today's business. That means real-time insight into business performance and streamlined processes, so they grow more efficiently. When your client's business software is in the NetSuite cloud, a Solution Provider's role is strategic. With NetSuite, they've eliminated the headaches of hardware and software maintenance, so they can focus on running their business, not their IT. You can now assist your clients by delivering more valuable consultative services, thinking strategically about their business, helping them make better informed decisions to grow, while building a recurring revenue stream with your Cloud ERP practice. Don't you want to be a part of that? Learn more about the NetSuite Solution Provider Partner Program, email us at solutionproviders@netsuite.com.

BSI's TOP 100 VARs

	Company	Revenue (\$MM)	Staff	Product Line
1	RSM , Chicago, Ill.	174	428	Dynamics AX/GP/ NAV/SL, NetSuite
2	Tribridge , Tampa, Fla.	140	750	Dynamics AX/GP/NAV/SL, NetSuite
3	UXC Eclipse , New York, N.Y.	137 ^E	400	Dynamics AX/GP/NAV
4	Edgewater Technology , Wakefield, Mass.	116.7	501	Dynamics AX
5	Crowe Horwath , Chicago, Ill.	82.1	393	Dynamics AX, GP
6	Armanino , San Ramon, Calif.	69	235	Dynamics AX/GP, Intacct
7	Professional Advantage , Fargo, N.D.	50	259	Dynamics AX/GP, Infor SunSystems
7	Alfapeople , Denmark	50	500	Dynamics AX
9	Sikich , Naperville, Ill.	48	220	Dynamics AX/GP/NAV/SL, NetSuite
10	Columbus (North America)* , Copenhagen, Denmark	43 ^E	NA	Dynamics AX/NAV
11	Net@Work , New York, N.Y.	40.8	175	Abila, NetSuite, Sage 100/300/500, X3
12	SBS Group , Edison, N.J.	40.4	145	Acumatica, Dynamics AX/GP/NAV/SL, Unanet
13	mcaConnect , Denver, Colo.	40	150	Dynamics AX
14	Interdyn Business MicroVar , Roseville, Minn.	38.5	175	Dynamics AX/GP, iMis, Intacct, Open Systems, Traverse
15	Western Computer , Oxnard, Calif.	35	160	Dynamics AX/NAV
16	Vision33 , Irvine, Calif.	34.76	149	Business One, Business One HANA
17	Wipfli , Milwaukee, Wis.	33.95	267	Dynamics AX/GP/SL, Intacct, NetSuite
18	Sunrise Technologies , Winston-Salem, N.C.	33.6	150	Dynamics AX
19	ADSS Global , Miami, Fla.	29.75	148	Sage 100/300
20	Socius , Dublin, Ohio	29	130	Dynamics AX/GP/NAV/SL, NetSuite, Sage 100/500, Syspro
21	SWK Technologies , Livingston, N.J.	28	160	Acumatica, NetSuite, Sage 50/100, X3
22	BDO Solutions , Toronto, Ontario	27.8 ^T	215	Dynamics AX/GP/NAV, Pronto
23	Blytheco , Laguna Hills, Calif.	27	110	NetSuite, Sage 100/500, X3
24	CliftonLarsonAllen , Milwaukee, Wis.	25	80	Intacct
25	BAASS Business Solutions , Thornhill, Ontario	24.1	125	Deltek Vision, Intacct, NetSuite, Sage 300, X3



Lucy suffers from *MSTS*. (*Manual Sales Tax Syndrome*)

Manual Sales Tax Syndrome (MSTS) is treatable.
Ask your accountant about AvaTax today.

Find out if Avalara AvaTax™ is right for you:

▶ www.avlr.co/bsi

▶ 855-831-2889

WARNING:

Some side effects of AvaTax implementation are common and well documented. These include, but are not limited to: greater sense of ease and well-being, significantly reduced risk of penalties and interest in the event of an audit, greater focus on profit-making activities, more free time to enjoy the things you love — including family and friends. If you experience any of these very common side effects, contact your accountant immediately.

