eBook


# The state of cloud accounting in Europe

## Who’s winning, who’s missing out, and who has the most to gain

VISMA

# Executive summary

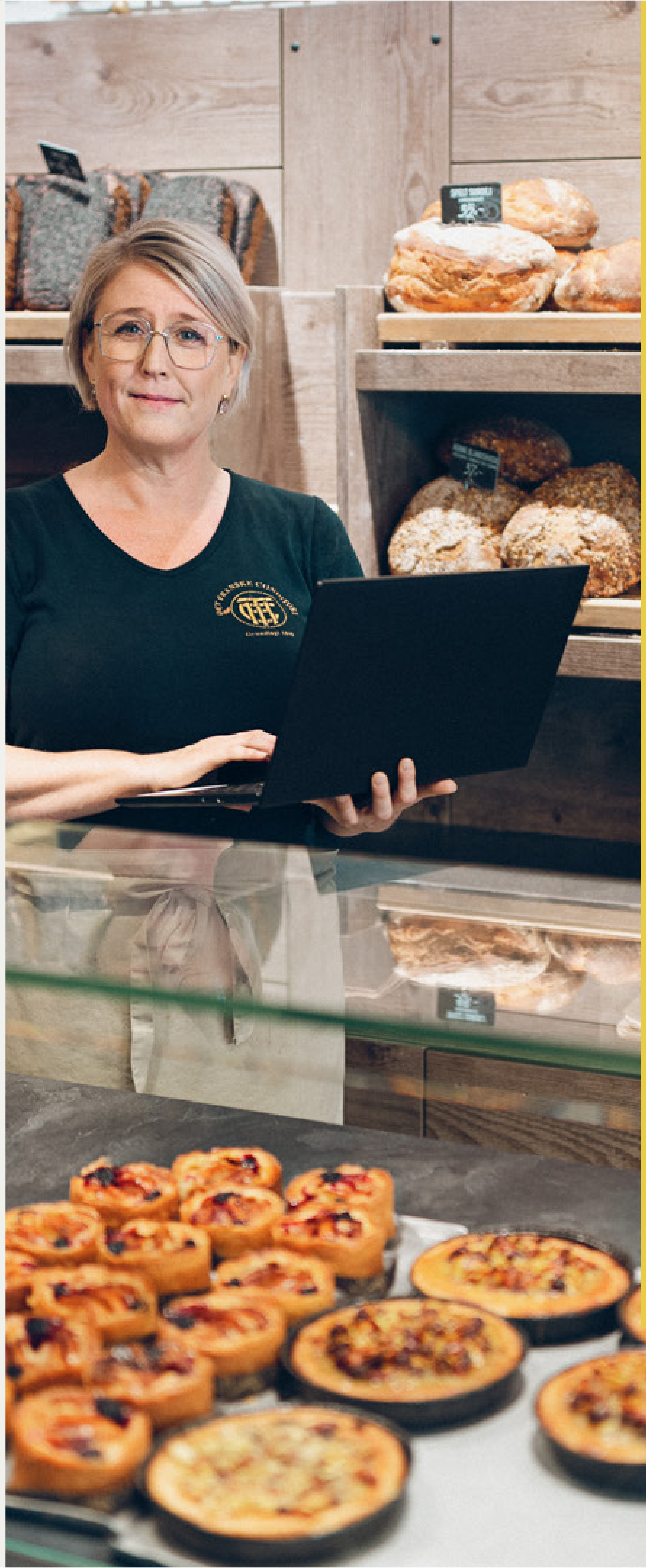
Visma has been a leader of cloud software in the Nordics for over 15 years. So, we've seen the cloud accounting market grow from its earliest days and can offer insights on where it's headed in the future. In this eBook, we break down our analysis of cloud accounting adoption by the following regions:

- **Nordics**
- **Benelux**
- **Baltics**
- **Central Europe**
- **DACH**
- **Mediterranean**

We compare the countries in each region against similar markets and plot them on the technology adoption curve. Then, we pull out the biggest takeaways and form a big-picture overview of the future in each market. The adoption rates used in this eBook are indicative and based on our knowledge of Visma's core markets.

From this entire analysis, we walked away with three main findings. First, the Nordics are way ahead of other markets in Europe, with Benelux following close behind. Second, compulsory legislation could be a game-changer in Central European markets. Finally, the areas where we see the most opportunities for growth are DACH and the Mediterranean.

Change will be fast, and the ultimate winners will be the companies that move the fastest. The question now is...are the companies and accounting offices within these markets ready to capitalise on this momentum?



## About the author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As Segment Director, Ari-Pekka is responsible for Visma's rapidly growing small business segment in continental Europe with 1.4 million customers. The small business segment is focused on delivering top SaaS accounting and payroll solutions for small and medium businesses.

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# Introduction

When asked what would happen if a business or organisation lagged ten years behind in adopting smartphones or computers, most people would agree that it would be detrimental to productivity and impede (if not completely stop) growth. Smartphone and computer technology changes quickly – and it's easy to see why businesses and organisations must keep up. But, what if we asked about systems that aren't as ubiquitous yet just as important to operational efficiency and security?

