

Software Vendor XBRL Business Case

Profitable XBRL functionality providing value to users

An XBRL case-study about:

- Adding value based on XBRL
- Remaining on the leading edge of business software developments
- Maintaining market position at low development costs

XBRL is currently in an adoption phase. The number of implementations is increasing rapidly although high volumes are not yet a reality. The relatively complex standard requires a considerable effort from vendors that is not compensated by sales volumes. As a new technology, XBRL is as yet treated as a very technical subject. The technology is highly visible and not yet covered under the hood of software applications. Deployments are multi faceted and bespoke; a relatively limited number of implementations is being used on a day-to-day basis. Currently these are automated using ready to integrate technology from Semansys.

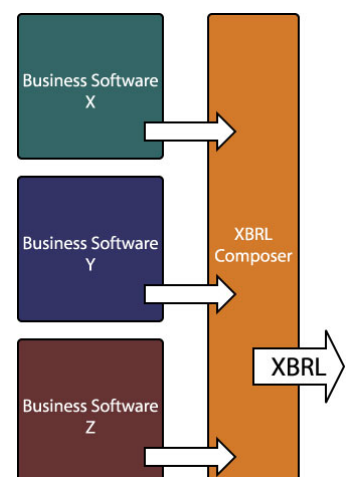
These facts lead to a difficulties in building a business case for software vendors. Is XBRL to be seen as a maintenance issue? Is there added value and if so, what is it? What should the pricing be? These questions are relevant to all vendors of applications that generate reports.

For all business software applications

Strategic applications need XBRL

The way in which XBRL is being deployed differs for various application areas. In general terms XBRL is being used for statistical reporting, regulatory financial reporting, tax reporting and management reporting.

Statistic reporting has various sources; most administrative systems will in one way or the other serve as an information source. Regulatory financial reporting usually originates from specific applications such as those used by accountants. However, an annual report hardly ever originates directly from a GL or consolidation system. Usually the annual report is composed out of data from various sources and supplemented manually with various



pieces of data using generic or specific tools. A tax report is increasingly the result of an automatic reporting process executed by a GL, HR or consolidation software application. Management reporting is the domain of GL and ERP systems as well as consolidation and BPM systems.

Clearly, potentially all systems that are used to manage and contain business, operational and financial data need to be XBRL enabled.

Functionality, not just save as...

Vendors are preparing to incorporate XBRL output, XBRL input as well as XBRL data management. Focus today however is on XBRL output. This is more than just a 'save as XBRL' function.

In order to serve the users well, applications need to be able to provide a host of functionality. They should manage applicable taxonomies, provide insight in these taxonomies and provide facilities to enhance taxonomies. These enhancements are called extensions and are necessary to communicate facts that are not defined in a taxonomy provided. Next the application should be able to map taxonomy elements to data managed in the application or stored in its database. Subsequently the application is required to generate a report and facilitate editing, reviewing, auditing, verification and approval. Next the report should be sent out to external or internal stakeholders.

Don't 'code'
IFRS into your
application

It is an illusion to think that any business software application will only need to be able to handle one single taxonomy. A user always has to deal with a number of taxonomies and taxonomy extensions. Even if a user would only report according to IFRS, he would still need to handle versions and components of the applicable taxonomy and company extensions to that. The notion that a specific taxonomy, such as IFRS, can be 'built into' an application in order to serve the needs of a user, is proven to be incorrect.

Hidden complexity

XBRL
under the
hood

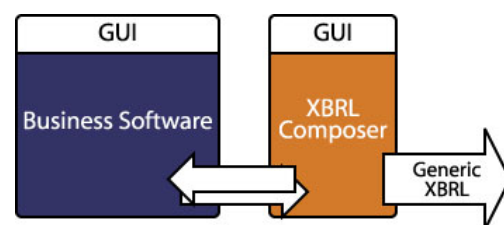
Preferably all of this is automated to reduce the recurring effort of reporting to a push of a button. Large corporations can afford a large accounting and control department and are maybe not very demanding regarding the provided efficiency. However, their subsidiaries and the millions of smaller companies and institutions around the globe will want to see highly effective tools, supporting specific daily reporting tasks. All functionality of the environment needs to be accessible from other application and executed automatically through scripting. Vital for adoption and successful deployment of XBRL is the ability to hide complexities and provide an environment that is friendly to casual users. After all most reports are produced only once a year or once per quarter.