Avalara

Making sales tax less taxing

Bob Scott's
TOP 100 VARs *continued*

Company	Revenue (\$MM)	Employees	Financial Software
26 Enavate Holdings , Englewood, Colo.	24	180	Dynamics AX
27 Clients First Business Solutions , Holmdel, N.J.	22.5	94	Acumatica, Dynamics AX/NAV, NAV-X, Epicor, SAP B1
28 Rand Group , Houston, Texas	22.1	87	Dynamics AX/GP/NAV
29 Aktion Associates , Maumee, Ohio	22	110	Acumatica, Infor Distribution SX.e/ A+/FACTS, Intacct, Deltek Vision, Sage 100 Contractor/300 CRE, Sage Construction Anywhere; ThinSoft
30 NexTec Group , Seattle, Wash.	21	100	Acumatica, Dynamics GP/SL, Sage 500, X3
31 AKA Enterprise Solutions , New York, N.Y.	20	75	Dynamics AX/GP
31 Archerpoint , Atlanta, Ga.	20	94	Dynamics NAV
33 BKD Technologies , Springfield, Mo.	19.3	54	Dynamics AX/GP, Intacct Sage 100/500, X3
34 Eide Bailly , Fargo, N.D.	17.7	125	NetSuite Sage 100/500
35 Broadpoint Technologies , Bethesda, Md.	17.2	85	Dynamics AX/GP/SL, iMis
36 Central Consulting Group , Minneapolis, Minn.	14	40	Deltek Vision, Intacct
36 Guide Technologies , Cincinnati, Ohio	14	45	Infor Cloud Suite Industrial, XA
38 Collins Computing , Mission Viejo, Calif.	13.7 ^E	38	Acumatica, Dynamics AX/GP
39 Navigator Business Solutions , Salt Lake City, Utah	13.4	70	SAP Anywhere, B1, ByD, B1 Cloud
40 Cargas Systems , Lancaster, Pa.	13.24	90	Dynamics GP, Intacct
41 Encore Business Solutions , Winnipeg, Manitoba	12.8 ^T	79	Dynamics AX/GP/NAV
42 SIS , Duluth, Ga.	12.6	53	Dynamics AX/SL
43 Logan Consulting , Chicago, Ill.	12.5	40	Acumatica, Dynamics AX/GP, QAD
44 LBMC Technology Solutions , Nashville, Tenn.	12.4	50	Dynamics GP/SL, Intacct
45 RKL eSolutions , Lancaster, Pa.	12.3	72	JobOps, Sage 100/300/500, Sage X3
46 Crestwood Associates , Mount Prospect, Ill.	12.2	61	Acumatica, Dynamics GP/SL, Greentree, Unanet
48 SGS Dynamics , Glendale, Calif.	12.1 ^E	60	Dynamics NAV
49 Stoneridge Software , Barnesville, Minn.	11.4	63	Dynamics AX/NAV
49 Warren Averett Tech Group/Kianoff , Birmingham, Ala.	10.9	55	Deltek Vision, Dynamics GP, Intacct, Sage 100/500
50 Accordant , Morristown, N.J.	10.2	30	Sage 100 Contractor, 300 CRE



Your Business Accelerated

Cloud accounting software that grows with your needs



- **Deployment flexibility:** Acumatica in a private or public cloud, the choice is yours
- **Mobile:** users instantly up-and-running on a fully mobile solution
- **High value:** unlimited users with no increased expense

There is only one true Cloud ERP platform designed for mid-sized customers –Acumatica