Until recently, accounting and payroll have relied on paperwork and outdated systems that are difficult to maintain and even more difficult to connect. When we think about the fact that nearly all of the world's GDP and salaries pass through these systems, it's clear why the move to cloud accounting and payroll is so important. The amount of time and money that can be lost by continuing to work in siloed, outdated systems truly does affect all of us. The accounting industry, in particular, has everything to gain by moving toward cloud accounting.

# The difference is in the cloud

With traditional accounting systems, companies collect their accounting information – such as income, expenses, assets, liabilities, and equity – and deliver it to the accounting office each month. This is often done with mountains of paperwork and emails. An accountant then manually enters the information into an accounting system and archives the original paperwork in binders. In this system, it's not uncommon for documents to go missing or for data to be entered inaccurately – which means even more time spent ensuring end-of-month statements and balance sheets are correct. The potential for human error is significant.

The process is dramatically different with cloud accounting. Both the accounting office and company employees work in one system that is seamlessly connected and shares data in real-time. When the company creates sales invoices in the accounting system, for example, all relevant documents are updated and archived automatically. Cloud accounting systems also link directly to banks, credit cards, tax authorities, etc. So, if the system notices that an invoice has not been paid, it automatically sends a reminder or initiates a debt-collecting process. These built-in automations and integrations significantly reduce human error and make the entire accounting cycle much more efficient from beginning to end.

# The proof is in the revenue growth

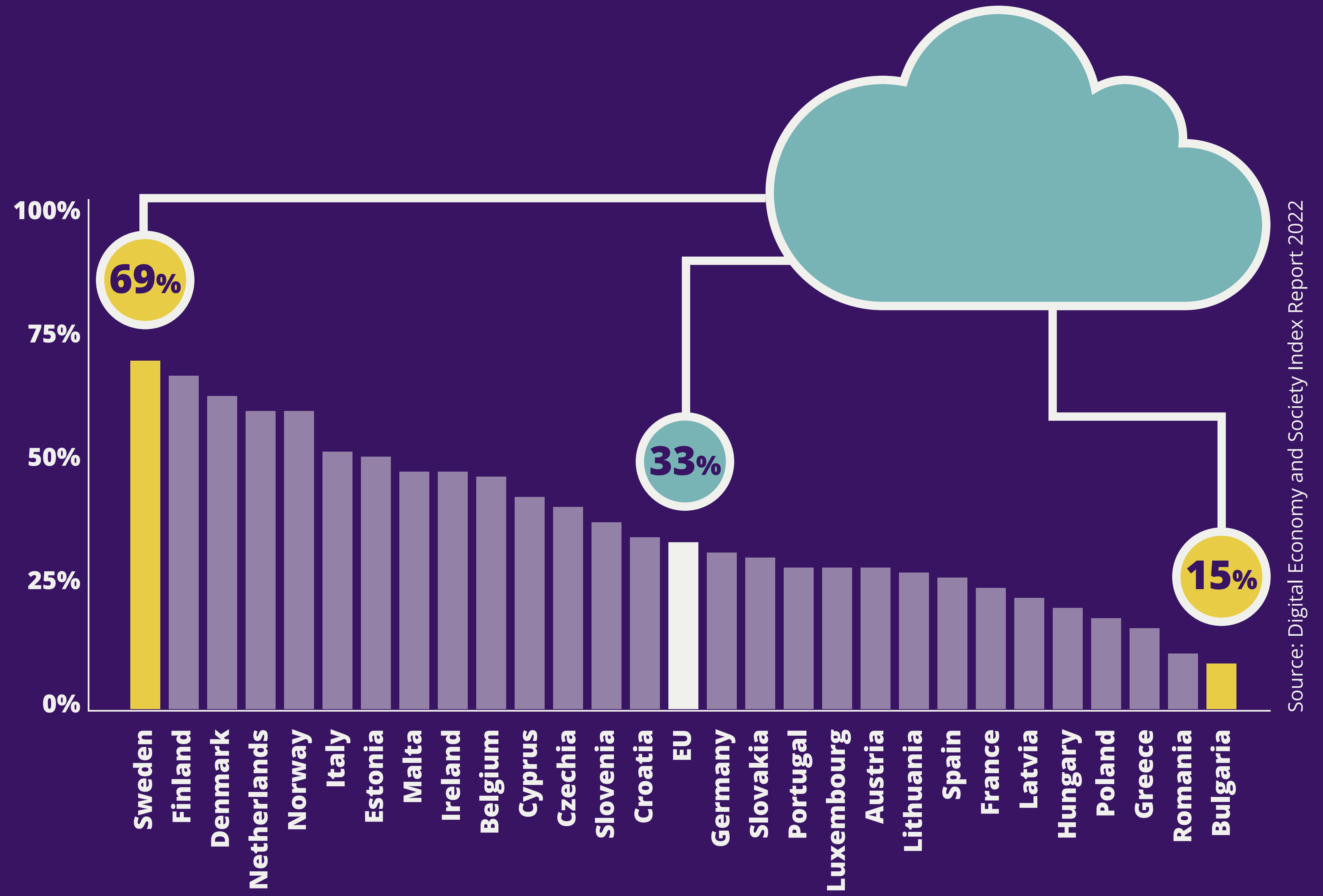
If we focus on small and medium-sized businesses (SMBs), the frontrunners in cloud accounting are the Nordics, Benelux, New Zealand, Australia, and North America. Most of these pioneers had €10M in cloud accounting revenue 10 years ago. Since then, companies like Visma (Nordics), QuickBooks Online (US), and Xero (New Zealand) have grown massively. All of them now have over half a billion euros in cloud accounting revenue and over one million customers.

