

In a Time of High Wages and High Costs, the Answer is Technology



Gene Marks

CPA, Columnist, and Host



Terence Cummings

VP Small Segment and Business Operations, Sage

Announcer:

Welcome to THRIVE, a Paychex Business Podcast, where you'll hear timely insights to help you navigate marketplace dynamics and propel your business forward. Here's your host, Gene Marks.

Gene Marks:

Hey everybody, and welcome to another episode of THRIVE. My name is Gene Marks. I interviewed today, Terence Cummings, who is the Vice President of Small Segment and Business Operations at Sage -- giant software company that makes CRM and accounting software as well. He deals with many small businesses and he's going to be talking to me and to you about how to use technology to keep yourself as productive, to help retain your employees, to keep yourself as profitable as possible in these days of high wages and high costs. So, join us. I think you'll like this conversation. All right. Terence Cummings, Vice President of Small Segment and Business Operations at Sage. Thank you very much for joining me today.

Terence Cummings:

Hey, Gene. Thanks for being here. Thanks for invite. Love the topic. Excited to talk about it.

Gene Marks:

Yeah. We're going to talk a lot about small businesses and now you're talking from Atlanta or nearby Atlanta. Correct?

Terence Cummings:

Yep.

Gene Marks:

So, I always get nervous when I talk to people from Atlanta, because I was always a Walking Dead fan and I always think that people are infected in unnaturally ways down there. Yeah. You see them film around?

Terence Cummings:

Yes, we're zombies walking around.

Gene Marks:

Yeah. Do you see them filming around you ever?

Terence Cummings:

It's so funny you ask me that, Gene, because I was just talking, they said that Georgia now is the number two market for movies outside of LA. I was just saying to someone I've never seen them making a movie anywhere in Georgia. At least I wasn't aware that they were. And I just thought that was very odd.

Gene Marks:

Yeah. It is funny. I mean, who knows where they're picking. And it's probably not downtown. And in Philly, where I live, they do filming in town. M. Night Shyamalan films his show called *Servant*, which is an Apple TV... It's on Apple TV, and he films it a block from where I live. Everybody dreads it when they're filming, because you can't get parking and everything's all, it's just... As fun as it is to watch them, it's kind of disruptive. Anyway, another conversation for another day, let's talk about you. Let's talk about Sage and let's talk about your small business customers. So, first of all, Terence, we're going to talk about Sage in a minute, but you've been with Sage for 14 years. Tell us a little bit about yourself and your background.

Terence Cummings:

Yeah. So, I've been here for 14 years and I was new to at the time what was called software. My background had been in the financial services industry. So, around 2008, when the market was really hit hard, I made a decision to get out of the mortgage business and I wanted to try something I felt was a little bit more recession proof. So, I started discussions with Sage and really liked everything about the organization and just the last 14 years has been an amazing ride, tremendous opportunity, worked with some great people, and have just seen the business grown. And I've been in so many different roles, Gene, as you can imagine, over the 14 years that it's really helped me get a really good understanding of our customers, of their needs, sort of the things that keep them up at night, et cetera. So, it's been really good and it's been amazing to see how Sage has transformed the way we do business to help customers transform the way they need to do business.

Gene Marks:

How did you wind up dealing with small businesses? I mean you come from a financial services background. I would've thought Sage would've had you focusing on that industry?

Terence Cummings:

No. For me, it was so similar to being in B2C, which is where I was before in the financial side, because small businesses are like people that you just know, they're like the people that live next door to you. So, there was that relatability to, although they are businesses, the engagement, the way you talk with them, the way you interact with them is more like B2C. So, I think that was just a natural transition for me to be able to relate to them. and I think the financial background obviously helped just being able to talk with them and understand their businesses and things they're trying to solve for.

Gene Marks:

Yeah. It's always fascinated me with Sage as well. I mean, I've known, I've been a fan of Sage for I can't even tell you how long, I mean, Sage bought... They started with, it's got to be before your time, was MAS 90 was the accounting application. There was Peachtree and there were other acquisitions brought it all together. I remember I've visited and spoken at a number of your annual conferences for your customers. It's a company that, and I bet you people at Sage would not bristle when they hear this, but it flies below the radar a little bit. When you talk about accounting software, there are the QuickBooks, the Intuits, they

get the attention. But Sage has an enormous customer base. It is popular among small- and mid-size as well as larger enterprises, it goes across all different industries. And then it also has... I mean Sage's CRM applications, which my company does a lot of are very highly regarded, standalone, that doesn't necessarily, I mean, what's it like working at a company that covers so much technology?

