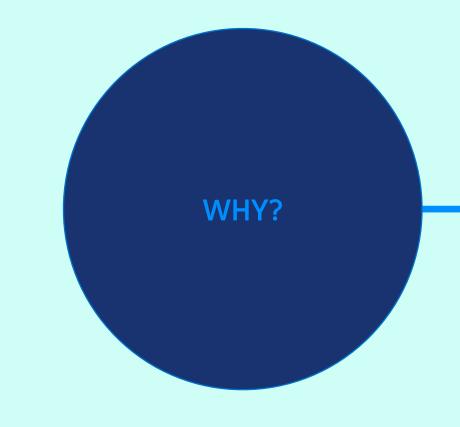
Apr 4 2022

Research insights The complexity of accounting

Caroline Skanvig
USER RESEARCH

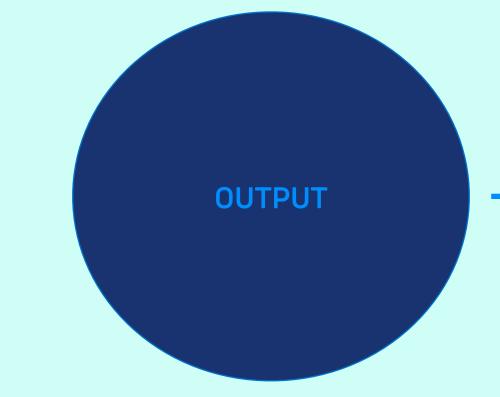
presented by **nets**

EXECUTIVE SUMMERY - THE CONTEXT OF THE PROJECT



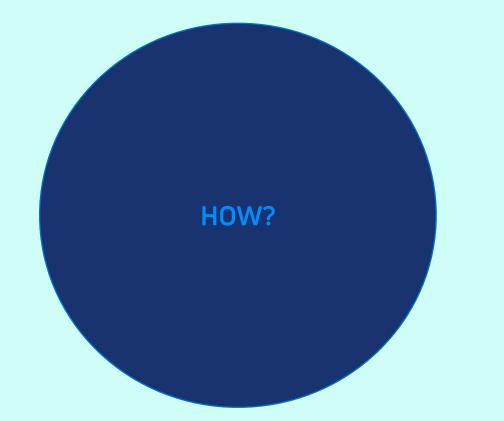
Identify the pain and unmet needs

We want to understand the current process and set-ups in relation to bookkeeping. This is done by talking to merchants and accountants to understand how they interact with the different systems required, as well as how Easy and Nets is supporting that proces.