Currently, the leading SMB cloud accounting products in Central and Southern Europe have a €5-15M revenue run rate. That's what Nordic countries had 8-10 years ago.

**At the moment, the cloud accounting market in Denmark is bigger than the markets in Germany, France, and Spain combined** – which is staggering.

Based on the DESI report, there's a similar trend for using cloud services in general. When we look at any cloud-based service, such as Gmail or cloud storage, the Nordics and Benelux represent almost 2x the adoption rate versus the rest of Europe. Only 40% of SMB companies in the EU are using basic-level cloud services. For sophisticated cloud services, like accounting, ERP or CRM, the adoption rate for SMB companies is only 33% in the EU — with even wider gaps between different countries.

## Percentage of SMB companies in Europe using sophisticated cloud services

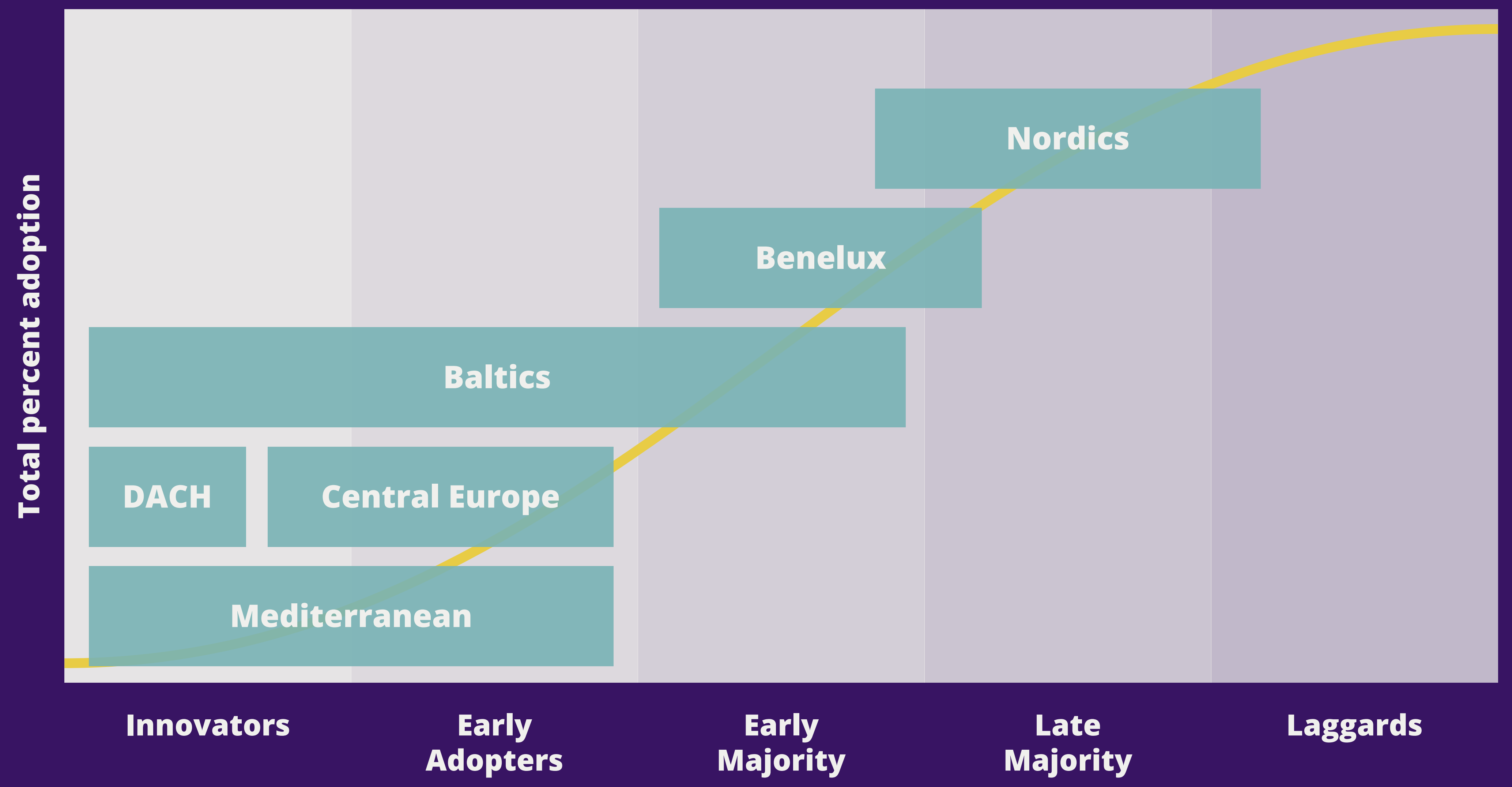



The data used in this DESI report were collected in 2021. We focus on cloud accounting and the maturity of different European areas with the latest insights from Visma's core markets.