www.acumatica.com/why-acumatica-cloud-erp/

Bob Scott's
TOP 100 VARs *continued*

Company	Revenue (\$MM)	Employees	Financial Software
51 Merit Solutions , Wheaton, Ill.	10	60	Dynamics AX
52 Demand Solutions Group , Los Gatos, Calif.	9.99	50	NetSuite
53 DSD Business Systems , San Diego, Calif.	9.93	78	Acumatica, Sage 100/300/500
54 Microaccounting/xkzero , Dallas, Chicago, Texas, Illinois	9.65	43	Acumatica, Intacct, Sage 100/500, X3
55 Stambaugh Ness Business Solutions , York, Pa.	9.6	25	Deltek GCS/Vision
56 TM Group , Farmington Hills, Mich.	9.3	45	Dynamics GP/NAV/SL, NetSuite
57 Copley Consulting Group , East Greenwich, R.I.	9	45	Infor Cloud Suite Industrial (SyteLine)
58 Godlan , Clinton Township, Mich.	8.68	49	Infor Cloud Suite Industrial (SyteLine)
59 Explore Consulting , Bellevue, Wash.	8.2 ^E	57	NetSuite
60 Turnkey Technologies , St. Louis, Mo.	8	45	Dynamics AX/GP
61 Mibar.net , New York, N.Y.	7.9	28	AccountMate, Dynamics GP, NetSuite
62 Innovia Consulting , Waupaca, Wis.	7.87	50	Dynamics NAV
63 White Owl Solutions , Miami, Fla.	7.7	65	Blackbaud Financial Edge, Dynamics GP/AX, Intacct
64 BCS Prosoft , San Antonio, Texas	7.55	36	Deltek Vision, NetSuite, Sage 100/500
65 EpiCenter , Westfield, Mass	7.23 ^E	65	Epicor
66 Computata , Philadelphia, Pa.	7.2	31	Epicor, Intacct, Sage 100/500
67 Guru Solutions (formerly ERP Guru) , Montreal, Quebec	7.1 ^T	85	NetSuite
68 e2b Technologies , Chardon, Ohio	6.84	46	Epicor, Epicor Express; Sage 100/500, X3
69 Arxis Technology , Simi Valley, Calif.	6.75	29	Intacct, Sage 100/300/500
70 Third Wave Business Systems , Wayne, N.J.	6.6	37	Dynamics GP, SAP B1, B1 Cloud
71 Raffa , Washington, D.C.	6.5	28	Dynamics GP/SL, Intacct
71 Kerr Consulting & Support , The Woodlands, Texas	6.5	38	Abila, Cyma, Sage 300, X3
71 WAC Solution Partners , Northborough, Mass.	6.5	40	Abila, Acumatica, NetSuite, QBES, Sage 50/100/300 ERP, Live, X3
74 Technology Management Concepts , El Segundo, Calif.	6.4	26	Dynamics GP/NAV/SL
75 AccountNet , New York, N.Y.	6.3	22	Dynamics GP/SL
76 Queue Associates , New York, N.Y.	6.2	50	Dynamics AX/GP/SL

Innovation is our oxygen.

We're the makers of tomorrow. Fanatical about making businesses more efficient and agile. Obsessed with improving our cloud ERP software. Why? Because it's who we are. Because innovation is the air we breathe. Join us and discover how Intacct is making ERP exciting again for VARs.



Partners are our engine.

Partnership is essential to our growth strategy. And that strategy is working. Growth is fast. Momentum is unstoppable. Just ask our partners, who are quickly climbing the ranks of the Top 100 VARs. Better yet, join them. This is your invitation. We're looking for the best of the best as we build the industry's most admired partner network.

Join the channel network of now. Partner with Intacct.

Talk soon. Partnership@intacct.com

Bob Scott's TOP 100 VARs *continued*

	Company	Revenue (\$MM)	Employees	Financial Software
77	SSI Consulting, Vienna, Va.	6	22	Dynamics GP/SL, Intacct, Unanet
77	Intellitec Solutions, Wilmington, Del.	6	28	Dynamics GP/SL, Intacct
77	Synergy Business Solutions, Portland, Ore.	6	31	Dynamics SL, Intacct
77	Cre8tive Technology & Design, San Diego, Calif.	6	60	Epicor
81	Resource Group, Renton, Wash.	5.94	26	Dynamics GP, Intacct
82	Acct Two Shared Services, Houston, Texas	5.6	45	Intacct
83	CAL Business Solutions, Harwinton, Conn.	5.4	29	Dynamics GP
83	Brainsell Technologies, Topsfield, Mass.	5.4	50	NetSuite; QuickBooks, Sage 50/100/300/500, X3, 100c/300c
85	Boyer & Associates, Minneapolis, Minn.	5.25	21	Dynamics GP/NAV/SL, Serenic Navigator
86	ISM, Portland, Ore.	5.2	28	Acumatica, Sage 100, X3
87	Interdyn Artis, Charlotte, N.C.	5.1	22	Dynamics GP, Intacct
87	DWD Technology Group, Fort Wayne, Ind.	5.1	25	Abila MIP, BusinessWorks, Sage 50/100
87	JMT Consulting Group, Patterson, N.Y.	5.1	30	Abila, Intacct
90	Sererra Consulting Group, Irvine, Calif.	5	25	Intacct, NetSuite
90	TrueCloud, Tempe, Ariz.	5	32	NetSuite
90	Central Data, Farmington Hills, Mich.	5	35	Acumatica, Infor Distribution sx.3
93	AVF Consulting, Baltimore, Md.	4.9	14	Dynamics NAV, Serenic Navigator
93	Faye Business Systems Group, Woodland Hills, Calif.	4.9	23	NetSuite, Sage 100
95	Aim Solutions, Dallas, Texas	4.75	16	Acumatica, Dynamics GP/SL
96	Big Bang ERP, Montreal, Quebec	4.58 ^T	60	FinancialForce, NetSuite
97	NexVue, Stamford, Conn.	4.5	15	Acumatica, Dynamics SL
97	Martin & Associates, Cincinnati, Ohio	4.5	22	Acumatica, Dynamics GP, Sage 100/500
97	Cornerstone Consulting, Clearwater, Fla.	4.5	25	Sap Business One
100	Six S Partners, Waterloo, Ontario	4.34 ^T	32	Epicor