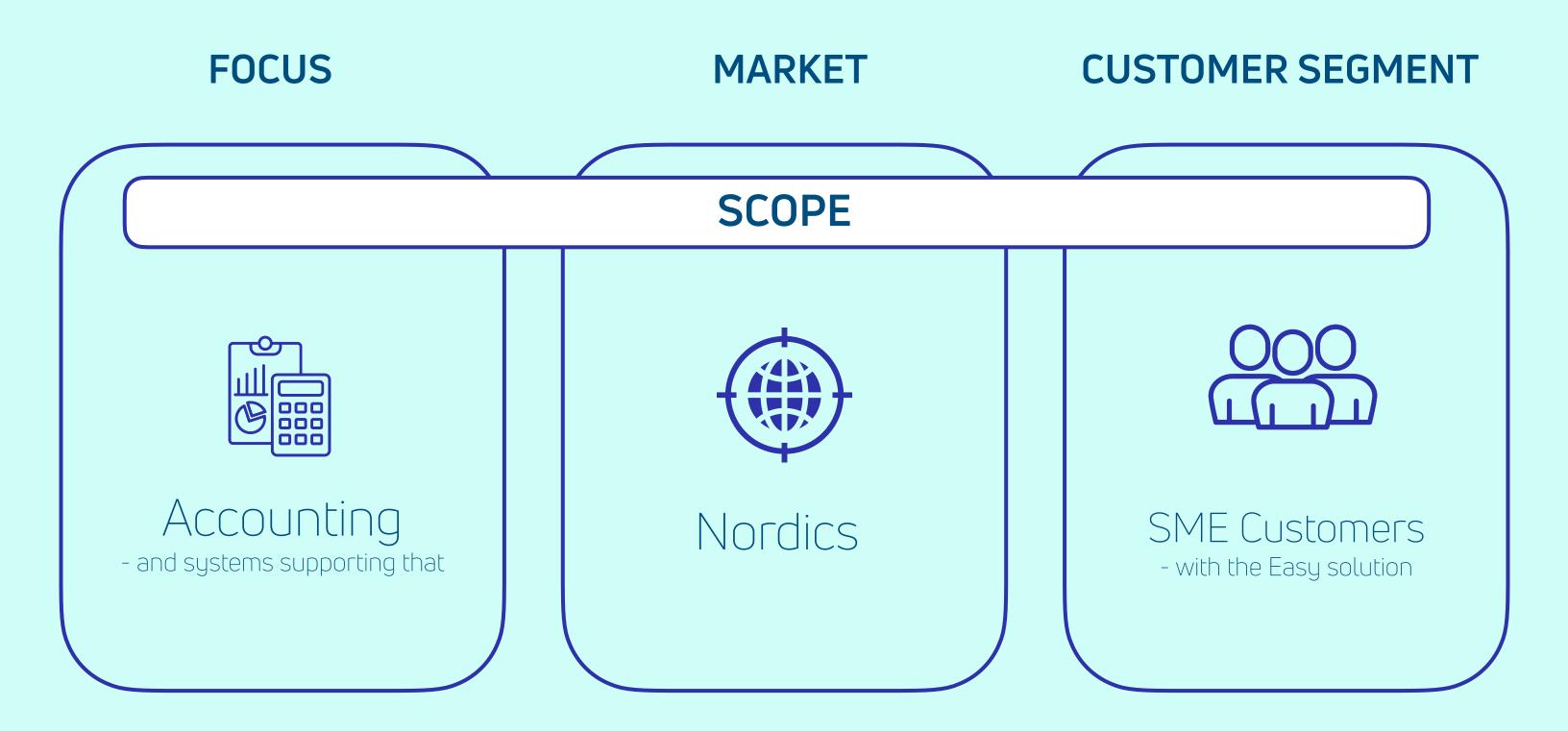
Adding more value to our Easy product

Merchant value chain expands beyond online payment and it will add value to our Easy product to be able to streamline or contribute to the full value chain, e.g. via automation and connection to relevant players. This project is exploring the process and steps related to bookkeeping from a merchant perspective.



Connecting insights

The goal of this project is to understand how a more automated bookkeeping process can bring value, this by focusing on value for the different relevant users (merchants and accountants), as well as for Nets. Interviews with accountants, ERP providers and internal stakeholders has been done to get the full picture of how the we shall annonce and implement the integration to our chosen integrator, Zwapgrid, as well as how the Easy portal can contribute to a more frictionless bookkeeping.



The project is limited to the Nordics, as we assume the knowledge collected can be used as a baseline when communicating the value in DACH

Bookkeeping is done deferentially and requires a lot of manual work as it has to adapt to the systems the business is built on

The merchants

The accountant are creating their own system, set-ups and manual work-arounds the complex business environment they are supporting.

It is more complex to have an external accountant set-up as it requires time to onboard them to the various systems.

The choice of having accountant done internal is not only defined by size or revenue, but by the complexity of the business set-up.

Internal

The Easy administration portal is not the main touchpoint when it comes to bookkeeping.

The Nets settlement set-up is our primary offering to our merchants when they are signing up with Easy, although that most merchants prefer gross settlement, receiving an invoice before the amount is deducted.

The limited amount of self-service options in the Easy administration portal, such as changing e-mail, causes a high amount of support cases related to bookkeeping, invoices, settlement and fees.