# European countries on the technology adoption curve

In this analysis, we break down the state of cloud accounting in Europe by region:

**Nordics**
**Benelux**
**Baltics**
**Central Europe**
**DACH**
**Mediterranean**




Let's start by looking at where each region lands on the technology adoption curve. Using internal data and extensive knowledge of the cloud accounting industry, we've plotted European countries along the curve based on total adoption – in phases from innovators and early adopters to late majority and laggards.

**About the technology adoption curve**

The y-axis describes the adoption percentage in the market from no adoption (0%) to full adoption (100%).

The x-axis describes the phase in which different companies adopt emerging technology. Innovators and early adopters are ready to adopt new technology from the get-go and usually gain the biggest benefits if the technology is a breakthrough. The late majority start adopting new technology when the majority of the market already has experience with it. The laggards only change when it's necessary.

We use phases from the technology curve to describe where each market stands today, and where they're expected to go next. As you can see, the fastest growth occurs between the early and late majority phases – where the largest share of companies in a market adopt the new technology.

# The Nordics are leading the way

Visma's core markets are the most advanced in Europe and are already in the late majority phase with adopting cloud accounting. So, they offer a good look at what to expect for emerging European markets. All of the Nordic countries have extensive ecosystems around cloud accounting and payroll.


**Denmark** is the furthest along in cloud accounting adoption. According to our data, around 75% of Danish companies already use cloud accounting software, and that number is growing. Two Visma-owned companies, e-conomic and Dinero, are still in the high-growth stage. This indicates that Denmark will be the first Nordic country where the companies beyond late majority are purely using cloud accounting software.

**Norway** was the last Nordic country to begin adopting cloud accounting software. In 2010, there were no cloud accounting companies in the Norwegian market. Currently, Norway is experiencing the fastest growth rate in the Nordics. Tripletex and PowerOffice, which are both owned by Visma, are driving that growth. About 67% of Norwegian companies use cloud accounting software, and the market is growing in the late majority phase with incredible speed. Interestingly, we saw the same trend with e-invoicing. Norway was not a leader or early adopter of e-invoicing but implemented it very quickly.

**Finland** was once the frontrunner in the Nordics in both cloud accounting and e-invoicing. Netvisor, which is owned by Visma, and Procountor started the cloud accounting software market in 2005. However, early adoption in Finland did not accelerate as quickly as it is in many other countries today. Currently, Finland is experiencing slower growth than other Nordic countries, even though it has the same adoption rate. One reason may be the large number of software vendors operating in the Finnish market. While other Nordic countries have only 2-3 players dominating the local markets, Finland is quite fragmented.

**Sweden** is slightly behind its Nordic peers with approximately 50% of Swedish companies using cloud accounting software to date. But, when we take into account that Sweden is a bigger market, that number is not too surprising. The two main drivers are Visma-owned SPCS and Bokio, as well as Fortnox.

# Key takeaways from the Nordics

With over 15 years of market presence in the Nordics, we know a great deal about the growing cloud accounting markets in the rest of Europe. Here are four of the biggest takeaways:

- **The speed of market change in Norway is a predictive model for other European countries.** So, the change to cloud accounting in the rest of Europe will be fast.
- Speed of change creates challenges for accounting offices. The biggest winners are early adopters and new "cloud-only" offices.
- The biggest change drivers are software companies and early adopters from accounting offices. Legislation within the Nordics has followed the change but has not been accelerating it, which is a lost opportunity in productivity gains.
- **Ecosystems** around leading cloud accounting software **will increase the productivity and effectiveness of businesses.**

# Benelux has adopted the Nordic mindset

**The Netherlands** initiated cloud accounting adoption in 2010, following in the footsteps of the Nordics. About 65% of Dutch companies use cloud accounting software, with accounting, payroll, and ERP sectors all turning to the cloud with nice speed. Visma-owned companies such as Yuki, Nmbrs, Teamleader, and eAccounting are growing quickly among small businesses and accounting firms. Another key player of the market, Exact, is driving that change in the ERP market of bigger companies.

**Belgium** is not far behind with approximately 53% of Belgian companies using cloud accounting software to date. Visma-owned companies such as Yuki, Syneton, Teamleader, Admisol, and Bouwsoft are growing quickly among small businesses and accounting firms, while the ERP market is led by other cloud players, such as Odoo.

