# NUCLEUS RESEARCH

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# ROI EVALUATION REPORT
## NETSUITE
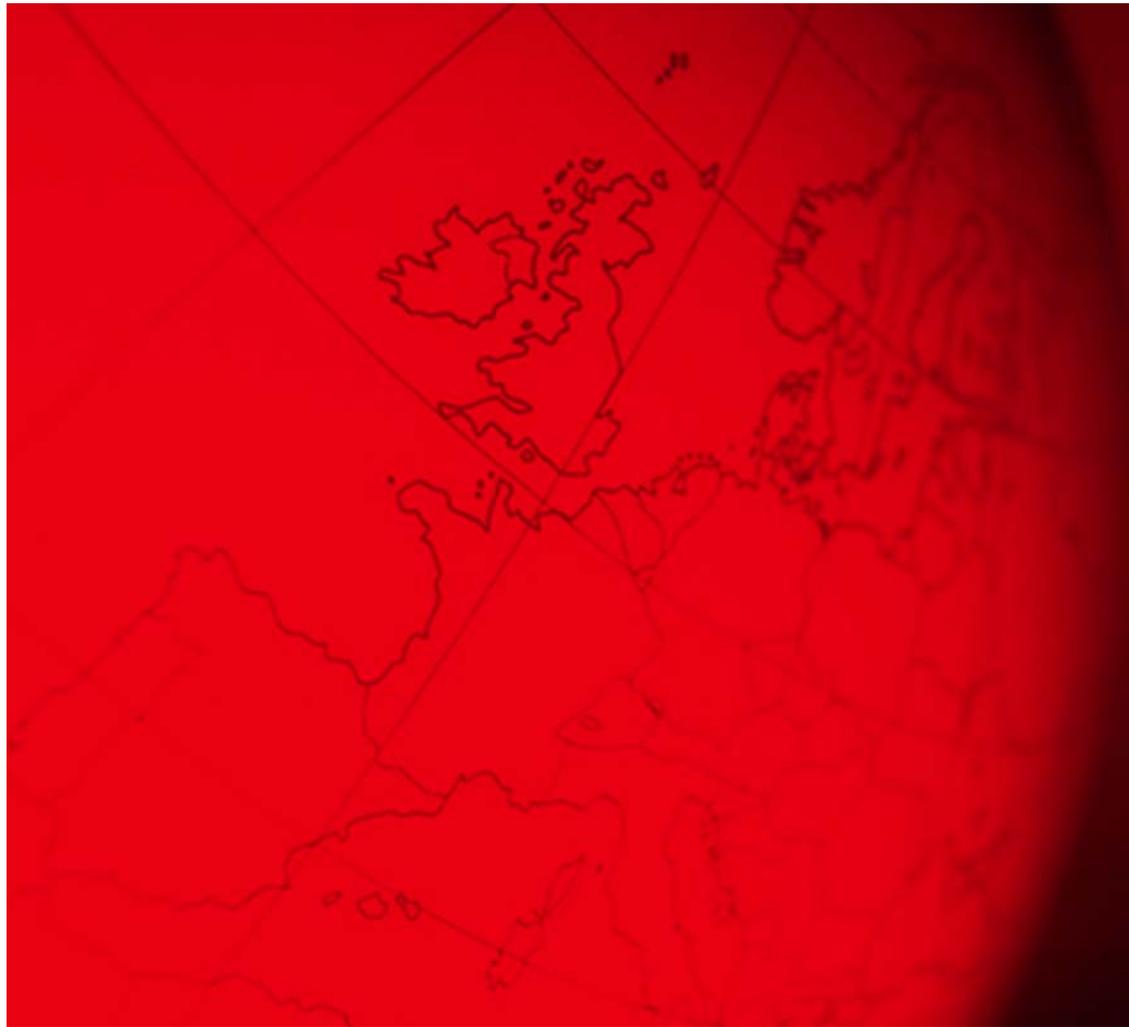
## THE BOTTOM LINE

**Nucleus found customers of on-demand business application provider NetSuite significantly automated processes, boosted sales, increased productivity, reduced or avoided headcount, and retired costly legacy systems. All customers increased data visibility through NetSuite's integration and reporting capabilities. Deployed properly, NetSuite can deliver a positive ROI in fewer than 9 months.**

NetSuite offers an integrated set of accounting/ERP, e-commerce, technology, and CRM applications to small and medium businesses. At 10 years of age, the company has customers in a wide number of fields, from software to manufacturing to retail. NetSuite's ERP and other applications include:

