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Netsuite Taps HK Market For Mainland Foray

By Bien Perez

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With an eye on the larger but more challenging mainland market, United States-based business automation specialist NetSuite will launch its "software as a service" (SaaS) operations in Hong Kong in the third quarter of this year.

The move will follow the company's introduction last week of OneWorld, an integrated suite of low-cost, on-demand business automation software which enables multinational companies and growing enterprises with multiple subsidiaries to manage their global operations in real time.

NetSuite president and chief executive Zach Nelson acknowledged that its latest release was designed to meet the needs of fast-growing, medium-sized companies like those on the mainland.

"But all our research says it remains difficult for SaaS providers to be economically viable in China," Mr Nelson said. "There is currently limited demand since companies can easily put more labour to work on their front and back-office operations, while using basic software applications."

Sometimes known as "software on demand", SaaS is a business model in which business management software - including customer relationship management, enterprise resource planning, supply chain management, Web analytics and e-commerce systems - are sold, delivered and maintained over the internet.

Singapore-based information technology market analyst firm Springboard Research has forecast the overall SaaS applications market in Greater China would grow about 72 per cent annually to be worth US\$175 million by 2010, up from US\$20 million in 2006.

Mainland SaaS players include Xtools CRM and 800App.com, while top global rivals for NetSuite include Salesforce.com. Still, those SaaS numbers pale when compared with what research firm International Data Corp estimated as the mainland's US\$6 billion total software market in 2006.

"So we've decided to first set up an office in Hong Kong, where the market is more mature in terms of technology adoption and there are more companies willing to allocate resources for SaaS," said Jim McGeever, chief financial officer at NetSuite. "We'll have about five staff initially in Hong Kong and add people as business grows."

New York-listed NetSuite - which first set up shop in Australia, Singapore, Japan and the Philippines in the Asia-Pacific - anticipates customers in Hong Kong, especially those in the manufacturing sector, will help the company tap into growing business opportunities across the Pearl River Delta region. The delta is home to about 77,000 Hong Kong-owned or controlled manufacturing operations, employing about 10 million mainland workers.

Mr McGeever said a successful inroad into that area may allow NetSuite to better gauge how it ought to expand into the mainland. The company, which has more than 1,000 corporate customers worldwide, is betting a healthy rate of adoption for OneWorld will help that planned foray.

"With OneWorld, we are delivering capabilities to mid-sized companies that even the world's largest companies have failed to achieve after spending millions of dollars," said Mr Nelson, noting costly implementations like those of German business software giant SAP.

Mr Nelson noted that OneWorld, which is an add-on module to the basic NetSuite product and is priced at US\$1,999 a month, "delivers local control with visibility, not just across financials but across every aspect of the business -- from lead to forecast to order to cash collection".

In a research note, analysts at US investment bank ThinkPanmure wrote: "We estimate [OneWorld to be] a US\$40 million to US\$50 million per year opportunity within [NetSuite's] installed base."