



VENDOR PROFILE

VersaPay Automates the Accounts Receivable Process

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IDC OPINION

IDC has observed a substantial increase in spending for software-as-a-service (SaaS)-based applications, and the percentage of public cloud software revenue for technology vendors is expected to substantially grow over the next five years. The Canadian public cloud software market is forecast to grow at a five-year CAGR of 16.2%. In totality, Canadian public cloud software revenue will be just shy of C\$2 billion in 2015. Apart from growing investments by large technology vendors, the cloud phenomenon has partially been driven by innovative technology vendors offering specialized solutions that address specific business problems. IDC finds:

- Toronto-based technology company VersaPay is testament to an evolving organization that has embraced the SaaS model to bring innovation to the financial management and accounting technology market. The financial management and accounting technology market is entering a new era, with innovative platforms harnessing the power of the cloud to bring solutions to a wide spectrum of organizations across different verticals and business segments.
- VersaPay has established itself as a financial management and accounting technology vendor through its unique SaaS-based accounts receivable (A/R) solution.

IN THIS VENDOR PROFILE

This IDC Vendor Profile provides insights into VersaPay's A/R software platform. It examines the capabilities of VersaPay's technology and the trends within the market VersaPay is addressing, as well as the related challenges and opportunities for growth.

SITUATION OVERVIEW

Company Overview

Founded in 2006, VersaPay is a financial services technology company with two product lines: POS merchant services (reseller of credit card processing) and a SaaS-based A/R software solution. The organization is currently headed by enterprise software veteran Craig O'Neill who serves as CEO. VersaPay has nearly 50 employees and has experienced steady organic growth since its inception in 2006. Its go-to market strategy has revolved around direct selling as well as acquiring users through its various forms of partnerships with leading financial institutions, including MasterCard, The Toronto-Dominion Bank (TD), PSiGate, and JPMorgan Chase. Specific details regarding VersaPay's partnerships are outlined further in the Partnerships section of this Vendor Profile.

Technology

VersaPay's presence in the enterprise software market is through the company's flagship enterprise A/R solution – ARC. ARC is a SaaS-based electronic invoicing and A/R solution that is designed to streamline and improve the A/R process. The solution enables organizations to automate their A/R process – from the moment the supplier creates and sends an invoice, through the buyer's workflow and approval, followed by online payment, to, finally, reconciliation. The solution also enables suppliers to send automated emails to remind buyers of unpaid dues and allows buyers to review all their invoices whenever they need to. Figure 1 illustrates the general life cycle of the A/R process that ARC is addressing.

FIGURE 1

A/R Workflow



Source: VersaPay, 2015

As part of the onboarding process, VersaPay works with its clients to develop integration capabilities with their ERP system(s). A "connector" that connects directly with the customer's (supplier's) ERP or accounting system is developed. This automates the A/R life cycle between the supplier and the buyer. All invoices are automatically posted and presented in the cloud via the connector. The supplier doesn't have to "handle" invoices by paper or electronic means such as emails with PDF attachments. The supplier's end customer (the buyer) is in complete control and is self-service enabled in a comprehensive portal where the buyer can access all of its invoices, whether current or historical, and

view a complete history of the detail of each invoice, by line item, when it was paid, how it was paid, how much was paid, and so forth.

ARC also provides analytical capabilities. Through an intuitive dashboard, suppliers are able to aggregate and analyze customer information that is critical to the A/R process.

The ARC platform was developed on the principle of being platform agnostic. ARC offers seamless integration capabilities with the ERP platforms of several prominent vendors, including Sage, Oracle's JD Edwards, Microsoft Dynamics, SAP, and Intuit QuickBooks. However, VersaPay has also engaged with clients that use a variety of other ERP platforms, including in-house developed systems. VersaPay has the ability to build customized integration and connection capabilities with virtually any type of ERP platform. IDC believes that maintaining a platform-agnostic approach is critical for software vendors that offer specialized solutions and are targeting a wide spectrum of organizations to implement their solution.

Company Strategy

Volume-Based Pricing Approach

VersaPay has adopted a pricing model that is based on the volume of invoices and the number of users. Pricing is dependent on the number of the supplier's customers that have signed up to view their invoices. For example, VersaPay's clients would pay a monthly fee based on the number of monthly invoices that are to be processed through the A/R process.

Professional Services

Like most enterprise software vendors, VersaPay provides professional services related to implementation, integration, onboarding, training, and support. VersaPay charges an integration fee that ranges in amount depending on the type of integration that a particular customer needs.

With regard to implementation, VersaPay has a team that manages the implementation process that includes getting the platform up and running. VersaPay's team works with clients to get them trained and consequently enrolls them in "a user adoption program" called SPARC. SPARC enables the customers (suppliers) of VersaPay to onboard their customers (buyers) so that they can use and benefit from the platform immediately.