NOTES: E, estimate by Bob Scott's Insights. Some estimates were based on revenue ranges provided by the copy; others on typical industry sales per employee.
No. T, translated from Canadian dollars.

*Revenue for Columbus North America reflect estimates of operations on this continent, minus revenue from Interdyn BMI

continued from page 2

acquiring company listed next: UXC, the parent of No. 4, UXC Eclipse, by CSC; No. 16, Interdyn BMI, by Columbus; No. 23, Ignify, by Hitachi Solutions; No. 26, I.B.I.S., by Sonata Software; No. 53, BCG Systems, by Sikich; No. 58, Altico Advisors, by Sikich; No. 90, Brittenford Systems, by Wipfli. In fact, the purchases of Interdyn MBI and I.B.I.S. bought a change of ownership to two of the most highly regarded American Dynamics resellers.



Alex Solomon,
Net@Work

There is also a new accounting firm unit making the list—the Warren Averrett Technology Group, which acquired Dynamics and Sage reseller Kianoff of Birmingham, Ala., in July.

There were realignments, including I.B.I.S.’ sale of the Dynamics GP business to Socius. RKL eSolutions, which has been picking up Sage business for other VARs for the last few years, acquired AccuVar and Baesis, both for their Sage practices but not for the other applications the two firms also carried.

Then, there were the CRM deals. RSM (formerly McGladrey) took over Junction Solutions and Edgewater Technology purchased Zero2Ten. And Edgewater itself fought off a hostile takeover by Ameri Holdings, but instead survived to buy Oracle partner M2 Dynamics.

A very different kind of deal was the acquisition of HR specialist Dresser & Associates by New York City-based Net@Work, which has spent more time buying accounting software resellers and one CRM VAR over the last few years. Co-CEO Alex Solomon says the recent deal illustrates the need to change that many resellers need to face.

“It’s no longer sufficient to focus on any stand-alone solution. It’s all about integration these days,” says Solomon. He notes that the company had expanded from traditional ERP and then CRM before “We finally became an HR shop.”

The deal was needed by Dresser, which had 600 HR customers, because, “They [the Dresser customers] were starting to ask for other things,” Solomon says. One the flip side, the deal provided Net@Work the ability to sell its products into the Dresser installed base.

Specialization

There is nothing new in the theme that resellers need to specialize to avoid competing on price with over firms that sell the same financial software package. That message was delivered repeatedly by Doug Burgum before he left Microsoft’s Dynamics business in August 2007.

But over the last year, more VARs are taking steps to move towards narrower lines of business than ever before. There have been a notable number of specialized products built on Dynamics AX introduced during the last few months, for example, the April 5 introduction of two Armanino applications for the new Dynamics AX7—Life Sciences Industries for Microsoft Dynamics AX

and Revenue Recognition Solution for Microsoft Dynamics AX. Denmark-based Columbus, a publicly held company, included reducing dependency on sales of software from other companies—read, Microsoft—and to build on its own software.