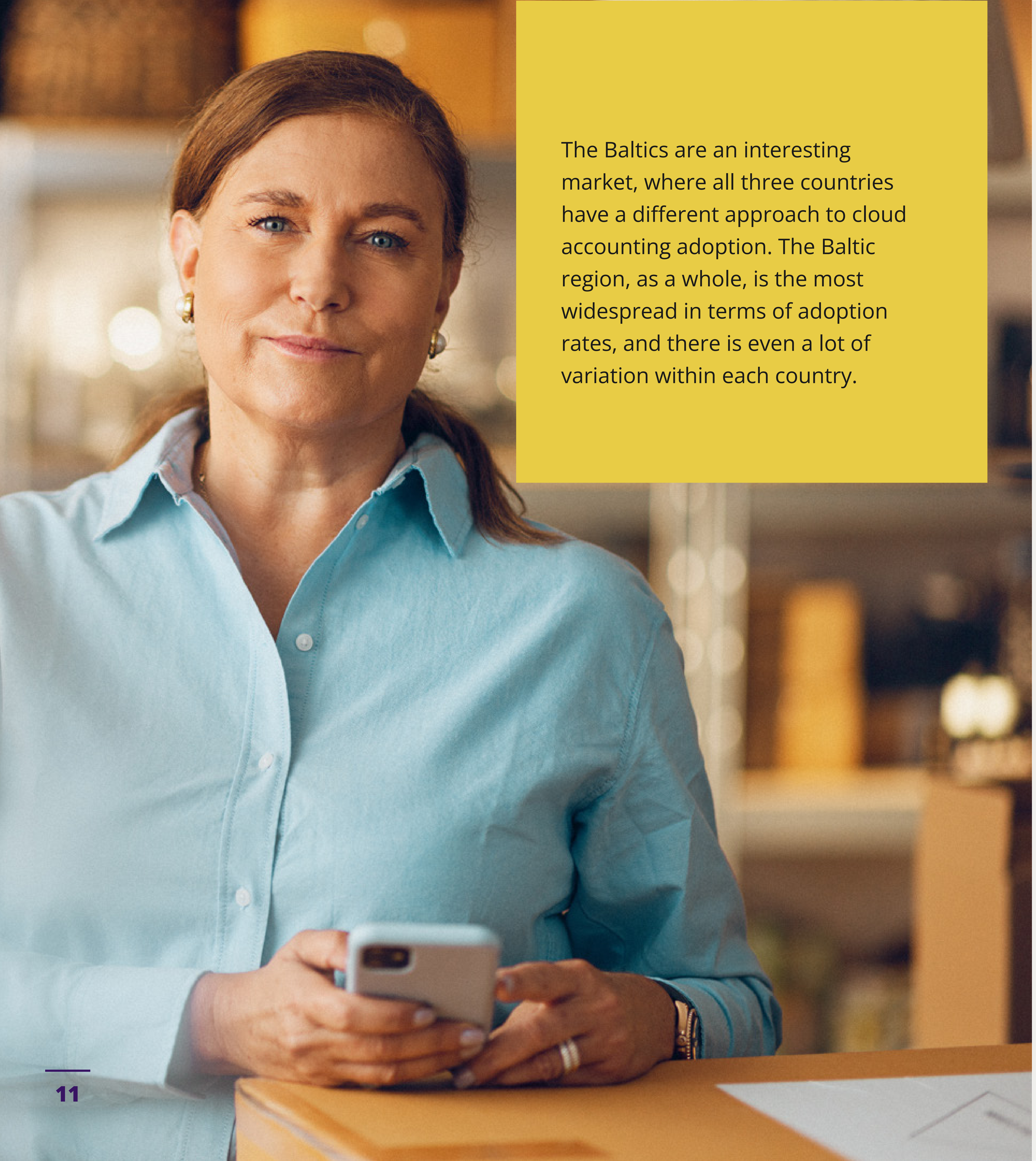
Cloud accounting in Benelux is developing quickly, both in the Netherlands and Belgium. These countries are much further along than most of their European counterparts. The Netherlands and Belgium are in the early majority phase and are the second-most advanced area in cloud accounting, after the Nordics.

# Key takeaways from Benelux

Benelux is an interesting market. Visma has been very active in Benelux, and adoption of cloud accounting has been fast. Here are our takeaways:

– **Benelux is adopting cloud accounting at tremendous speed,** and there are a lot of software options for small businesses.

– The accounting industry is important in Benelux. There are many cloud tools for accounting offices to increase the efficiency of accounting, payroll, and practice management.



The Baltics are an interesting market, where all three countries have a different approach to cloud accounting adoption. The Baltic region, as a whole, is the most widespread in terms of adoption rates, and there is even a lot of variation within each country.

# The Baltics are a small market with a lot of variety

**Estonia** is the furthest along in cloud accounting adoption. Visma-owned Merit is used by nearly 50% of Estonian companies to date. Adoption in the Estonian market is high, and the early majority are using both cloud accounting and payroll software. The government's goal is to widen the usage of digital technologies in small businesses. However, the adoption of cloud accounting has been seen mainly in bigger cities.

**Latvia** is a big step behind its northern neighbour. In most Latvian companies, accounting is done mainly in on-premise software or spreadsheets – but the switch to the cloud has definitely begun. Interestingly, there are no meaningful pure cloud software vendors in the local market. Visma-owned Jumis has both on-premise and cloud customers and, currently, Jumis is one of the biggest change drivers in Latvia.

**Lithuania** is far behind both Estonia and Latvia, and it has been hard to find any cloud accounting companies in the Lithuanian market that are succeeding to date. Currently, Visma has no cloud accounting offering in Lithuania.

# Key takeaways from the Baltics

Overall, the Baltics are a very small market compared to other areas in Europe. What is meaningful in the Baltics are specific areas within each country. Here are our takeaways:

– The capitals and other big cities appear to be ready to make the switch to cloud accounting. In smaller towns and rural areas, the switch is expected to take much longer due to a lack of infrastructure and other factors.

– There are **not many cloud vendors operating in these markets** because the potential is somewhat limited overall.