IDC believes that apart from VersaPay's in-house professional services practice, as the company evolves, partnerships with external IT professional services and consulting firms would play a crucial role in expanding the use of ARC.

Partnerships

Strategic partnerships are an essential and evolving component of VersaPay's go-to market strategy. VersaPay has several unique partnerships with leading financial institutions and credit card companies.

Within Canada, VersaPay has entered into a distribution agreement with TD. The agreement entails TD to promote and resell ARC to its customers as a preferred A/R software solution. VersaPay also has a co-marketing agreement with MasterCard. The credit card company promotes ARC to its business customers, and VersaPay promotes MasterCard's B2B credit card products to its customers.

Exclusive to the United States, VersaPay has a distribution agreement with Heartland Payment Systems. This agreement entails Heartland Payment Systems to resell ARC to its small and medium-sized business customers. The company also has partnerships with JPMorgan Chase and PSiGate, where both organizations support VersaPay's software and POS business as part of a credit card processing agreement. VersaPay's approach of partnering with reputable organizations in the financial services industry has resulted in numerous benefits for the Toronto-based technology company. IDC believes that the partnerships provide unprecedented exposure to a multitude of businesses spanning different geographies within North America, validate ARC as a leading A/R technology solution, and instill confidence among clients and prospective users of ARC.

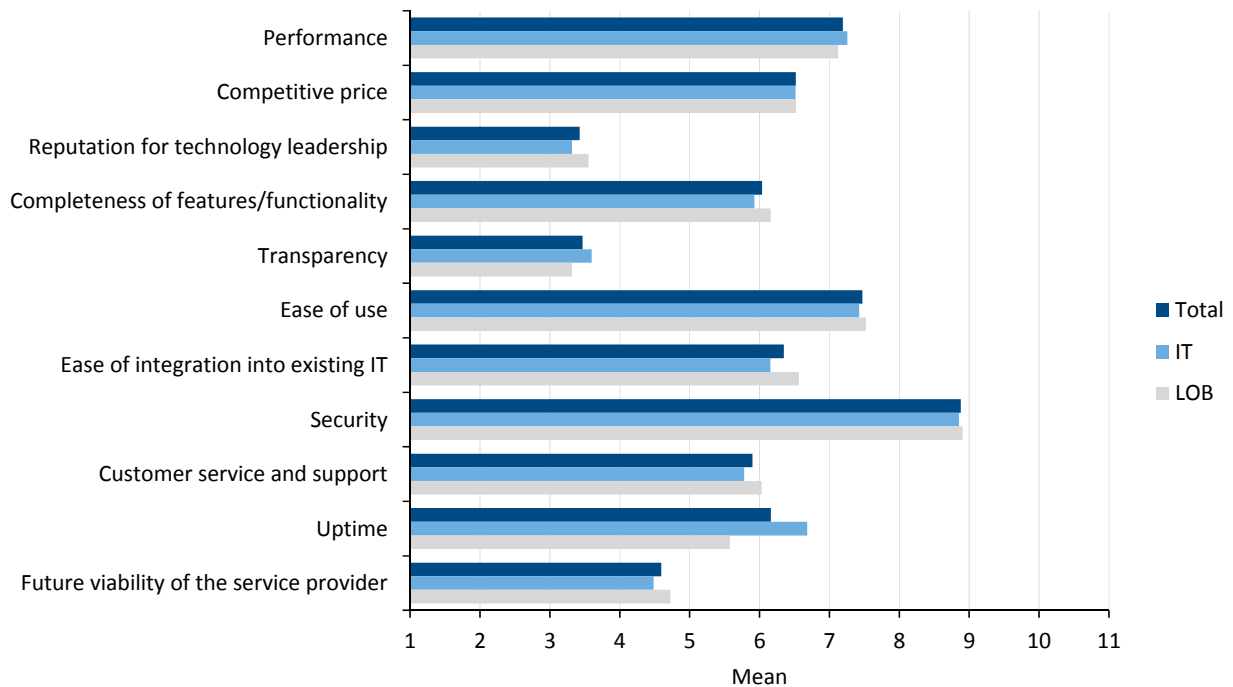
Apart from industry partnerships, VersaPay is in the process of expanding its partner landscape to include several technology companies – particularly ERP vendors. VersaPay's approach is to make the company's A/R solution "as open as possible" – reaffirming the need to have formal partnerships with technology companies. Partnerships with a variety of technology companies, including software vendors, systems integrators, and professional services firms, are crucial for any evolving software company that is looking to gain widespread penetration within the market.

Embracing the Cloud

A recent IDC survey revealed that security continues to be the most important criterion for Canadian organizations that are considering the purchase of SaaS-based solutions. From Figure 2 it is evident that the majority of Canadian organizations are very concerned about data security when purchasing SaaS-based solutions.