Research approach

RESEARCH APPROACH - SCOPE AND QUESTIONS TO BE EXPLORED

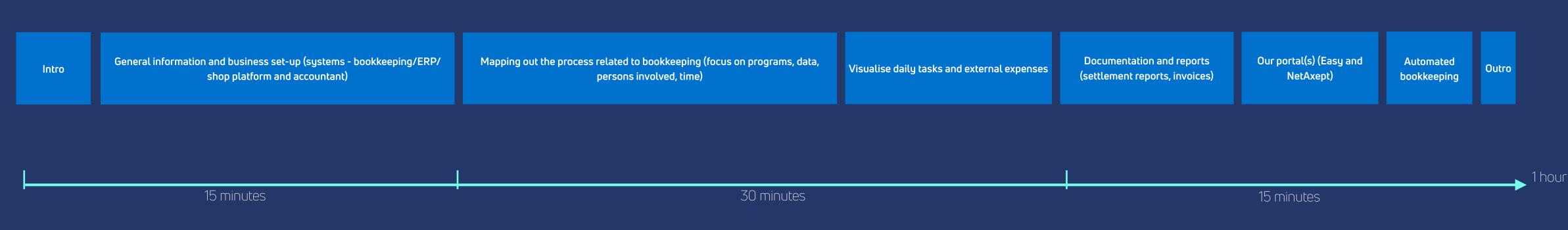
How does the current experience in relation to bookkeeping look from different perspectives?

- Explore the pains and unmet needs in relation to bookkeeping.
- Explore how we (Easy) support the current process of bookkeeping.

Explore and identify how we (Easy) can contribute to **the best to-be experience** with bookkeeping.



RESEARCH APPROACH - INTERVIEW SET-UP



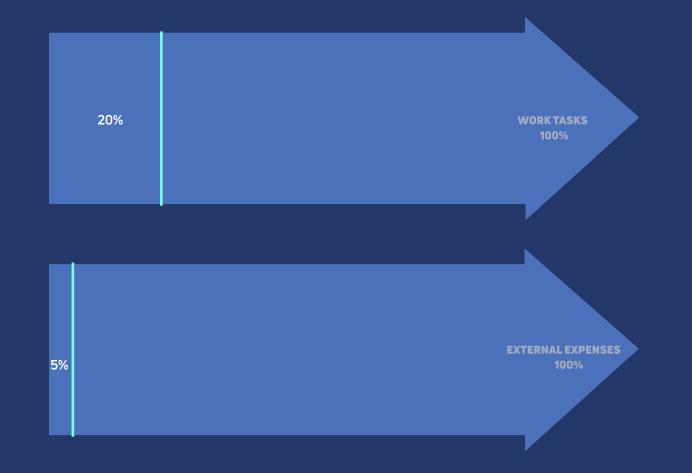
Visual mapping exercise

We used a visual mapping exercise in Figma, to support our merchants when talking about the process. We focused on: tasks, the programs used, the data/ documentation needed, the responsible and the frequency of the tasks.



A visual task trying to identify the expenses and time used

We chosen to emphasise the time spent, as well as the expenses related to bookkeeping visually, so we can identify how much a more automated process will save our merchants in the future.



Insights

- . The process of bookkeeping
- II. Internal complexity and the many systems
- III. Accounting done inhouse or external
- IV. The documentation needed in relation to bookkeeping
- V. The value of automating a bigger part of bookkeeping



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The process of bookkeeping

The accounting lifecycle

Typically done by the end of the year where it resets the temporary accounts (revenues and accounts) to start the new year fresh and you make adjusting entries called closing entries.

7. Closing books

6. Prepare financial statements

The financial statement tell you where you money is and how it got there.

Create another trial balance where you take the adjusting entries into account to prove that all of your ledger's credits and debits balance after all adjustments 5. Prepare and adjusted trial balance

4. Prepare adjusting entries at the end of the period

Makes sure that your financial statements only contain I information relevant to the particular period of time you're interested in.

1. Analyse and record transactions

Gather records of business transactions; receipts, invoices, bank statements e.g.