Terence Cummings:

Yeah. It's such a great question, Gene. When I think about, we have 866 million pounds in revenue that we are responsible for. Millions of customers globally. We do \$10 billion in invoices a year. We pay 20 million employees a year. As you said, we touched the gamut. And I think the thing about us is that we're just so conservative and I would almost say a humble organization. Because although we're large, we have 11,000 colleagues globally, as you mentioned, we've grown through acquisition. So, we are very much like a small company, because we've just added, added, added more businesses, acquired. So, you get that small business feel, but we want to be behind the scenes. We want to focus on our customers. We want to focus on our community. We want to focus on our shareholders, our colleagues. That's where we want to spend our time and money and dollars is really making sure that the people who are the importance behind the business are getting what they need.

Gene Marks:

Good. As part of your job, you speak to, and you deal with a lot of small and mid-size companies across the U.S.. Look, you've been there, like you said, for 14 years. So, it's like every other year, there's different challenges. But this year, talk to me about the challenges that you're seeing out there. I'm assuming it's labor, labor, labor, supply chain, supply chain, inflation.

Terence Cummings:

You nailed them. Those are the three things right now that are top of mind for small business owners. When you talk about, number one, coming out of a pandemic for two years, I mean, that was just very trying for small and medium business owners. But then you face the supply chain issues, which means they can't get what they need to run their business. And so, because of that, it creates cost issues, inflation kicks in, cost of doing business, margins become tighter, not even to mention the great resignation. So, they're struggling to find talent. They're struggling to keep talent. What it's meaning for them is they're having to adjust the way they do businesses. They're having to adjust where they spend dollars. And unfortunately, marketing is one of the places that's hit hard. They don't have the dollars to market.

Terence Cummings:

Many of them such as retailers are having to adjust their hours. I'm sure you've experienced-- I go into restaurants and they're only able to fill half of the restaurant, because they don't have enough cooks, they don't have enough waiters and waitresses and they're having to pay their people more. I think I've read earlier this year, January was the first time in over a decade that so many employers had to pay their employees significantly more money. So, that makes it tougher to deal with.

Terence Cummings:

But then when you factor in, as you mentioned, the inflation, now, the cost of doing business, because the ability to get loans is much more expensive. So what we're seeing is, is that a lot of these companies are either having to lay off people, they're having to downsize their facilities, their brick and mortar, because they just don't have the means to continue to pay for that. 61% of businesses said that supply chain is disrupting them, 63% said they had to alter their supply chain and how to do businesses. Many of them have had to stop selling products that they have been selling it, because they can't keep it in stock.

Terence Cummings:

Consumer demand is up 20%, which is great, but they can't keep up with the changing-- with the demand. So it's really starting to affect their business, their ability to run their business and their ability to be profitable. So, that's really what a lot of them are really concerned with, and that's what they're struggling with. The interesting thing about it, Gene, is that stuff's not just affecting small businesses. It's affecting everyone. So, the difference is that small business owners don't have the means to sort of survive and keep themselves afloat during that time.

Gene Marks:

Good times, good times. Everybody's really enjoying these things. Okay. So, these are the challenges that we have. You work for a technology company. If I was working for a technology, if I had your job and my audience, my community are small business owners, and you just identified what the issues are, labor, inflation and supply chain. I would be like, "Hey, man, you need to invest in Sage products and other technologies, because they're going to help you. You'll mitigate these issues." And by the way, Terence, I'm seeing this all over the country. I mean, I'm seeing with my clients, I'm seeing with my readers, the investment, and I've got specific things I can say, but I mean, I see a lot of robotics on the manufacturing floor of small companies, because it's become less expensive. I see a lot of automation internally.

Gene Marks:

So, let's give our audience some ideas. So, let's talk about labor first. Again, feel free, you want to pitch Sage? That's great. You want to mention other technologies, that's fine. But, all right, you just said labor costs have gone up. It is hard to find employees, retain employees, let alone, you'll pay them competitively against big companies that are trying to do the same. So, help me. What technologies, what Sage products, what should I be doing that could help me cut my cost of labors or make people more productive, that I'm willing to make that investment if I can see that return on investment, give me some ideas.

