

**NetSuite's SP100 Program is a Sweet Spot for Solution Providers and Resellers**

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On March 7, 2011 NetSuite [announced](#) improvements to the NetSuite SP100 program available to its Solution Providers. One year ago in March 2010, NetSuite set a high bar for ERP, CRM, and eCommerce solutions vendors with SP100 by offering solution providers the opportunity for 100% margin on the year-one subscription revenue for qualified customer transactions. This was always intended as a limited offer to the NetSuite partners, but as of March 2011, NetSuite has announced that they will extend and expand the 100% margin offer as well as add a few more treats for SP partners. This is an important move as competition heats up from competitors like SAP's Business By Design on demand offering and Microsoft Dynamics' mid-market ERP offerings, which has a robust channel .

Which is better for the partner bottom line? 100/10% or 50/30%? Partner's Choice!

One of the biggest challenges for ERP solution providers and resellers moving from on-premise to a cloud based business is financial. The larger but longer-term recurring revenue opportunity of the cloud is very different from the big payday of on-premise. The business model for traditional channel partners just wasn't ready for the perceived revenue hit. In March 2010, NetSuite provided its partners with an opportunity to earn 100% of the year-one subscription revenue for qualified transactions, something that IDC hasn't seen repeated in the industry. This offer proved to be very successful with their Americas channel partners, so NetSuite decided to continue the program and expand the offer to their EMEA partners.

It works like this. NetSuite actually offers two revenue sharing models to their solution provider partners. On a deal-by-deal basis the partner can choose which model makes the most sense to their business. The SP100 program offers 100% of the year-one subscription revenue, plus a 10% share of renewals for subsequent years. To qualify for the 100% model, the deal with the must be for a minimum of two years. The other option is to choose NetSuite's standard financial terms for channel partners which offers a 50% revenue share of the year-one subscription, followed by a 30% share of the annual renewal for subsequent years. Both are great options for the partner's revenue stream and provide different incentives. If the partner needs to quickly recoup the cost of sale and the customer signs a minimum two-year agreement, then the 100/10% option may be better in the short run, plus there's some upside of recurring revenue. If the partner believes the customer will stay with NetSuite for more than three years, then 50/30% option may make more sense. In any case, this revenue share model is more lucrative to channel partners than a number of others IDC has seen.

NetSuite says that these revenue sharing models are meeting the objectives they had set, specifically recruiting larger and more sophisticated partners into its community. NetSuite has seen an approximately 40% increase in its channel partner membership over the past year as well as a significant increase in the number of customer leads. It remains to be seen how this revenue-sharing program will impact NetSuite's overall business. NetSuite's 2010 subscription and support revenues increased 18% to US\$164M from US\$139M in 2009, which also represented an increase of 16% over 2008's US\$120M revenue, but NetSuite continues to show a loss overall on a GAAP basis. Presumably the new partners who joined the NetSuite SP100 program during 2010 can continue to drive up the overall NetSuite product sales as they gain more traction with the product line.

SuiteStart Service - Speeding the Path to Partner Productivity

In order to achieve a faster path to value and associated revenue, both NetSuite and its partners need the partner's employees to ramp up quickly. To help speed this path to partner productivity, NetSuite launched the SuiteStart Service which provides the following training benefits:

- Free sales training for up to 3 partner reps attending NetSuite's standard 2.5 day in-person sales training course
- Waived cost for NetSuite's 2 day in-person or virtual instructor-led methodology course specific to implementing cloud-based solutions

Whereas in the past NetSuite charged new partners for these resources, in 2011 these courses are offered free of charge to up to three employees of NetSuite's channel partners. NetSuite's partners provided feedback that this type of training was a requirement when choosing who they would partner with and it is often, but not always, offered at no cost by other software vendors. To NetSuite's credit, they listened to their partners and made the necessary program change.

NetSuite has also built role-based learning maps to help partner employees' gain the product and implementation expertise they need. But these maps were largely self-service, which for some individuals is fine, while others need help finishing the learning map. An important part of the SuiteStart service is proactive management by the NetSuite team to get more partner employees through the learning maps in a timely manner. NetSuite is continuing to invest in its global partner enablement team and will continue to standardize the training and make it more prescriptive. While NetSuite has not yet launched a certification process there are plans to do so. In the meantime this process to authorize that the consultant has indeed completed the curriculum is a very good step.

More Benefits - Waived Program Fees, NetSuite Product License, Go-To-Market Programs

NetSuite also announced that the SuiteStart service will waive the first year partner program fee of \$5,000. This is a great way to get partners to look seriously at NetSuite's offerings as it makes the first year start-up costs easier to manage, especially for traditional solution providers worried about cashflow issues moving to selling cloud solutions. Plus NetSuite continues to offer partners a license to the NetSuite products internally to manage their own business. This is yet another good way to get the partner working with the NetSuite products and demonstrating to their customers that they are one of their own best references.

Finally, NetSuite is also investing in marketing resources for its partners. Like other software vendors, NetSuite provides collateral such as white papers and brochures, but has now invested in go-to-market resources and support. NetSuite is delivering marketing templates built for the partners and more importantly are used by the partners. They are also providing start-up leads to new partners and on-going leads to top-performing partners.

NetSuite is clearly responding to the needs of their partner community and making changes to its SP100 program that directly impact the partner's ability to build a profitable ERP/CRM cloud-based business. NetSuite also seems to be achieving its goal of building a robust solution provider partner community that delivers quality solutions for customers. The partner community is often a key component to building a successful and profitable applications business for medium and small-enterprise customers and it seems that NetSuite is making improvements to its SP100 partner program to attract and keep the type of partner who will successfully sell and implement its ERP, CRM, and eCommerce solutions to that market.

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