2. Post transaction to the ledger

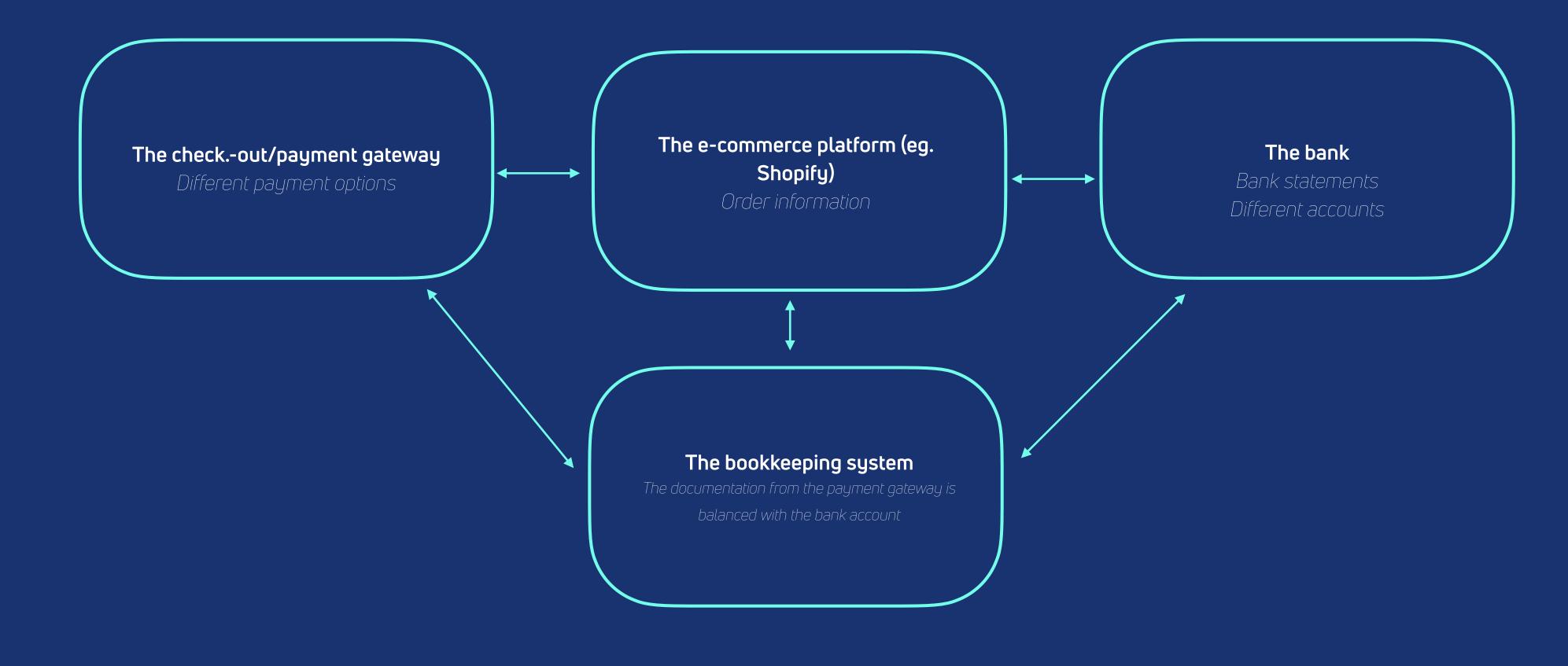
The ledger is composed of journal entries includes the date of transactions, amount, affected accounts with account number, and description reference number (check number, brief description with transaction)

3. Prepare and unadjusted trial balance

Prepare unadjusted trial balance; meaning summing up the total credits and debits in each of the company's accounts to calculate individual balances for each account