# Central Europe is changing rapidly

**Poland** is number one in growth, and the ecosystems around cloud accounting are developing quickly. Visma-owned Infakt has 60k customers and is growing 70% early. But, the market is big and there are over a million small companies in Poland. Between 5-10% of companies have adopted cloud software for accounting, and the market is in the early adopters' phase.

**Hungary** is also growing quickly, and it is a frontrunner in e-invoicing. This is due to legislation that makes e-invoicing compulsory for all companies. The e-invoicing market is very advanced. Szamlazz.hu, which is owned by Visma, has almost 700,000 customers to date – and the number of new customers is growing quickly. Surprisingly, there are not yet any cloud accounting or payroll software products on the market.

In **Romania,** cloud software is in high demand, also due to e-invoicing. Visma-owned companies SmartBill and Keez are growing quickly, and customers are very satisfied with their cloud products. In fact, SmartBill has one of the best customer NPS scores in Visma. Romania is also using Hungary as an example to drive legislation changes for e-invoicing. This will give an extra boost to the Romanian market, which is in the innovators' phase.

Currently, Visma is not present in the **Czech Republic** or **Slovakia.**

Central Europe is lagging behind the Nordics, but it is an interesting emerging market. Several countries in this region are hitting the innovators' phase, and early indicators show a tremendous speed of change in many of these countries.


# Key takeaways from Central Europe

In many ways, Central European countries have taken the right steps towards cloud accounting, especially with e-invoicing. Legislation in these countries has definitely helped move the needle toward cloud accounting adoption. Here are a few other takeaways:

- Poland is closely following the footsteps of the Nordics and Benelux by investing in developing ecosystems around cloud accounting.
- **Compulsory e-invoicing has been a game-changer** in Hungary and Romania. This will benefit their economies and bring efficiency gains for small businesses.
- **Well-targeted regulation changes can speed up cloud accounting development** and greatly benefit both the local economies and businesses.

There is a lot of room for digitalisation in DACH countries. But, the question remains: will these countries be able to switch to cloud software just as quickly as their European neighbours?

# DACH has huge opportunities on the horizon

**Germany** and **Austria** are unique markets. The whole German-speaking economic region is huge. The German (on-premise) accounting software market is dominated by DATEV, a leading provider of Tax Advisors with a market share of more than 75%, organised in a cooperative model. There are big cloud players like sevDesk already in the market, but the percentages for adoption rates in cloud accounting are still small. Visma entered the German cloud accounting market at the beginning of 2023 with the acquisition of BuchhaltungsButler.

In Austria, Visma-owned ProSaldo.net is creating change and leveraging the learnings from their Nordic colleagues. In both Germany and Austria, the general adoption of cloud software, e-payment, etc, is still quite conservative and is not comparable to the Nordics or Benelux. The cloud accounting market is in the innovators' phase, but the rate of change is not showing the same speed that Poland has experienced in the last few years.

Currently, Visma is not present in **Switzerland.**

# Key takeaways from DACH

The key differentiator in the German and Austrian markets is the role of tax advisors. The title “Tax Advisor” (or “Steuerberater” in German) is protected and doesn’t apply to bookkeepers. Because only licensed tax advisors can submit declarations on behalf of a company, organisation, or individual, some see these advisors as potential gatekeepers to change. Here are a few other takeaways:

- In Germany, market dynamics are quite different because it is a federal republic. That means each state determines its own policies for digitalisation.
- **The potential for increased digitalisation in all DACH countries is huge** and will greatly benefit small businesses.
- **The winners** among tax advisors and accounting services **will be the companies that drive the change** towards cloud accounting.

# The Mediterranean has taken its first steps towards adoption

**France** is stepping up and is currently in the innovators' phase in cloud accounting adoption. For many industry solutions, France is in the same phase as Germany, and some big players are already operating within the cloud ERP market. Cloud accounting is still used by only a small percentage of the overall market, but we have seen some great innovations by French companies. For example, Inqom – which was acquired by Visma in 2022 – is developing AI technologies that increase the level of automation in the accounting industry. As of 2024, e-invoicing will become mandatory for B2B companies, which should accelerate the adoption of cloud accounting.

**Spain** is the opposite of many other countries in Europe. It's just now reaching the innovators' phase in adopting cloud accounting, so there is not as much natural demand for cloud accounting software. There is great software already developed, such as Visma-owned Holded and Declarando. Both companies are growing very quickly and pushing the Spanish market in the right direction. Holded is the largest cloud accounting software company in Spain, with approximately 20k customers. Although percentage-wise, their current customer base is relatively small, they are experiencing a 100% growth rate. So, Holded is poised to become a significant player in the cloud accounting software market.

Although **Portugal** is not technically part of the Mediterranean, it does share similarities with its geographical neighbours – particularly Spain – which is why we've included it here. Portugal is slightly behind Spain in digitalisation, but market conditions are basically the same: there is not too much demand yet, which means interesting times ahead. Visma entered the Portuguese market at the beginning of 2023 with the acquisition of Moloni, a company that focuses on invoicing and point-of-sales cloud solutions for small businesses.

**Italy** is the exception among Mediterranean countries, which is quite surprising if we look at the overall progressiveness in their economic sector. E-invoicing is compulsory for B2G and B2B companies, so it has contributed significantly to the adoption of cloud accounting. Currently, Visma is not present in the Italian cloud accounting market, but TeamSystem is a big player there.