FIGURE 2

Importance of Criteria to Purchase SaaS Solutions



n = 362

Note: Respondents were asked to rank each of the criteria in order of priority for their organization, where 1 is least important and 11 is most important.

Source: IDC Canada's BITAP n2, 2015

In an environment where organizations continue to voice concerns with regard to the cloud, VersaPay has embraced the cloud by offering ARC as a 100% SaaS-based solution. This allows VersaPay to offer its solution in a scalable and price-sensitive manner that appeals to a wide spectrum of organizations. Within Canada, VersaPay hosts ARC on the secure infrastructure of two reputable providers: CenturyLink and Comwave (formerly Radiant Communications). Hosting ARC within Canada has also allowed VersaPay to address data residency concerns among its customers and prospective users. Within the United States, VersaPay hosts its solution on Amazon Web Services.

FUTURE OUTLOOK

With an evolving partner landscape in the technology arena and endorsements through strategic alliances with leading organizations within the financial services industry, VersaPay appears to be in growth mode and has ambitious plans to increase its footprint as a leading A/R software vendor. IDC believes that as VersaPay expands its customer base and partner channel, numerous opportunities exist, including:

- **Expanding the partner ecosystem.** VersaPay has established unique partnerships with prominent organizations within the financial services industry. As VersaPay evolves as a

technology company, expanding and diversifying its partner ecosystem would catalyze growth and increase brand awareness. Strategic alliances with software vendors, systems integrators, and technology professional services and consulting firms should be an integral part of VersaPay's partner ecosystem.

- **Exploring future areas of growth and diversifying the product suite.** VersaPay is in the process of establishing itself as an evolving provider of A/R software within North America. VersaPay should use its experience and expertise related to automating the A/R process to develop technology solutions that address similar functional problems. Expanding the product suite would diversify VersaPay's revenue stream and facilitate future growth.
- **Exploring a global opportunity.** While VersaPay is focused on establishing itself within North America, it is paramount that the company gradually explores other markets to complement its growth. IDC believes that tremendous opportunity exists outside of North America for specialized software vendors – particularly in high-growth markets such as South America and Asia/Pacific.

ESSENTIAL GUIDANCE

Advice for VersaPay

- **Articulate the value proposition:** The A/R software is a specialized solution and therefore can be a tough sell. The majority of organizations utilize some form of traditional ERP solution to address their finance and accounting needs, and customers can be reluctant to expand their often complicated technology stack. Therefore, it is important for VersaPay to articulate the value proposition of ARC through real-world examples, case studies, customer testimonials, and customer speaking engagements. The value proposition should focus on economies of scale achieved through utilizing ARC for A/R processes.
- **Address evolving customer needs and business problems:** The needs and business problems of customers are dynamic and constantly evolving. Since business problems and challenges stimulate technology spend, VersaPay should adopt a scalable framework that enables it to take an iterative approach toward development. It is important that VersaPay enables itself with the capability of addressing evolving customer needs.
- **Help customers embrace SaaS:** Data sovereignty, security and privacy concerns, cultural resistance, and shortage in required skills continue to impede SaaS-based deployment of enterprise software. VersaPay should educate the market on the economies of scale achieved through its SaaS-based A/R solution and address misconceptions related to data security and privacy. Well-articulated customer testimonials and case studies can play a crucial role.
- **Expand professional services and consulting practice:** VersaPay has a wealth of technology and business talent. IDC believes that apart from basic implementation, training, and support services, VersaPay should expand its services practice. This could include having consultants onsite devising strategies to automate the accounting process through technology and building end-to-end integration capabilities with ARC. This would ensure an additional stream of revenue.

LEARN MORE

Related Research

- *Canadian Enterprise Software Forecast, 2015-2019* (IDC #CA3BDA15, May 2015)

- *The Role of CRM Applications Within Canadian Organizations: An Analysis of Trends, Challenges, and Strategies* (IDC #CA1ECS15, April 2015)
- *The Canadian Realities of Big Data and Analytics* (IDC #CA6BDA15, March 2015)
- *Adoption of Cloud in Canada: A Global Perspective* (IDC #CA1CCS15, March 2015)
- *IDC MarketScape: Canadian Public IaaS 2015 Vendor Assessment* (IDC #CA1SSC15, February 2015)
- *Cisco's Project Squared and Microsoft's Skype for Business: An Analysis of Recent Innovation in the Canadian Enterprise Collaborative Applications Market* (IDC #CA1ECS14, December 2014)
- *The Role of Business Intelligence and Analytics in the Canadian Financial Services Sector: An Analysis of Trends, Challenges, and Strategies* (IDC #CA1BDA14, December 2014)
- *Canadian Public IT Cloud Services 2014-2018 Forecast* (IDC #CA3CCS14, December 2014)
- *2015 Canadian ICT Predictions: Accelerating Innovation on the 3rd Platform* (IDC #CA3EMC14, December 2014)

About IDC

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