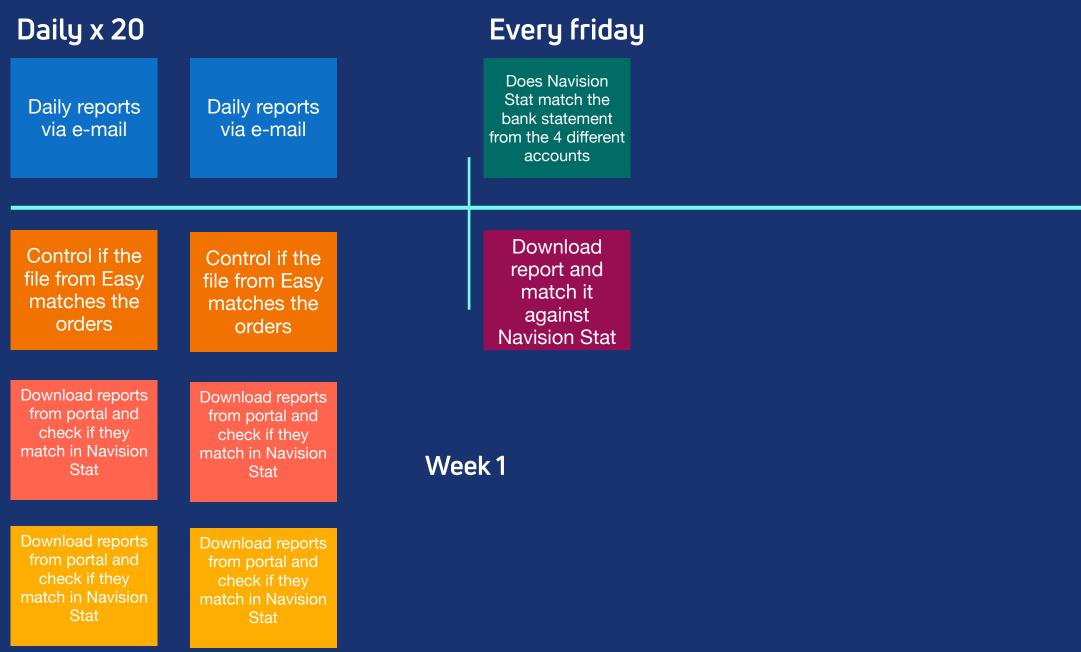
The real world

"I have a 102 orders in my shop platform, have they been payed?" I have to login to the Easy portal to see if it has been payed, and then I have to Allign it with my bank-account."



THE PROCESS OF BOOKKEEPING

Responsible: 1 financial offer and 2 controller



Done within the first 10 days of the next month due to delayed in payout from payment providers

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Week 2

Week 3



Consolidate everything in excel



THE PROCESS OF BOOKKEEPING

Responsible: "Different employees depending on the system



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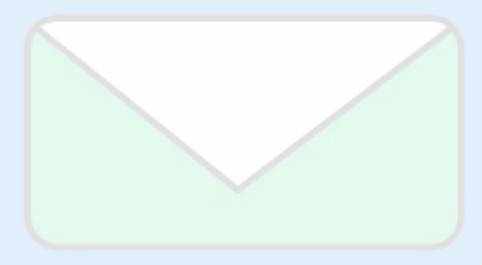
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within the first ays of the next due to delayed payout from nent providers

Veek 4

External ouchers





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The internal complexity and the many systems



3. Delays of payouts

4. The tasks related to bookkeeping requires to much manual work

5. **One** vendor, **two** portals

1. The **many** systems

2. Different payment methods

E-commerce is complex and high on systems

An e-com merchant is not limited to an e-commerce platform, a bookkeeping system and a payment gateway, but has many background systems running to maintain their business (product information management system, warehouse management, communication platform...)

"You need a lot of systems to make it work."

Bookkeeping done for a POS merchant is not as complex as bookkeeping for an e-com merchant

That is due to the fact that it is two different stages where you get the data from. By the end of the day you close the terminal and the cashier and balance it - the products are bought and paid for. The data within e-com a stored while it is processed. 1. The many systems



"We have so many systems accepting different payment options provided by different payment providers, so we need one employee for each system, 9 in total"

Merchants are having various payment providers and payment options

Merchants tend to have more than one payment provider/one check-out to meet the needs of their customers.

A merchant is mentioning that giftcards is one of their primary payment options and they have a separate system for that. Another merchant is mentioning that a large number of their customers wants to pay via invoice. 1. The many systems



Merchants are having a bookkeeping system and an ERP system

Alongside the business is growing the need for digitalise overview and maintaining are increasing, so medium size merchants does not settle with only a bookkeeping system together with their e-commerce platform and check-out.