Most Mediterranean countries are far behind the Nordics and Benelux. However, there are some interesting software companies creating movement in these markets, which we hope will accelerate quickly in the next few years.

# Key takeaways from the Mediterranean

Although Mediterranean countries (and Portugal) are just now starting their journey towards cloud accounting, we do have a few takeaways so far:

– Mediterranean countries form a large market where **we will see rising demand in the coming years.**

– There are **a lot of potential gains** with cloud accounting, as we have seen in other European countries.

– In Spain, Holded's 100% growth rate provides evidence for the potential gains of cloud accounting. We believe the change in Spain will be fast because there is great software already in the market.


# What this means for the accounting office industry

It's not a secret that the move from traditional accounting to cloud accounting is the biggest shake-up to the accounting industry we've ever seen. Cloud accounting changes nearly every step of the accounting cycle and makes the days of endless paperwork and storage rooms stacked with binders a thing of the past.

The one thing cloud accounting and automation can't remove is the need for accounting experts. At the beginning of the cloud accounting revolution, some market researchers predicted a decline in this field.

However, we've actually seen the exact opposite. In the Nordics, the accounting industry as a whole is experiencing all-time high revenue growth in markets that have widely adopted cloud accounting. We also see that more people are becoming interested in working for accounting offices now that it requires less manual work and offers more opportunities to directly influence a business's success.

To illustrate how beneficial cloud accounting software can be for accounting offices, let's take a look at a company that has used cloud accounting since day one. Greenstep was founded in Finland in 2010 and offers financial management services to organisations of all sizes. As you can see in the graphs below, Greenstep has experienced non-stop organic growth with high-profit margins. They have even expanded to two new countries, which is not typical because of country-specific accounting laws.

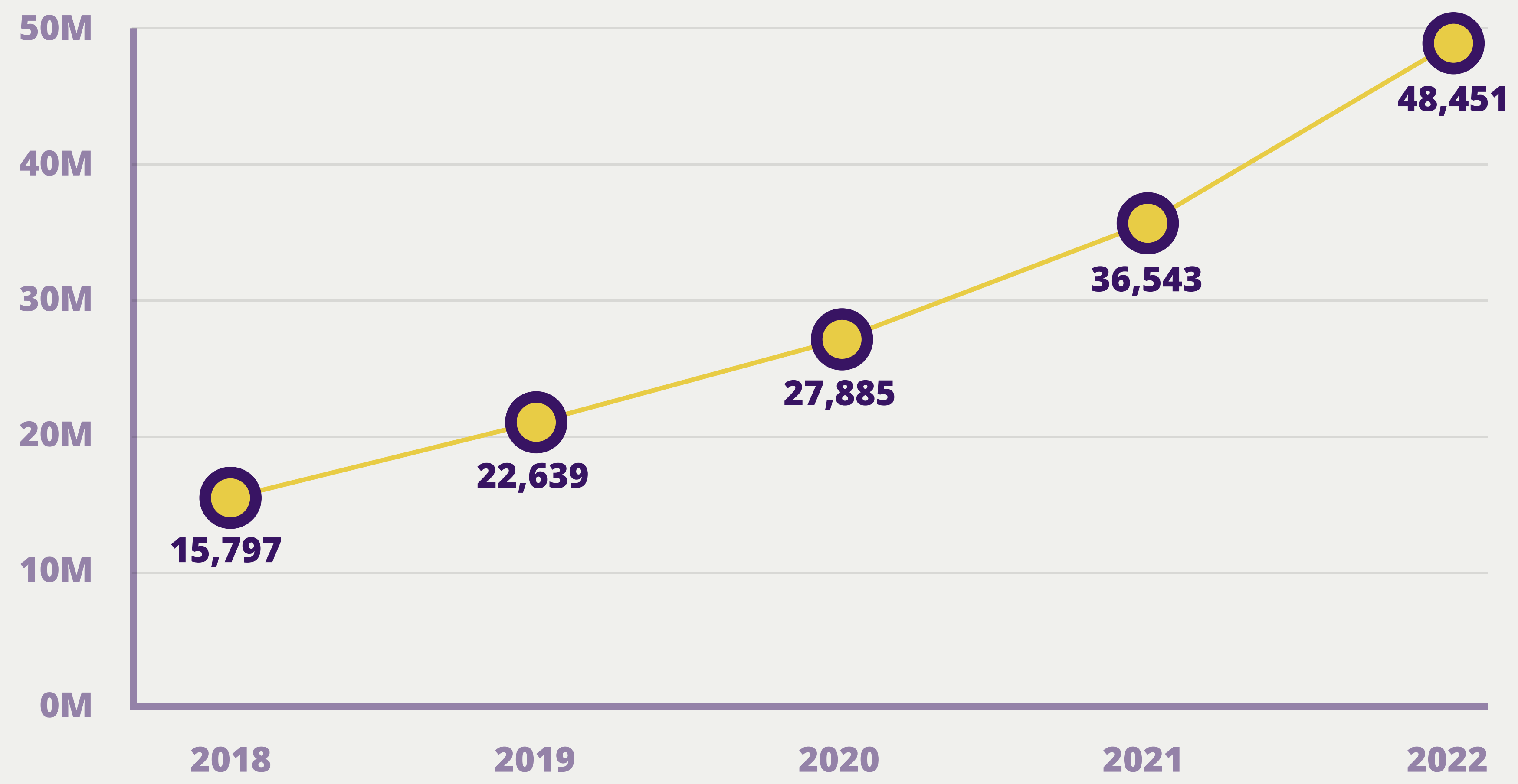
The biggest winners are companies who recognise this opportunity and go all-in early. Eventually, all accounting offices will need to make the move to cloud accounting, so the ones who put it off for too long will eventually lose competitiveness in the market.