- Core financials, general ledger, accounts receivable/accounts payable
- Budgeting
- Order management and fulfillment
- Inventory management
- Employee management and productivity
- CRM, including SFA, marketing and customer support and service
- E-commerce
- Employee productivity and self-service
- Analytics

One of the key advantages to NetSuite is that instead of forcing customers to integrate these disparate applications together, they come as one united package. Other on-demand providers, such as Salesforce.com, generally only provide single applications, such as CRM or time and expense or financials reconciliation. They fail to solve the perennial IT problem of integration and are unable to offer users a single source of truth.

On the other hand, with NetSuite, customer or employee data is maintained in a central database and can be shared throughout the system without requiring extensive connecting applications or middleware. This integration helps improve company efficiency and allows management to make better and more informed decisions faster than would be otherwise possible.

This report analyzes the key benefits NetSuite customers achieved and is based on Nucleus's in depth analysis of small to midsize customers. The customers included public companies and spanned a number of industries, including IT consulting, software, manufacturing, and distribution. These customers discussed the benefits they received, lessons learned, and key cost areas. They also shared the challenges they faced and the best practices used to get the most from NetSuite.

## ON-DEMAND BENEFITS

Companies considering NetSuite versus an on-premise ERP application will find a different initial and ongoing cost structure. NetSuite rents its applications by the month, as opposed to selling them up front and collecting maintenance revenue thereafter. It also hosts and maintains them in its own data center, relieving customers of the costs of hardware, middleware, development, and power.

### Reduced license, implementation, and operational costs

Because of low ongoing and initial costs, NetSuite has a lower total cost of ownership than most traditional ERP applications. Many customers that considered on-premise ERP applications such as Microsoft Dynamics, Oracle E-Business Suite, or SAP found that using an on-demand application such as NetSuite enabled them to avoid the significant initial license and associated implementation costs. Customer estimates of deployment length ranged from 30 days to 8 months.

Customers that considered on-premise ERP estimated that an on-premise deployment would have cost up to ten times as much for initial licenses and implementation consulting.

Most customers pay an annual subscription of from $10,000 to $100,000 for NetSuite, depending on the number of users.

For most companies moving from traditional server-based enterprise applications, the annual cost of NetSuite licenses is less than the annual cost of IT personnel to support the old systems.

### Reduced IT maintenance costs

Because NetSuite hosts its own applications and offers its own support, companies can avoid having full-time IT staff for technical support. Companies took advantage of the low IT overhead associated with NetSuite in different ways:

- In one case, a customer moved from Microsoft Dynamics GP to NetSuite and was able to eliminate a $55,000 IT staff position and $20,000 in annual license maintenance, and retired three servers that cost $1500 annually to upgrade. NetSuite averages $5,000 annually in licenses at this company. Users are also now able to get direct access to key data without relying on the IT staff. *"The IT staffer was holding the company hostage,"* one executive said, *"He was the only person who handled the information. We're in control of our destiny now."*
- Other customers also were able to retire their legacy time and expense, e-commerce, and other applications, as well as supporting hardware, by moving to NetSuite's on-demand application.

## BENEFITS OF AN INTEGRATED SUITE

In addition to the benefits of an on-demand application, many customers also found that NetSuite's integrated approach to financials, budgeting, CRM, e-commerce, and other functionality reduced manual data re-entry and increased data visibility.

### Reduced or avoided headcount

NetSuite automates processes that enable companies to eliminate or re-deploy staff or avoid new hires. For example, one customer required a full-time person who did nothing but print out labels for merchandise as salespeople entered orders. The integration between NetSuite's CRM and inventory management applications eliminated the need for the position, saving the company $25,000 a year.

Companies deploying NetSuite can likely avoid hires as they grow or redeploy administrative staff to other tasks.

One 25-person company using NetSuite automated order processing and avoided doubling its staff.  "*NetSuite let us grow*," said the customer.  "*The only additional people I have added are pickers and packers of inventory*."

### Single-vendor relationship

Many companies found deploying one application with integrated functionality meant less time and effort spent negotiating contracts, requesting support, and resolving problems with multiple vendors.  As one customer said, "*We were on three or four systems prior to moving to NetSuite.  We didn't want to manage six or seven relationships with vendors: one for ticketing, one for financials, and one for quoting and order management.  We wanted, in essence, one throat to choke*."