Terence Cummings:

Yeah. I think the biggest thing you said, Gene, was the AI machine learning robotics. I mean, that has really been something that has really helped organizations. One, from a customer service and customer experience perspective, because they don't have the labor. One of the things that they've been really struggling with is the customers' experience aspect of it, because they don't have the resources. So, what the AI is enabling them is to be able to really look at customer behavior and understand how customers are engaging with them, whether they visit their website or things that they're doing within the products that they have themselves and how can they more quickly react to customer need and customer demand, almost be more predictive in what they're doing. So, AI and robotics are big ones.

Terence Cummings:

The other thing that is another big one, and you mentioned this earlier, is the use of CRM. So, we're really starting to see that CRM usage increase and it's from two perspectives, one, it's managing their own internal customers, but it's also, in certain manufacturing businesses, it's also managing their actual equipment and supplies and making sure that they understand, as they have projects they're working on, do they have enough material in house? Those are things that once before were managed on spreadsheets or someone just had a number idea in their head. So, what the biggest thing is when... We do have a Sage CRM, as an example, you mentioned using it that we're really starting to see customers inquire about that more.

Terence Cummings:

The one thing that's been very interesting is customers are really, now more than ever, looking for more thought leadership because many of us, large companies and small, we're navigating unknown times. So, people are trying to figure out how do we stay afloat? What do we do? What are other people doing? That's where Sage comes in to make sure that we keep you above what the competitors are doing to make sure that you are aware.

Terence Cummings:

We are launching a new product or new program called a Sage membership, where we will be doing things like podcasts like this, but also connecting our customers with other businesses and providing them with information around, here's what everyone's dealing with right now that are in businesses like yours, whether it be a specific SIC, or just starting a business. Here are the things that they're thinking about. And it's not necessarily about Sage specific products, but in general, what are small businesses? So, those are the things that I'm seeing and hearing a lot of our customers looking at in terms of intelligence or just different things that they can do from a software perspective to help them manage during this.

Gene Marks:

So, there's AI, there's workflow, there's robotics, obviously, you're getting involved with peers and with brands like Sage, for example, to get some thought leadership and get ideas that might be outside of the box or outside of your perspective. That is great stuff. You mentioned CRM as well. I mean, not only the analytics part of measuring your customers, but CRM applicators we sell a few in my business, they cut labor time. I mean, you have it set up the right way. People visit your website for a chat. They can ask questions. There could be bots that you set up that we automatically respond to these questions, automatically send information without have a human being involved.

Gene Marks:

We have other clients that set up their website so that when somebody goes and asks for information, it comes right into their CRM system, like Sage CRM automatically sends them the information, schedules a follow-up, make... That's all stuff that, I mean, just a few years ago, you would need people to be doing this stuff. In 2022, we can't even find the people, let enough pay them enough. So, you got to leverage these types of platforms to do some of that work, because your people aren't around to do them. Does that make sense?

Terence Cummings:

No, it makes complete sense. I think the other one that's, although it's been around for a while, is the whole idea of cloud computing, because now one of the things we've seen from our customers and we saw it beginning during the pandemic was this ability to have, now, accessibility. Because it was never something that people were concerned with before. Because we always went into an office, we logged into our computer and we worked. We've seen an increase in people wanting what we refer to as our Sage Drive, which allows them to remote access into their product. We've seen a lot more request around people wanting to move their businesses into the cloud. And where we're seeing it the most is in, as we bring in... One industry I'm really seeing, or one specific role I'm really seeing a change in how they're managing their business is the CFO role.

Terence Cummings:

So, traditionally, finance teams were always just providing data. This is the numbers, here's what we have to grow to, here's what our expenses are. Finance companies or financial roles are now changing where they're providing more insight to businesses. They're being able to now tell businesses where they need to be focusing, where they need to be spending money, which is different. So, what we're finding is, is that

that role and the type of characteristics or qualifications in that role are changing. What they're noticing in that industry is that 70% of people are more happy actually, because they are able to now do something and add value. But back to the cloud computing and our customers is, we're having more people now that want to talk about storing their files in the cloud and internet connected devices, the use of tablets, people are now wanting more software they can use on their tablet, not necessarily laptop or their phone. So, behaviors are certainly changing. I think cloud computing is another technology that's emerging that people will start to leverage more.