"We have so many systems accepting different payment options provided by different payment providers, so we need one employee for each system, 9 in total" 1. The many systems



The payouts in the bank is depending on the chosen payment method

If Easy isn't the acquire of the payment method, it might be present in the bank before it is stated as payout in the Easy portal, which create complexity when having to post it in the bookkeeping system.

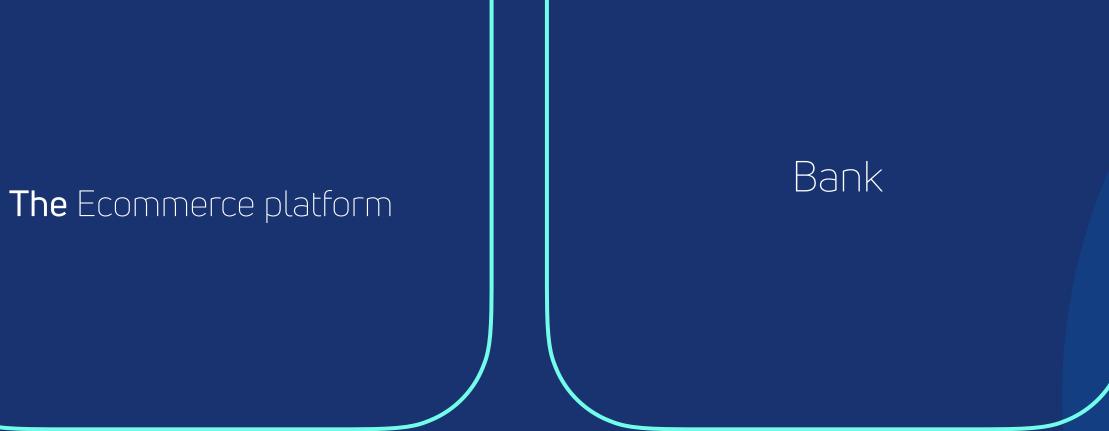
"Swish is creating a massive work load for our internal accountant. She has her own excel file, downloading the daily Easy statement, the bank statement and the swish payments and then calculating the fees in a separate document."

"I have one for Swish, one for credit card, one for foreign cards, one for manual billing, how should I be able to keep track on all these systems, let alone remember the different logins."

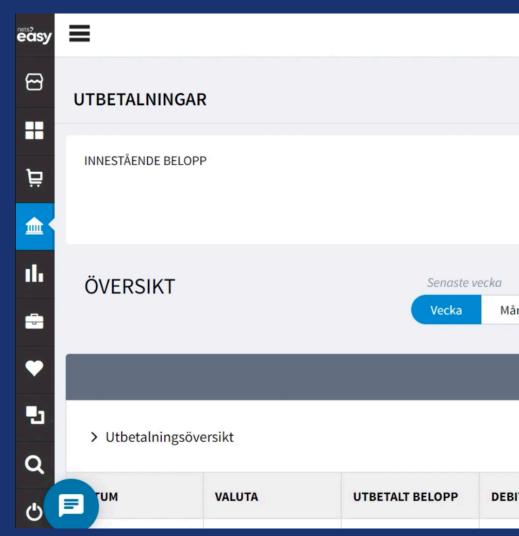
2. Different payment methods

All merchants has their payment solution through their e-commerce platform, and a transaction is done through the check-out, but that doesn't mean the money will be in the account connected to your check-out, there is a delay in payout from Nets, and every other payment provider, meaning it causes friction e.g. if there has to be made a refund

Easy/Nets







Merchants are checking the deposit in the Easy portal to make it balance with the bank and the ERP system/e-commerce platform.

"I am checking that amount almost daily, otherwise I would only be able to my job on special days."

3. Delays of payouts

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There is not one way to do it

Even with the same e-commerce platform, the same payment provider and the same ERP system, merchants are doing it differently and that is due to the fact that bookkeeping is complex and a larger part of the process is manually, meaning downloading, controlling and uploading files to the main system.