Also, more vendors have been preaching the need for specialization with Infor and NetSuite launching microvertical programs over the last two years as a strategic approach to providing resellers with high-margin product lines and much less competition.

Infor is further along in this effort and one of its early success stories is Copley Consulting, which has utilized the Infor Cloud Industrial Suite [Syte-Line] to develop a thriving medical device business.

The medical device specialty has brought the promise of significant revenue growth and “granted us a national presence,” CEO Robert Lane says. He predicts Copley’s revenue will reach \$13 million to \$16 million this year. That compares to \$9 million for 2015. The firm has also taken on Click Business Analytic Solutions. “We look at that one another real accelerator,” Lane continues.

Because of growth in the medical device market, Copley has opened an office in Atlanta, Ga., and plans to open another in the San Francisco Bay area later this year. That growth rests on a product line that requires a great deal of expertise and Lane says that previously none had been available. Among the required functions in this arena is the ability to ensure compliance with Food & Drug Administration regulations.

NetSuite’s microvertical program was announced slightly more than a year ago, which means it is still very new in terms of bringing products to market. “We are starting see the first go live,” says Craig West, VP of channel sales for the San Mateo, Calif.-based cloud software company. “We are managing these carefully and keeping a number of these under wraps to make sure they are successful.” He continues that there are probably a dozen firms that are in the process of building a program.

Microvertical participants are developing their programs in high-growth areas such as the pharmaceutical business. West says the other are of potential growth is in industries in which “ancient legacy systems are entrenched.”

Intactc also subscribes to the need for its channel members to specialize. “We believe in the vertical message” says Taylor Macdonald, VP of channels for the San Jose, Calif.-based cloud vendor.

Whatever the focus of its resellers, Intactc believes that the key to their success is devoting resources to focus on the cloud-based products. Macdonald says his company also emphasized doing more to develop the capabilities of its VARs. “We made a commitment to having full-time people doing partner enablement, so we went and invested in resources to hire a third person to do full-time partner enablement,” Macdonald says. Those duties include assistance with onboarding,

marketing sales training and product training.

Macdonald believes that the move to the cloud is affecting the value of the businesses that continue to sell only on-premise products. “For 90 percent of the partners, their legacy practice is worth less than it was two years ago. The other piece that goes with is that a cloud-based business is more bankable; it’s more salable.” The standard explanation is that revenue from on-premise sales is less predictable because it come in a lump while cloud sales are primarily via subscription and that income can be predicted

There have been several resellers making that switch. In 2014, long-time reseller Linda Rose sold her Rose Business Solutions to accounting firm Armanino so she could concentrate on the hosting business via RoseASP. Last fall, CliftonLarsonAllen sold its Sage practice to Net@Work to concentrate on Intacct.



Craig West,
Avalara

Channel Recruitment

No matter the direction of the market, the use of resellers remain a popular way of bringing software products to market. In fact, two vendors, Epicor and Blackbaud, are developing new channel programs. Both companies have had channel programs: Epicor has had different levels of activity in reseller programs over the years. Blackbaud abandoned its effort several years ago, but is now back in the market.

Epicor hit the channel theme hard during its recent Insights user conference. “We are a partner-friendly company,” says Craig McCollum, the EVP for the Americas who runs the company on a day-to-day basis.

The software vendor has revamped its leadership with Matt Bauer, who led the channel effort for four years before leaving the company in January, and John Matterson, Epicor’s senior director of channels taking over those duties as Epicor has expanded the program.

The company has decided to go channel-only in Canada and Latin America, but the United States will remain a hybrid model, although the reliance on resellers is expected to grow here substantially. For a company that has had a direct sales focus for several years, there is a need to set up ground rules for the way that the sales force and the channel interface. “We are trying to establish very specific scenarios in which we go direct. There will always be some component of that,” McCollum said.

At the Epicor conference, Matterson said that worldwide Epicor has about 100 sales and services partners with “45 selling something” and about 30 of those in the United States. “The top 10 are selling most of the business,” Matterson said. Asked how big the channel should be in this country, he replied that the 30-level “is about right”. Epicor will not begin actively recruiting until October’s expected roll out of a new channel program, but it is willing to

continued on page 12

continued from page 11

talk to these channel members who reach out to it.