### Increased integration, data visibility, and productivity

With NetSuite, companies can keep all data (including employee, product, customer, and partner records) in a single repository without creating or installing expensive or complex integration hooks.  End users also have a single source of up-to-date and accurate truth.  Out of the box, the back end and front office applications are able to talk to each other.  All companies reported improved better visibility and data access.  One customer who had several systems in place prior to NetSuite said, "*Before, we didn't know what we didn't know.  Everything was disjointed, there was no connectivity between the applications, and there was no real time instant communication.  There was batch processing with significant delays*."

Increased visibility is a significant benefit for NetSuite customers, resulting in better reporting and increased staff productivity.

Visibility can be even more important if organizations have more than one physical location.  Customers with multiple offices found the ability for all branches to access the same information was a significant benefit.  Key returns from improved visibility included better management decision making and increased staff productivity:

- "*Productivity is one of the biggest gains we've netted,*" said one customer.  "*Now someone can see the progress and status of an order from the time it's an opportunity in the system.  Before it was all word of mouth so there was no way to capture information.*"
- "*The benefits of NetSuite are larger in the intangible side than the tangible,*" said one customer.  "*Having visibility really enables management to make better decisions.  It enables us to really understand where the key drivers of value are and what will make a customer go with us.*"
- "*We had too many manual processes and disconnects in system information to forecast,*" said another customer who had been running QuickBooks and Salesforce.com.  "*NetSuite seemed to have pulled everything together.  We had it all right there.*"
- One customer was able to create a custom report in 10 minutes that previously would have taken a full day for a database administrator to create.

- Another customer found it can reuse existing reports, and instead of taking a half hour, a report can be generated in five minutes. "*We can tell our cash balance on a real time basis,*" said an executive. "*We can have account payables in real time. The time savings in having key business metrics available in real time is invaluable.*"

## IMPROVED CUSTOMER AND PARTNER MANAGEMENT

NetSuite comes with a complete customer relationship management suite, which supports sales force automation, marketing, and incentive management. It also handles customer support and service and partner relationship management:

- One user noted that its customers and partners could log into the system and track orders through the entire sales process.

- Another NetSuite user saved each member of the sales force an hour a day because the system automatically re-contacted customers to see if they needed their products replenished, instead of making the salespeople do it.

- Another user said, "*We still have to spend time on the customer, but [with NetSuite] it's more organized time. Also, from the back-end point of view, it's nice to have everything in one system so that we can log in and see all the notes and the history. We're able to retrieve customer data more quickly.*"

Sales people were able to use NetSuite to automate previously manual activities as well as reduce the amount of time they spent looking up customer information. The increase in sales force productivity varied depending on how automated previous processes were and how effectively sales people adopted the technology.

The typical company deploying NetSuite increased sales productivity by 12.5 percent, and companies can expect to improve productivity by up to 20 percent.

Key potential benefits from deploying NetSuite for CRM include:
- Increased profits
- More cross selling and up selling
- Higher customer satisfaction
- Higher customer retention
- Faster customer problem resolution
- Better sales forecasting and pipeline analysis.

## IMPROVED OPERATIONS MANAGEMENT

Integrating key business processes and functions such as accounts, orders, inventory, customers, and operating expenses helps decision makers to more quickly identify opportunities for improvement or cost reduction. NetSuite customers take advantage of its core functionality to improve operations, resulting in reduced administrative costs, improved financial management, and improved inventory management.

### Reduced administrative costs

Payroll is the largest expense for most organizations. Because NetSuite has integrated employee management, payroll, and time and expense, and billing functions, employers can centrally manage and reconcile project costs, employee records, and payroll. Key potential benefits include:

- Reduced payroll error
- Improved time and expense tracking
- Improved budgeting
- Reduced general and administrative expenses

### Improved accounting

NetSuite's accounting functionality provides multi-currency budgeting, revenue recognition, and reporting capabilities, providing users with a single integrated source of financial information.  Several customers noted this is crucial to see the financial health of the company, as it permits better decision making and allocation of capital.

Customers migrating from un-integrated legacy and custom accounting systems and moving to one central accounting system with NetSuite can expect to accelerate financial close times by 20 percent.  Some customers accelerated time to close by up to 50 percent.