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4. The tasks related to bookkeeping requires to much manual work



The complexity of bookkeeping is present independently to the size of the company

Both small and medium size merchants are making workarounds when it comes to bookkeeping. Everyone has some sort of manual set-up of some of the processes to cater for the different systems they are working in.

"Even though we our primary income is from our physical shop, we are getting more and more transactions on our newly opened webshop..., I stil have to manually download it and sync it with our own excel set-up to put into our main system."

> 4. The tasks related to bookkeeping requires to much manual work

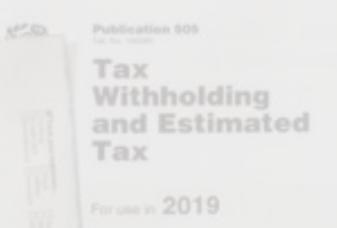


More and more merchants is present in both the physical and digital world - so why have two different platforms

Merchants having Nets both for e-com and POS is frustrated about the fact that they have to enter two different portals to get the documentation needed for bookkeeping

If am working in enough systems already, having to deal with the same provider on two different portals seems a little unnecessary from my perspective, and the fact that they are not really the same and the set-ups with you are different, that is just adding complexity to a thing that is already to complex."

5. **One** vendor, **two** portals



When do you go from having your books done by an external accounting vendor to be doing it in house?

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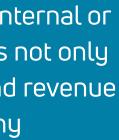
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Choosing to have an internal or external accounting is not only decided by the size and revenue of the company External accountants are meeting the complexity of their clients and let the merchants focus on their core business (especially in DK and SE)

В

"A growing company moves very fast into teaming up with a bookkeeping agency, alongside they might want to recruit their own financial team, but tends to still keep the agency and share the tasks between them."

Choosing to have an internal or external accounting is not only decided by the size and revenue of the company



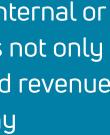
The complexity of the internal set-up underlines whether the process for accounting is done internal or external

Bigger merchants might have an external accounting agency to be doing their books, maybe as a collaborative task, but they also tend to choose going the internal way due to the complexity of services and products they are selling as well as the internal set-up

When you have a yearly revenue larger than 5 mil. Sek, the books has to be annually approved by and external accounting agency.

Bigger merchants might have an external accounting agency to be doing their books, maybe as a collaborative task, but they also tend to choose going the internal way due to the complexity of services and products they are selling as well as the internal set-up

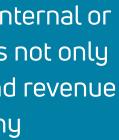
Choosing to have an internal or external accounting is not only decided by the size and revenue of the company



The biggest difference on external vs. internal accounting is when you look at public vs. private merchants

Public merchants are always having an internal financial team focussing on bookkeeping. When it comes to private merchants, with an administration team on more then 5-8 employees, they have accounting done internal.

Choosing to have an internal or external accounting is not only decided by the size and revenue of the company



"I have a stack of NemID and 50 plus logins sometimes I use the merchant login, but it is a huge mess. I have it stored on an excel sheet."

Accountants are working around their merchants - they serve them the best way, but they are also recommending them to collect all their expenses, as it will safe them time and money on the long wrong.

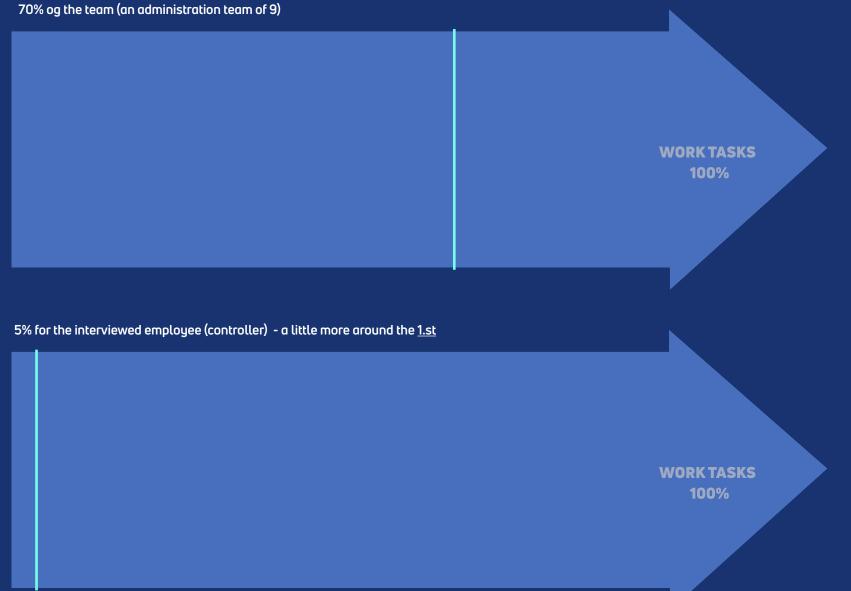
The complexity of the expense related to bookkeeping is deciding how detailed it is done.