Blackbaud has had less to say about the details of its channel. During the earnings webcast for the first quarter ended March 31, Blackbaud CEO Mike Gianoni said, "We are signing up new VARs at a pretty decent clip." However, he also noted the channel did not yet produce significant revenue. Despite Gianoni's enthusiasm, the Charleston, S.C.-based nonprofit software vendor has not announced the names of any VARs it has signed. Among the ranked firms in this year's ranking, only one, White Owl Solutions, listed Blackbaud's Financial Edge as part of its product line.

During the call, Gianoni emphasized the company plans to approach resellers differently than when it had a channel that it disbanded several years ago. He said the prior program did not represent a win-win for the company and its channel, but the new one will.

The Cloud

The move to cloud-based applications has been a major topic of discussion for the last few years. Numbers reported by several resellers that made the Top 100 list in both 2015 and 2016 suggest that sales of cloud software have begun to accelerate.

Whatever the percentage of prospects resellers say are requesting cloud products, the level is invariably higher than would have occurred two years ago. John Preiditsch, owner Six S Partners, says his firm has been selling cloud products for five years and has seen a significant increase. The Waterloo, Ontario-based Epicor reseller is seeing about 40 percent of prospects asking for cloud products.



Craig McCollum,
Epicor

"How many buy it [cloud] is closer to sub 30 percent," says Preiditsch. "They go through their own analysis." And as to whether a prospect buys a cloud or on-premise products, "If a prospect has an IT staff, it depends on who wins that battle," he says.

However, despite that cloud penetration remains low. Market research suggests about 10 percent of companies are running their businesses in the cloud. But that is likely to change quickly, says Jon Roskill, CEO of Acumatica. "I think we are on the cusp of a real acceleration," he says. Roskill says his company grew 100 percent year to year.

And Acumatica's experience is being fueled by resellers that are moving an increasing volume of cloud applications. "We just had a really strong Q1 on the VAR side of our business," Roskill continues.

Businesses, including resellers, needed to become comfortable with Internet-based products. That was accomplished through use of cloud email and use of other business products. One factor in succeeding in selling cloud products is the same most sellers report is necessary to succeed with any product—devoting the time and resources needed

to have success.

For AcctTwo Shared Services, which moved quickly into the Top 100 after beginning business in 2012, it was a matter of making the commitment in resources for selling the cloud-based Intacct line. "We have been committed to the Intacct product since Day 1," says Marcus Wagner, CEO of AcctTwo, an Intacct reseller. "We just invested heavily in our sales and marketing engine." And more importantly was investing the company's more than 20 implementation consultants. "There is nobody that knows more about Intacct than that team," Wagner says.

The effort has paid off in 40 percent year-over-year growth for the Houston, Texas-based organization. Wagner says AcctTwo is on pace to hit about \$8 million this year. It did not make the Top 100 until 2014 when it hit the chart with \$4 million in revenue. This year, it made the list with \$5.6 million

Roskill cites Salesforce.com as having played an important role in that process in making business more comfortable with Internet-based products, and so does Angela Nadeau, owner of Philadelphia, Pa.-based CompuData, which handles Intacct, along with Epicor and Sage 100 and 500. "Salesforce.com has helped that tremendously and that has helped CompuData with its Intacct business," Nadeau says.

She also believes Salesforce.com helped with the growing acceptance of the best-of-breed model through its specialization in CRM software and its willingness to work with software publishers that produce other products.

The debate over whether to buy a single product that performs a wide variety of functions or buy one software package that covers a specific area, and buy other applications that will work with it—best-of-breed—has been around for many years. From the earliest days, Dynamics GP, when it was Great Plains, emphasized having users purchase other software products to fill out functionality.

"I think [best-of-breed preference] almost by a generational shift," Nadeau adds. Because of the prevalence of apps in the mobile arena, younger users "are more used to used to having one product that does one thing," she says. For customers who prefer to buy software, CompuData offers a hosting center to help bring cloud capabilities to licensed software applications.

The company's name shows where NetSuite stands in the suite-versus-best of breed argument. CEO Zach Nelson has fumed against best-of-breed in public presentations.

And in the sale of the product, "It's not so much about adding us because we are a cloud product, but adding us because of our capabilities as a suite," says Craig West, VP of channel sales for the San Mateo, Calif.-based cloud software company.