Gene Marks:

Yeah, you're absolutely right. It amazes me that we still have some clients that are still living old school. They have networks in their company. I mean, they're tough to change and when you have stuff on the cloud, not only does everybody have access to it wherever they are, from any device that they are, they get real time information, it's backed up, it's mostly secure, well, as secure as you can get it, and it makes a big thing. The other thing also, we're talking about automation as well with our clients is, because I know Sage provides us, you haven't figured out by looking at me already, Terence, I'm a CPA. So, big spoiler alert there.

Gene Marks:

So, we have with our clients, a lot of people say like they want more information. They're waiting for reports. I don't know, our smartest clients, they invest in analytics, in metrics, you are a good example at Sage because Sage offers reporting products that can be standalone, that will report out of any of your systems and deliver those reports automatically to any device. So, instead of the CFO or the CEO or the business owner waiting to get that report at the end of the month, they can caught up whenever they want, because they've set it up to get their reports from whatever device. All of this stuff though, it takes resources and I get it. I mean, I have 10 people in my company and we're all cheapskates when we run a business, but we need to invest in people.

Gene Marks:

And I'm just curious, one of the things that sets Sage apart, I think, from a lot of other companies is you guys have a very strong partner channel. And yet I feel like you're not alone, it's the same thing with Microsoft, it's the same thing with other companies. I feel like your partners are underused. You've got people that really specialize in this stuff. A lot of customers don't... Because they're probably not using all of the... They're definitely not using all the capabilities of what Sage products provide. So, talk to me, give us a pitch. Again, assume that the people listening to this conversation are either Sage users or they're users of one of your competitors, whatever. Talk to us about how important your partner channel is and what they can do to help a business operate better and more effectively in these days.

Terence Cummings:

Yeah, no, you're spot on, Gene. I mean, our partner channel is definitely one of the major lifelines to our business. We see it more in our medium segment, not as much in our small segment, but you're right. One data point that we know is that our Sage 50 product, which is our small accounting product, customers on average use 20% of the product. 20%. The interesting thing about it is that many times, and you mentioned this earlier, people buy something with the intention of using it for something specifically, and they don't really explore everything that's available to them, because they have other solutions or other things they're going to solve for. I use the analogy all time with myself, with my smartphone. I'm probably the person who could go back to a flip phone, because I only use my phone for texting and phone calls.

Terence Cummings:

I don't use it for nearly everything that's available to me. I'm very much like our small business owners. But our partner channel is key, because, to your point, they have the ability to come in. Number one, they

have experience in specific industries that they know well. So, they bring that level of experience to not only existing customers, but specifically new customers who are still navigating their way around. But what they're able to do is they're able to come in and customize that product to meet your specific business needs. There may be things within the product. You mentioned MAS 90, which is now Sage 100, we rebranded everything, but they have the ability to come in and take that product and customize it to meet your specific needs. But they also bring a level of insight to you as a business owner around what it is you're trying to solve for, what keeps you up at night.

Terence Cummings:

We don't have the reach as an organization to give you that handheld experience, there's only so far we can take a relationship. And our partner channel is an extension of that. That's why it's so critical for us, because they represent Sage and many times, Gene, a lot of them don't even know who Sage is. They know who the partner is, because that's who they do all their business with and that's who they interact with. So, it's a critical part for us and something that I know we wouldn't be successful if we didn't work hand in glove with our partner channel.

Gene Marks:

So, it's funny too. When I talk about the different partners and their skillsets, I have met some partners that, for free... And I know you guys don't tell your partners what to do, it's up to them. But some partners for free will reach out to their clients and say, "Hey, let me spend a couple hours with you and show you all the things you're not doing with Sage 50 or Sage 100." Because they know that can turn into more work for them to help them get that set up. So, if you're a user and, again, whether you're a user of Sage or you're a user of any other platform, you should be asking your partners, "Come on in and show me what I'm not doing with this thing, because we want to use it better." And if it's a good partner, they're not going to fleece you for doing that. They see the long-term opportunity, you know?

