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## **ROI CASE STUDY NETSUITE REDBUILT**

### **THE BOTTOM LINE**

**RedBuilt used NetSuite ERP to avoid a costly one-time fee from SAP, eliminate staff dedicated to manual data entry, reduce report building costs, and improve the productivity of people utilizing ERP-related reports and data.**

**ROI: 158%**

**Payback: 6 months**

**Average annual benefit: \$678,398**

### **THE COMPANY**

RedBuilt manufactures and sells engineered wood products that are used in the framing of commercial and light industrial structures. The company has four manufacturing facilities, 13 sales and design offices, and a product offering that includes trusses, joints, and beams. Originally a subsidiary of Weyerhaeuser and known as Trus Joist, the company was acquired from Weyerhaeuser by a private equity firm in 2008.

### **THE CHALLENGE**

When RedBuilt was acquired, it was given a difficult choice by SAP, which the company used for financials, forecasting, and inventory control. SAP intended to classify Weyerhaeuser as a reseller if RedBuilt continued to utilize its former parent's SAP deployment. This resulted in two choices: either RedBuilt had to stop using SAP, or the vendor would charge \$400,000 in return for continued use of the application.

### **THE STRATEGY**

RedBuilt wanted to maintain a strong ERP deployment, but did not see value in the proposed \$400,000 payment to SAP. In selecting a replacement, RedBuilt considered NetSuite, and performed a cursory analysis of other vendors. RedBuilt was already using NetSuite for CRM and decided to extend the deployment to ERP for reasons that included:

- **Configurability.** The CRM deployment required little IT support. End users and line-of-business managers found it easy to independently make changes to the reporting assets they used.
- **Cost.** Because NetSuite functionality is delivered as a service over the Web, extending the deployment would not require any hardware investments.

**TOPICS**

Enterprise Applications  
Customer Relationship  
Management  
Software as a Service

- **Integration.** Relying on NetSuite for both CRM and ERP would make it easier for the company to integrate customer related and operations related data.
- **Knowledge.** Because many end users were already familiar with NetSuite, training costs would be reduced.
- **Speed.** Because of terms provided by SAP, RedBuilt had to deploy a new ERP platform in just three months. Prior experience with NetSuite and its Web-based delivery made Rebuilt confident it could meet this deadline.

NetSuite ERP was deployed over a 3-month period by three RedBuilt employees, an internal consultant, and a NetSuite consultant. At different times, managers from the lines of business that would eventually use the application also worked briefly on the deployment, assisting with the identification of business requirements. In order to deploy NetSuite ERP, the deployment team:

- **Configured the application.** Settings in the application had to be modified to accommodate peculiarities in RedBuilt's accounting practices. For example, its plants were not treated as cost centers, but its sales offices were.
- **Migrated its data.** Data for all projects that were in process, as well as a small group of recently completed and invoiced projects, were transferred to NetSuite.
- **Modified data definitions.** Some data definitions, which were set when RedBuilt did not anticipate expanding the deployment beyond CRM, had to be changed. For example, items that were sold to customers in the CRM system were classified as "non-inventory" items. Because CRM would be integrated with ERP and these items would actually be in an inventory known to NetSuite, this had to be changed throughout the application.
- **Tested configurations.** For each process to be supported by the deployment, including, sales orders, invoicing, and AR, members of the deployment team from the lines of business tested functionality and helped with the fine tuning of the application. Also tested were the proper handling of permission levels and integration of NetSuite ERP with the general ledger.

After migrating financials, forecasting, and inventory control from SAP to NetSuite, the deployment was expanded to include payroll, expense reporting, as well as time and attendance.

RedBuilt expects to expand the deployment to the tracking of orders on the shop floor, which is currently done manually.

**KEY BENEFIT AREAS**

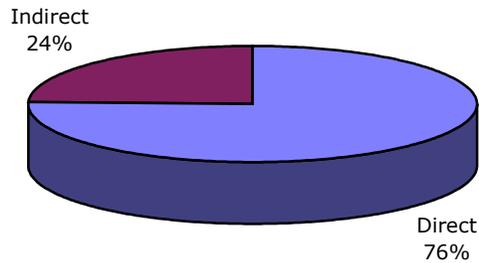
Extending its NetSuite deployment to ERP enabled RedBuilt to reduce headcount, improve productivity, and reduce report building costs. Key benefits from the solution include:

- **Reduced data-entry headcount.** Before the deployment, three administrators spent all their time manually keying finance-related data from NetSuite CRM into SAP. Now that ERP and CRM are integrated within NetSuite, this manual input is no longer needed and these positions have been eliminated.
- **Reduced report building costs.** As a result of the deployment, the time required to build and maintain reports has decreased by 50 percent. Since this work is now performed by end users, rather than scarce and costly ABAP

programmers, the hourly cost of completing this work has also reduced by 50 percent. The net effect was a 75 percent reduction in report building costs.

- Avoided one-time SAP fee. By migrating to NetSuite, RedBuilt avoided the \$400,000 one-time fee it would have had to pay in order to continue receiving annual support as a customer independent of its former parent.
- Improved end-user productivity. Because reporting from NetSuite makes it easier for people to find and analyze data, RedBuilt estimates its 52 end users are 5 percent more productive.