Given NetSuite's rapid revenue growth throughout its history, the vendor has done a good job of selling that view to prospects. Showing his views



Angela Nadeau,
CompuData

forcefully in a September 2014 interview, Nelson made a pointed comment about his views on the subject. "That's the next big software lie," Nelson said. "Integrating Salesforce and Intacct is as messy as integrating Great Plains and SalesLogix [Now Infor CRM]".

On the other side, Acumatica's Roskill says the best-of-breed approach not only benefits customers, but also offers the channel opportunities because it can assist in tying client applications together. "The cloud makes these integrations much easier to do. You don't need to be running them all and integrating with archaic apps," Roskill says. "The real opportunity for VARs be integrating these cloud products in a loosely coupled way but being able to communicate" through Web Services.

Patrick Falle, SVP of alliances and a founding investor in Avalara, also believes the best-of-breed model is destined to grow substantially.

"The better partners are choosing best-of-breed solutions to meet the needs of an omni-channel market," Falle says. Avalara, he continues, works well with this model as its sales-and-use-tax products are embedded in applications such as financial and point-of-sale software and e-commerce systems.

Falle also says that resellers are narrowing their focus in terms of both products and services. "I am seeing partners get more and more selective about not only who they chose they partner with but the types of services they provide the customer," he says.

Going Upstream

Another arena of the market that is growing rapidly is the upper part of the mid-market, Dynamics AX and Sage X-3. That this is a separate segment is recognized by Microsoft, which refers to Dynamics GP, NAV and SL as its SMB products.

In a webcast for the first half ended March 31, Sage reported X-3 revenue had grown by double digits. That trend was a factor in the strong organic growth reported by Lancaster, Pa.-based RKL eSolutions, according to Walter Goodfield, the firm's VP of sales and marketing.

"We sold 10 new X-3 units in calendar 2015 by focusing on native Sage X3 process manufacturing, especially Food and Beverage," Goodfield said. He said the results for the first quarter of 2016 and that his firm's goal is to have one new Sage X3 customer for each month.

A similar story about the impact of the high-end market comes from Merit Solutions, a Dynamics AX-only reseller based in Wheaton, Ill. Merit once had a broader product line but decided to concentrate on the high-end product. During the transition, Merit's revenue dropped before \$4 million



Jon Roskill,
Acumatica

continued on page 13

continued from page 12

annually. In 2013, its submission for Bob Scott's VAR Stars showed \$4.5 million in revenue. For this year's Top 100 application, the reported figure is \$10 million.

Owner Bill Burke was not available for a detailed discussion for this story. However, marketing director Josh Richards provided a list of factors behind the firm's growth.



Marcus Wagner,
AcctTwo Share
Services

"Merit has experienced some consistent and healthy growth over the past couple of years," he agreed.

Among those are AX "rescues" in which Merit helps companies whose implementations have failed or which do not generate the anticipated benefits. "Merit has been very successful at helping these companies turn around failing or low value generating implementations and a) stabilizing the ERP implementation project, b) getting the project back on track, and c) increasing the ongoing value the system can provide," Richards says.

The firm also added a dedicated internal team for its MertiCare offering of ongoing support and managed services. The team helps clients optimize their systems, reduce downtime and improve operations. Additionally, Merit has a large mobile development and cloud services practice "that has really taken off over the last three years," Richards says.

Merit has also participated in the development of reseller intellectual property that has been advocated by Microsoft. That includes MaxLife for Life Sciences organizations looking to implement Microsoft Dynamics AX in heavily regulated environment, and AXcelerate, its best practices implementation for AX, which contains pre-built business process models.

CPA Firms Get Active

One notable trend has been the increasing involvement of accounting firms in the reseller market. For several years, there have been few CPA firms in the Top 100, but they have been concentrated in the Top 20 on the list, including No. 1, RSM (formerly McGladrey), which seems unlikely to be challenged for the top spot anytime soon.

This year's acquisition of BCG Systems and last year's of Altico Advisors by Sikich has already been mentioned as has the Wipfli's purchase of Brittenford Systems.