There is no turning back. If we look at the frontrunner markets – the Nordics, Benelux, and New Zealand – no one has started building new non-cloud accounting systems in the last 10 years. And, one by one, the support for all the existing non-cloud accounting systems is being discontinued.

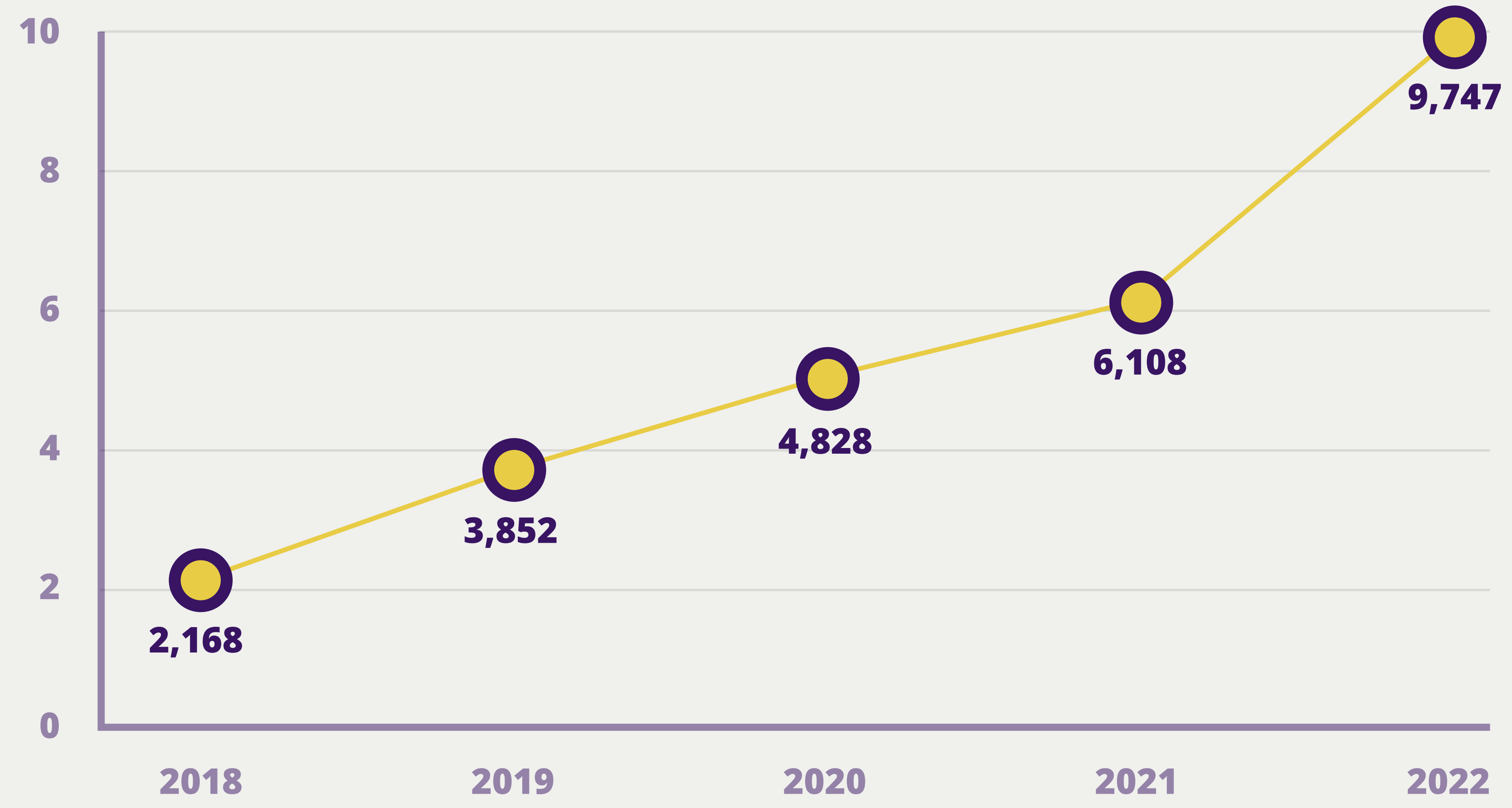
The rest of Europe might be a decade behind the Nordics and Benelux in cloud accounting adoption, but that just means accounting offices in those markets have the opportunity of a lifetime to push for change. We are certain that it won't take 10 years for these countries to get to the level that frontrunners are at today.
Exciting times ahead!

## Greenstep's financial performance

### Revenue (M€)




### Profit (M€)



# Champions of Business Software