

TAX TALKS

Australia's Tax News Podcast - The Podcast for Australian Tax Professionals

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The accounting app landscape is confusing. How do you choose the right app for your practice?

App Landscape

How do you find your way through the accounting app landscape? This is the question we asked Chris Hooper of Accodex in Adelaide.

Here is what we learned but please listen in as Chris Hooper explains all this much better than we ever could.

To listen while you drive, walk or work, just access the episode through a podcast app on your mobile phone.

Mimetic Isomorphism

Mimetic Isomorphism is an economic phenomena where all participants in a marketplace converge on the market leader. Take the accounting software landscape as an example. Back around 2014 Xero shook things up by being one of the first to move to the cloud. This forced the other software vendors to move their comparable products to the cloud as well.

If you were to compare MYOB Quickbooks and Xero now, you would say that these days they are very much the same. But that was not the case 8 years ago. That in essence is Mimetic Isomorphism.

Here is how Wikipedia explains it.

“Mimetic isomorphism in organization theory refers to the tendency of an organization to imitate another organization’s structure because of the belief that the structure of the latter organization is beneficial. This behavior happens primarily when an organization’s goals or means of achieving these goals is unclear.”

App Landscape

You can divide the business app landscape into three separate tiers.

First Tier

The first tier consists of applications that are ubiquitous in almost every business. You find these in businesses of all shapes and sizes. Examples are Xero, Quickbooks and MYOB. They don't relate to a specific industry. As you move away from the first tier, it gets a lot more niche.

Second Tier

Apps in the second tier solve a specific common problem. The problem or issue is common and covers many different industries. An example would be online payments that Stripe and PayPal facilitate. Not every business needs it but many do.

Third Tier

The third tier gets very niche. The apps in this tier provide a specific function in a specific industry. They go deep into a niche. Take Counter as an example. Counter is a hospitality point of sale system that works specifically for table service applications. That is very niche with a relatively small number of potential customers.

Push Up and Push Down

There is a movement of labour into the top tier firms. The Top Ten and especially the Top 4 firms attract more and more people as they exponentially grow. The merger and acquisition activity over the past decade into the Big 4 is proof of this. They continuously bulk up on revenue through acquisition and hence need more staff.

But there is also attrition. Accountants are leaving the large firms to set up their own shop. This gives rise to a new cottage industry phase.

So you have a push up and a push down. You have the large firms getting larger. And you have a cottage industry of sole practitioners and freelancers growing on the fringes.

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