Jim Drumm,
Sikich

"We are seeing CPA firms that have not previously been involved in this arena move into technology," says Jim Drumm, partner-in-charge of technology for Naperville, Ill.-based Sikich. Drumm says the interest firms that have showed includes

the Big Four moving into the AX market.

For years, Intacct's penetration of the CPA firms has been via outsourced accounting services model. Under that model, firms utilize Intacct's cloud-based software to provide accounting services to clients. It appears to be putting an increased emphasis on enrolling accounting firms in reselling its applications.

"CPA firms are getting back into accounting software reselling," Intacct's Macdonald says. For the firms, he continues, the move is a nature choice as the cloud reduces their need to have technology expertise and plays to areas where they have strength such as revenue recognition, global consolidations and projects.

CohnReznick affiliate, W.J. Technologies, which also offers Deltek and Dynamics GP, added Intacct in January. In March, Kaufman Rossin, a CPA firm based in Miami, Fla., agreed to sell, implement and support Intacct and also develop enhancements for the cloud-based products.

There has been significant growth among these firms. BKD Technologies, which reported \$19.3 million in revenue for this year's Top 100 submission, reported \$14 million for the 2015 list, a 30.7-percent increase. BKD did not make acquisitions in the last year, but it did take on Intacct a year ago and also made the Microsoft Dynamics Inner Circle in July.



John Preiditsch,
Six S Partners

Fargo, N.D.-based Eide Bailly reported \$17.7 million in revenue for this year's ranking, an increase of 24.6 percent from \$14.2 million for the 2015 ranking. It performed well with NetSuite and was given that company's five-star ranking last summer. It also grew through the July purchase of Kyazma Business Consulting of Lehi, Utah, which was a Salesforce.com consulting firm.

Drumm says Sikich's move into the technology will continue as will its efforts to expand its business nationally. And he sees accounting firms continuing to buy technology firms as technology displaces traditional sources of revenue for CPA operations.

"Technology is probably 50 percent of our business," says Drumm. The Sikich technology business goes well beyond simply reselling and supporting the four Microsoft products—Dynamics AX, GP, NAV and SL and Dynamics CRM—cloud-based NetSuite. It offers hosting services and "We are starting to look at leveraging the Microsoft Azure cloud," he continues.

Beyond all the changes discussed, there remains one that is driving the move to the cloud, and that is generational change. The younger individuals moving into leadership positions in businesses and starting new ones have no interest in buying software, Drumm says.

"Young people don't even want to consider on-premise," he says.

Guide to Products Listed

Here are the products listed in this chart by vendor. When abbreviated, the abbreviations are listed first and the fuller name is in parenthesis.

- Abila:** Abila MIP
- AccountMate:** AccountMate
- Acumatica:** Acumatica
- Advanced Solutions International:** iMIS
- Blackbaud:** Financial Edge
- Cyma Systems:** Cyma
- Deltek:** Premier, Vision, Maconomy
- Epicor:** Epicor
- Greentree:** Greentree ERP
- Infor:** Distribution A+, SyteLine Infor Distribution sx.3 Infor Industrial Cloud Suite Infor XA
- Intacct:** Intacct
- Intuit:** QBES (QuickBooks Enterprise Solutions), QuickBooks
- JobOps:** JopOps
- Microsoft:** Dynamics AX, Dynamics GP, Dynamics NAV, Dynamics SL, Dynamics RMS
- MiSys Information Systems:** MiSys
- NetSuite:** NetSuite
- Open Systems:** OSAS (Open Systems Accounting Software), Traverse
- QAD:** QAD
- SAP:** B1 (Business One), ByD (Business ByDesign) Financials OnDemand.
- Sage North America:** BusinessWorks, Sage 50, Sage 100, Sage 300, Sage 500, Sage 100 Contractor, Sage 300 CRE (Construction & Real Estate), Construction Anywhere; X3,
- Serenic:** Serenic Navigator
- Syspro:** Syspro
- Unanet:** Unanet



Bob Scott has been informing and entertaining the mid-market financial software community with his email newsletters for 17 years. And he has been covering this market through print and Internet-based publications for 24 years, first as technology editor of *Accounting Today* and then for 12 years as the editor of the former *Accounting Technology*. He has been executive editor of *The Progressive Accountant* and *Bob Scott's Insights* since 2009.