"If a merchants shows up with a tight budget, I am only doing it according to that budget, I am still doing my job with a high standard, but they have to pay up if they want it done down more detailed."

B

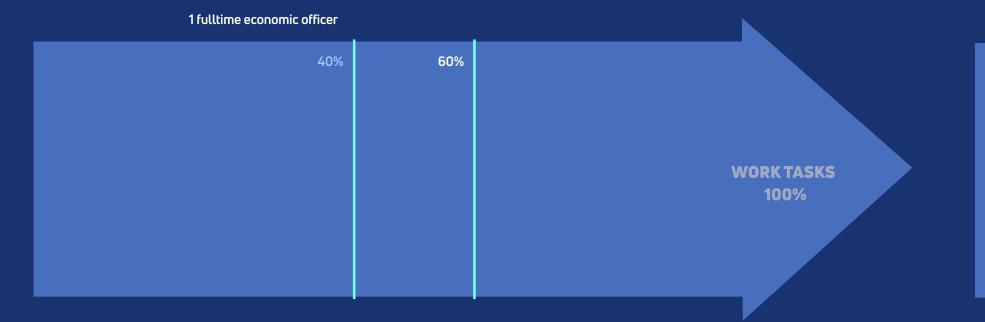
External accountants are meeting the complexity of their clients and let the merchants focus on their core business (especially in DK and SE)

Our merchants are spending too much time on tasks related to bookkeeping. It is taking up time from their core business area and main tasks, which will thereby be less prioritised





WORK TASKS 100%



+ one "cleaning lady" dealing with the general costs and payments in the company, hired 11 hours a week, spending 60% on bookkeeping

They need to ask for help from employees outside the administration and without the economic background.

1 out of 15 employees

50% + using employees from support as a big part is manual due to some issues with invoicing and easy

WORK TASKS

+ ongoing monthly conversations

The merchants had some difficulties in answering how big of a percentage of their total expenses went on bookkeeping



Internal accounting: 1,5 - 2 (out of 5) employees, if we are also counting the one in charge

Internal accounting 9 out of 200 FTE

EXTERNAL EXPENSES 100%

Plus one yearly walkthrough with PWC "The know what they can ask for and what they want."

Internal accounting

EXTERNAL EXPENSES

External accounting

EXTERNAL EXPENSES 100%

100%

500.000 + 1,5 employee

When you have a yearly revenue larger than 5 mil. sek, the books has to be annually approved by and external accounting agency.

Bigger merchants might have an external accounting agency to be doing their books, maybe as a collaborative task, but they also tend to choose going the internal way due to the complexity of services and products they are selling as well as the internal set-up

"We went from a yearly external accounting budget higher than 800.000 to one internal economic officer and much more flexibility."

INVOICES

A large number of our support cases is related to bookkeeping

17% of our support cases is related to invoice

The most frequent cases:

Can I get a copy of my invoice? Changing my information, such as entering a new e-mail so I can have my invoice send? Difficulties in understanding their invoices Missing payment Don't understand how to pay

Mistakes and wrong number on the invoice is often caused by manual typing mistakes

"If you as a merchant don't sign up for the standard pricing model you agreement has to be typed into SAP manually and that can cause mistakes."

The value of making the bookkeeping proces more automated

"Bookkeeping in the cloud, not it is almost a hygiene factor, everyone is doing it."