Many customers also found they could reduce finance staff hours or avoid additional hires.  One customer noted that it saved $120,000 a year in avoiding hiring two more people for their finance department.  *To the finance team, it's like a breath of fresh air,"* said another user.  *"They close 10 to 15 days sooner than they used to.  They love the system."*

### Better inventory management

The system comes with an inventory management application that monitors stock, keeps the right mix in place, and automates replenishment.   One customer used the application to do better demand prediction and increased inventory turns by 50 percent.  This also freed up cash that was formerly tied up in non-performing inventory.

Key returns from better inventory management include:
- Change in working capital
- Reduced shrinkage
- Improved purchasing

## IMPROVED E-COMMERCE MANAGEMENT

NetSuite also offers an e-commerce platform with a fully functional Web store and cataloging system.  As with its other applications, NetSuite's e-commerce platform allows customers to build and maintain a Web store for relatively less than if they had to do it in-house.  Additionally, NetSuite offers the ability to customize a Web store to give it a distinctive look and feel unique to the individual customer.  Key features of the platform include:
- eBay, FedEx, and UPS integration
- Drop shipment and special order capabilities
- Affiliate marketing
- Integrated credit card processing

Customers increasingly expect high availability, reliability, and security from Web retailers — which is often beyond the IT budget of small and medium-sized businesses.  Using NetSuite's e-commerce platform can increase sales and speed up transactions, and customers moving from telephone-only sales saw significant increases in sales — one customer found that adding the Web store increased its sales overall by eight percent.

NetSuite's integration means a transaction online is automatically entered into its accounting, CRM, and order fulfillment applications.   The system helps speed up processes that were formerly manually based and slow.  If a new item is added to the store catalog or a price on an existing item changed, it can be done easily and instantly without needing developer assistance.

One company fully automated the returns process that originally took four hours a day to handle.  NetSuite receives a return notification, and automatically prints out a FedEx return label to send to the customer.  It then sends an e-mail to the customer to notify them that the label is on its way and a credit has been refunded.

Key potential returns from using NetSuite for e-commerce include:
- Increased profits
- Reduced credit handling costs
- Reduced order management costs
- Reduced shipping costs

## KEY COST AREAS

The key initial cost areas for NetSuite were pre-implementation consulting, personnel to support the implementation, and training and ramp-up time for users.  Initial implementation cost and time varied depending on the number of application areas being deployed and the complexity of the deployment.

Ongoing costs included subscription fees and, in some cases, internal personnel time to support the application.

## DEPLOYMENT STRATEGIES

As with all enterprise applications, successful NetSuite customers got the most benefits by following best practices, including:
- Carefully assessing the impact of their deployment.  Although NetSuite is easy to install compared to traditional ERP, it still requires training and configuration to meet an individual company's needs.  Success with a go live will require proper homework.  As much depends on the customer who is deploying it and how realistic an assessment they've made of their needs and capabilities as it does on NetSuite.  Customers must also evaluate closely just what the specific tools are in NetSuite and map them to their processes.
- Assigning adequate internal resources.  Customers need to have at least one administrator working just about full time on NetSuite for weeks if not months prior to go live.  Several of the larger users interviewed had hired internal staffers to handle NetSuite, not necessarily for coding, but to configure screens and dashboards and "*make people's lives easier*."

- Taking adequate time to vet consultants.  NetSuite provides its own implementation services, as well as a network of partners.  Whether customers are using NetSuite or partner services, they will be most successful if their team has experience with similar implementations.

- Think through customizations.  As with any ERP application, it is best to closely consider customizations and configurations.  NetSuite offers a set of tools that allow for point and click configuration processes.  So, users can do simple add-ons or workarounds on top of NetSuite with a partner or by using a developer.  Customizations are carried forward seamlessly between upgrades.  Users can also lobby NetSuite to add a special vertical feature.

- Pay attention to training and adoption.  As with all business applications, users will need to be properly trained to get the most from the investment.  Do a realistic assessment of the end users' technical capabilities and their willingness to use the application before you plan your training and rollout.  Users will have to accept the application and get used to the various new tools, such as the dashboards, to make NetSuite work.

## CONCLUSION

The on-demand approach to ERP clearly delivers significant benefits, particularly for small and medium-sized organizations that may not want to invest the time and expense in a traditional on-premise ERP system.  NetSuite's added benefit is the integration of key business processes that even traditional ERP typically lacks, like CRM, e-commerce, order management, and human resources management.  For most customers, the biggest advantage is having one integrated system that delivers financial, sales pipeline, and overall operational visibility.