**BENEFITS**

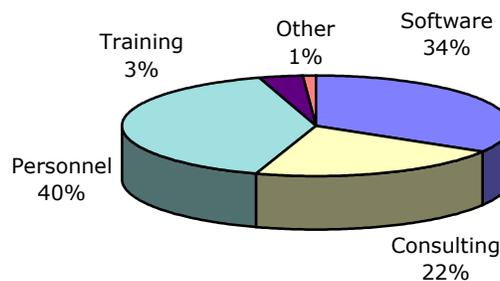


**TOTAL: \$2,035,195**

**KEY COST AREAS**

Key cost areas for the deployment included software, personnel, consulting, and training. Over a 3-month period, three employees, an internal consultant, and a NetSuite consultant configured SAP data, migrated it, identified end user’s reporting requirements, and configured new reporting assets in Net suite. Six people from the different lines of business also assisted with business requirements and system testing at various times. NetSuite provided half-day training sessions to 52 end users. Other costs consisted of travel for the deployment team, which visited local operational facilities during the deployment.

**COSTS**



**TOTAL: \$623.973**

**BEST PRACTICES**

Although the deployment generated a high ROI and relatively short payback, the deployment would have ideally combined the adoptions of NetSuite CRM and ERP. When NetSuite CRM was deployed in 2008, the deployment team could not have

anticipated the opportunity to integrate the application with NetSuite CRM. This led to various settings, such as whether or not a product was categorized as being in inventory, that were troublesome when it came time to integrate with NetSuite ERP. Although this challenge did not lengthen the deployment timeline, it did increase the amount of resources dedicated to the ERP deployment. Had the deployments been completed together, or in sequence, the amount of internal consulting would have been reduced by half and the amount of external consulting would have been reduced by a third.

### **CALCULATING THE ROI**

Nucleus calculated the costs of software, personnel, consulting, training, and other investments over a 3-year period to quantify RedBuilt's total investment in NetSuite ERP. Obviously the low initial and ongoing costs associated with a cloud-based application limited RedBuilt's investment and contributed to the high ROI.

Direct benefits calculated included the avoided one-time fee for maintaining SAP support after RedBuilt's spinout from Weyerhaeuser, avoided annual license maintenance for SAP, the elimination of three positions which had previously been dedicated to the manual transfer of data from NetSuite CRM to SAP, and reduced report building costs. Indirect benefits included the improved productivity of end users. This was based on end users' average fully loaded annual cost and an estimation of their time saved as a result of the deployment. A correction factor was applied to take into account the fact that not all time saved would be converted into time spent on additional work.

# DETAILED FINANCIAL ANALYSIS

## REDBUILT

### SUMMARY

|  |                 |
|--|-----------------|
| Project:                               | <b>NetSuite</b> |
| Annual return on investment (ROI)      | <b>158%</b>     |
| Payback period (years)                 | <b>0.47</b>     |
| Average annual benefit                 | <b>678,398</b>  |
| Average annual total cost of ownership | <b>207,991</b>  |

| <b>ANNUAL BENEFITS</b>           | <b>Pre-start</b> | <b>Year 1</b> | <b>Year 2</b> | <b>Year 3</b> |
|----------------------------------|------------------|---------------|---------------|---------------|
| Direct                           | 0                | 770,440       | 379,440       | 388,440       |
| Indirect                         | 0                | 165,625       | 165,625       | 165,625       |
| <b>Total Benefits Per Period</b> | 0                | 936,065       | 545,065       | 554,065       |

| <b>DEPRECIATED ASSETS</b> | <b>Pre-start</b> | <b>Year 1</b> | <b>Year 2</b> | <b>Year 3</b> |
|---------------------------|------------------|---------------|---------------|---------------|
| Software                  | 0                | 0             | 0             | 0             |
| Hardware                  | 0                | 0             | 0             | 0             |
| <b>Total Per Period</b>   | 0                | 0             | 0             | 0             |

| <b>DEPRECIATION SCHEDULE</b> | <b>Pre-start</b> | <b>Year 1</b> | <b>Year 2</b> | <b>Year 3</b> |
|------------------------------|------------------|---------------|---------------|---------------|
| Software                     | 0                | 0             | 0             | 0             |
| Hardware                     | 0                | 0             | 0             | 0             |
| <b>Total Per Period</b>      | 0                | 0             | 0             | 0             |

| <b>EXPENSED COSTS</b>   | <b>Pre-start</b> | <b>Year 1</b> | <b>Year 2</b> | <b>Year 3</b> |
|-------------------------|------------------|---------------|---------------|---------------|
| Software                | 115,897          | 44,911        | 48,504        | 0             |
| Hardware                | 0                | 0             | 0             | 0             |
| Consulting              | 134,313          | 0             | 0             | 0             |
| Personnel               | 97,750           | 88,000        | 33,000        | 33,000        |
| Training                | 21,000           | 0             | 0             | 0             |
| Other                   | 7,600            | 0             | 0             | 0             |
| <b>Total Per Period</b> | 376,559          | 132,911       | 81,504        | 33,000        |

| <b>FINANCIAL ANALYSIS</b>                        | <b>Pre-start</b> | <b>Year 1</b> | <b>Year 2</b> | <b>Year 3</b> |
|--|------------------|---------------|---------------|---------------|
| Net cash flow before taxes                       | (376,559)        | 803,154       | 463,561       | 521,065       |
| Net cash flow after taxes                        | (188,280)        | 401,577       | 231,781       | 260,533       |
| <b>Annual ROI - direct and indirect benefits</b> |                  |               |               | <b>158%</b>   |
| Annual ROI - direct benefits only                |                  |               |               | 114%          |
| Net present value (NPV)                          |                  |               |               | 507,482       |
| <b>Payback (years)</b>                           |                  |               |               | <b>0.47</b>   |
| Average annual cost of ownership                 |                  |               |               | 207,991       |
| 3-year IRR                                       |                  |               |               | 176%          |

### FINANCIAL ASSUMPTIONS

|                      |     |
|----------------------|-----|
| All government taxes | 50% |
| Discount rate        | 15% |