Terence Cummings:

Absolutely.

Gene Marks:

And you, as the software manufacturer as it is, I mean, your goal is to have your clients continue to pay your monthly fees forever. So, you provide those resources to your partners to make those customers happy. Correct?

Terence Cummings:

Yeah. It's that word stickiness. The more they're using that product, the more that they are able to really explore what's in it for them, creates a greater need for them to use the product to run their business. And we don't want it to be an addiction, but we want it to be that they view our software as... So, I always say this, you, as an accountant, understand, CPA, no one wants to get up and say, "Oh, I can't wait to get into my software today and look at some data and look at some numbers." I mean, people just don't wake up and do that.

Terence Cummings:

What we want to do, and you described it perfectly, we want to give you access to what you need to run your business, to make quick decisive decisions and feel confident in the data that you're getting to make those decisions. That's really where people want to spend their time. They want to spend their time driving their business. They want to spend their time where they're passionate. And it's not sitting in front of a computer. So, we know that. So, we want to ensure that you're getting everything you need, and like you said, it behooves any customer to make sure they are maximizing that relationship with that partner,

the same way you would with your accountant, the same way that you should with anyone that you do business with, anyone's going to help make your job and life easier, you should be spending time with them. And I wish more customers knew that.

Gene Marks:

Yeah, I wish they did. Because they would be getting... They've got such an investment, and you said it earlier, it's like you've got your device, it could be a flip phone for all you know. I do see way too many clients that have the same thing, but it's a bigger issue, because it's their accounting systems, not their smartphone. They should be making more use of it. All right. I'm going to put you on the spot here and ask you what comes to your mind. And the question is this, and I'll give my response first to give you some time to think about it. But if there's one thing that you see your small business customers not doing with Sage, that you think that's... You feel like just shaking them, like, "Oh, you should be doing this."

Gene Marks:

My thing has been, over the past couple years, and again, this is not just with Sage, with any of the accounting platforms that are out there, they don't use alerts enough. It's so simple in Sage 50 and Sage 100. And then I know your competitors too. You can set up alerts quit easy. Where if an invoice is about to go overdue from a customer, I don't know, somebody, the sales manager gets an email about it. Like, "Hey, this invoice is coming overdue. So you might want to reach out and make sure everything is okay." Or if an order was supposed to ship out on a certain day and it's hasn't shipped out, somebody gets an email about it. Or if there's an inventory balance that falls below a safety level, so that you want to, "Hey, we're running out of this inventory. Somebody needs to order more." Just a simple, simple thing that it keeps you so ahead of the eight ball and I don't see enough of my clients using it. So, I'm curious if you've got your own... See if you can offer one of those up.

Terence Cummings:

This one's a no-brainer for me and it's funny, you mentioned it earlier already. Mine is that they don't leverage our Sage Business Intelligence. So, for me, data is the most important thing you can have as a business owner. So many of them use the canned reports that come with the software, which are helpful, but because businesses have evolved and what was built in that product when we created it many, many years ago, some of those data points aren't relevant as much anymore. So, when we talk to customers about adding Sage Business Intelligence, many of them, "Oh, I have the reporting I need, I'm good. I have the information I need." And it's just like, you're still running your business the way you ran it years ago. It's because you don't have new or different information to make different decisions.

Gene Marks:

It's great. That is absolutely great. Like we were talking about earlier, I mean, if you spend a little bucks, a few bucks with a Sage partner, they can set this stuff up for you and then you're getting it on your phone or your device, whenever you want real time. So, Terence Cummings is the Vice President of Small Segment and Business Operations at Sage. Terence, I could keep talking to you. We're limited on time, but I have more things I want to rant about when it comes to people's under-utilization of accounting software. I'd like to have you back some time and I'll have to talk about it with the people at Paychex also about maybe you and one or two of your competitors, actually, just having a friendly conversation about choosing an accounting software for your business and what kind of considerations you should make. So, that would be something to consider in the future. But I want to thank you for joining me. It was great conversation. I hope you enjoyed it as well.

Terence Cummings:

No, I have, Gene, thanks for the invite. And I've been a long time admirer of yours from afar. So, it was more my pleasure than yours.

Gene Marks:

Oh, well, I appreciate that.

Gene Marks:

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Announcer:

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