

MARKET NOTE

Advanced Bets on Harmonizing the User Experience Across Its Cloud and On-Premises Business Applications

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EXECUTIVE SNAPSHOT

FIGURE 1

Executive Snapshot: Advanced Bets on Harmonizing the User Experience Across Its Cloud and On-Premises Business Applications

In this Market Note, we will be looking at Advanced and how it is looking to bring its solution portfolio and customer base to the cloud. Advanced is a business applications vendor with more than 25,000 customers and 2,600 employees. As the U.K. economy and the wider European market emerge from a difficult year, 2021 provides a great opportunity for small and midsize business (SMB) organizations to upgrade and modernize their operations.

Key Takeaways

- U.K.-based software vendor Advanced is a sizeable force in the European software market with revenues of £295 million (FY21) and 2,600 employees. It has three main software business areas: 1) horizontal business applications (finance, ERP, HCM, procurement, and field service management), 2) vertical business applications (legal, healthcare, social care, non-profit, and others), and 3) application modernization software and services. In addition to the software businesses, Advanced also has a managed services business.
- The key tenets of its strategy are to develop and acquire a set of next-generation cloud applications to win new business and target platform for on-premises customers; maintain, support, and more importantly gradually migrate the large base of on-premises customers; develop one common user experience (MyWorkplace) for both on-premises and cloud products; and consolidate vertical business solutions in the U.K. for a select number of verticals such as legal, healthcare, social services, and non-profits.
- At the market level, IDC sees a climate with many opportunities for Advanced and other vendors. Many governments have introduced ways to support their SMBs through furlough support schemes, direct cash injections, tax breaks, and rent freezes, but that is unlikely to be the norm in the near future. Advanced's strategy will enable it to continue its growth and become even more competitive in an SMB space that looks rife with opportunity.

Source: IDC, 2021

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IDC'S POINT OF VIEW

In the European applications market, some of the larger vendors receive less press than their market share would suggest. U.K.-based software vendor Advanced is a sizeable force in the European software market with revenues of £295 million (FY21) and 2,600 employees. It has three main software business areas: 1) horizontal business applications (finance, ERP, HCM, procurement, and field service management), 2) vertical business applications (legal, healthcare, social care, non-profit, and others), and 3) application modernization software and services. In addition to the software businesses, Advanced also has a managed services business.

The company was acquired by Vista Equity Partners in March 2015 for £765 million and has since had a new team of senior managers as well as a new brand identity and new acquisition-intensive strategy. The acquisition targets have been both horizontal software companies, filling gaps in the HCM portfolio (Mitrefinch, Advance Systems International, and Clear Review) and vertical specialists (such as Tikit, Careworks, bksb, National Will Register, and Smart Apprentices). The main tenets of Advanced's strategy are to:

- **Develop and acquire a set of next-generation cloud applications** to win new business and target platform for on-premises customers. These cloud applications include Cloud Financials (based on Cedar e5 financial management), Business Cloud Essentials (based on the Hudman acquisition), and Cloud HR (based on the Open HR acquisition).
- **Maintain, support, and more importantly gradually migrate the large base of on-premises customers** on solutions such as Exchequer, OpenAccounts, and eFinancials onto the next-generation cloud products.
- **Develop one common user experience (branded MyWorkplace) for both on-premises and cloud products.** MyWorkplace spans user interface, personalization, APIs, security and user administration, mobile applications, the App Store, single sign-on, and workflows. As MyWorkplace is being rolled out and developed, users will generally access their application at two levels: at the overall level with the common MyWorkplace user experience and at the detailed transaction level with the specific application interface.
- **Consolidate vertical business solutions in the U.K. for a select number of verticals**, such as legal, healthcare, social services, and non-profits. These applications currently sit outside the MyWorkplace common user experience, as they make up a long tail of industry-specific applications but will adopt the MyWorkplace experience over time. This space is typically country specific with very few international competitors.

A customer base of 25,000 customers makes Advanced a formidable force in the U.K. enterprise applications market. In IDC's view, the most important challenge of Advanced is that it competes in an increasingly competitive applications software market where large R&D budgets and modern cloud architectures are required to win new business. At the same time, the company must divide its R&D expenditure between its new portfolio of cloud applications, its portfolio of on-premises applications with thousands of active customers looking for upgrades and fixes, and the MyWorkplace application modernization layer.

IDC sees two critical success factors for Advanced at this point of its journey. Firstly, its ability to win new business with its next-generation cloud applications in direct competition with Microsoft Dynamics 365, Sage Intacct, and Oracle NetSuite. Secondly, its ability to migrate on-premises customers to its next-generation offerings (while limiting the churn rates of those not migrating).

We believe that the MyWorkplace development efforts also serve a longer-term purpose, namely to establish unifying application architecture and design, which will ultimately guide the further development of the cloud application portfolio. It is the next-generation applications that will ensure the future prosperity and competitiveness of Advanced.

At the market level, IDC sees a climate with many opportunities for Advanced and other peer vendors. Many governments have devised ways to support their SMBs with furlough support schemes, direct cash injections, tax breaks, and rent freezes, but that is unlikely to be the norm for the near future. IDC research shows that IT spending in 2021 will remain unchanged or increase for 75% of European organizations surveyed (IDC EMEA, FERS Survey Europe, Wave 4: May 5-16, 2021, n = 530). This is an indication that as SMBs are adjusting to the new normal, technology solutions that enable them to complete tasks with ease and speed while accommodating new models of work, like hybrid working or total work from home, will become crucial to their success. As those most immediate and pressing needs – such as remote working, file sharing, and collaboration – are solved, the next wave of technology objectives will emerge, taking up a larger share of the IT budget. Building a digitally resilient business is therefore a matter of survival for SMBs, not a distant IT experiment.

However, while a considerable proportion of SMBs in Europe have already started their digital projects, the majority remain in the early stages of digital maturity, with relatively low process automation, minimal use of digital technologies such as cloud and analytics, and dwindling IT budgets.

To make sure that business continuity and undisrupted operations are safe from future challenges, the vast majority of SMBs will be forced to increase their investments in software solutions like ERP, finance, and HCM, as objectives such as financial visibility and advanced business planning will become necessary for their success.

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- *Perspectives on the Future Finance Function: The Evolving Role of the Finance Function, the CFO, and Supporting Technologies* (IDC #EUR147723820, May 2021)
- *Creating a Sustainable Digital Economy in 2021 and Beyond* (IDC #EUR147501121, March 2021)
- *ERP Modernization Strategies* (IDC #EUR247475221, March 2021)

Synopsis

In this Market Note, we provide a strategy update on Advanced – a key applications player with more than 25,000 customers and 2,600 employees, a strong presence in the U.K. market, and a string of acquisitions (large and small) to its name. As the U.K. economy and the wider European market emerge from a difficult year, 2021 is a great opportunity for SMB organizations to upgrade and modernize their operations.

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