Strategies

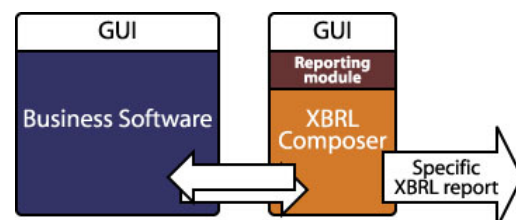
Vendors can choose for different strategies. One is the choice between 'make or buy'. Since XBRL is a very complex standard and the market potential not always clear, many vendors choose to buy this technology and act as reseller or under an OEM agreement.

Practice shows that there are three optional strategies regarding the level of support of the standard and the flexibility to future enhancements and application areas.

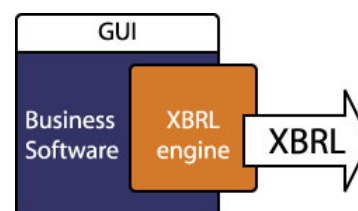
1. The first option is to use a **separate XBRL application** in order to provide generic XBRL functionality. The application can meet any requirement regarding XBRL reporting, but requires knowledge of the standard in order to be used effectively. The application can be integrated through file exchange, SQL or even SOAP interfaces. This approach requires almost no to some technical effort from the vendor depending on the sophistication of the integration. The application is flexible and capable of addressing all reporting needs.



2. The second strategic option is to introduce **XBRL solutions** for specific reporting tasks. Through these solutions users can satisfy reporting requirements by pushing just a few buttons. This can be successfully done without any knowledge of XBRL. By nature the solution is capable of servicing only one reporting process; additional reporting requirements can be satisfied with additional modules. This approach entails a very low threshold for the vendor as well as for the user.



3. The third strategic option is to incorporate an **XBRL engine** in the architecture of the application software. This allows for a more integrated XBRL functionality whereas XBRL reports can be generated from the user interface of the underlying application. The vendor can choose for various levels of sophistication regarding the functionality. It can create specific solutions as well as generic tooling for XBRL reporting. This approach guarantees readiness for all future developments in XBRL. Developments in the language can be accommodated by updating the engine; new reporting developments can be facilitated with new applications based on that engine.



Affordable proposition

Vendors that chose to treat XBRL as yet another export format, found themselves struggling with their business model. Users do not want to pay for an extra 'save as' format, and expect that to be provided under maintenance.

Vendors that are successful in selling XBRL functionality carry an added value proposition. They clearly communicate the current and future value of the provided functionality and define their pricing in accordance with that. That means that they can ask a decent price for an additional module that provides carefree compliance to reporting requirements at high efficiency rates. If the volumes are considerable, XBRL functionality is sold as a 'no brainer' option at prices equal to a certain percentage of the standard license price of the financial application itself.

A self-evident
price level

Vendor Solutions from Semansys

Semansys can help you use XBRL to your strategic advantage. If your systems capabilities of handling XBRL are superior, your customer will regard your solution as strategic.

You can reach that position quickly and easily by using the unique XBRL capabilities offered by Semansys, as many vendors chose to do already. Our digital reporting solutions allow you to help your customer meet reporting requirements and be compliant quickly and at virtually no risk. Our vendor solutions for XBRL Reporting can be entirely integrated in your software architecture and offer all functionality as described in this paper, and more.

Depending on the nature of your packaged or custom software solution, you might want to add value by the capability to receive and process XBRL. Vendors of software for financial consolidation, business intelligence, risk management and various others have decided to use Semansys technology to remain on the leading edge. They now are capable of effectively using information available in XBRL, either from internal or external sources, to create a dynamic information environment that is open and flexible.

Semansys is global market leader in vendor solution for digital reporting. Contact us as the first stop on your XBRL journey.

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