

NETSUITE

THE VENDOR TO BEAT IN WHOLESALE DISTRIBUTION

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NetSuite—The Vendor to Beat in Wholesale Distribution

NetSuite has posted another year of impressive growth numbers. The ink barely dries on the company's press releases before they require an update. The company has grown by more than 30% in each of the last 14 quarters and now has some 5,000 employees. NetSuite reported fiscal year 2015 revenue of \$741 million (USD).

NetSuite's cloud solutions are used by more than 30,000 organizations in over 160 countries. They have added more than 650 new clients in the last quarter, and more than 40 of the recent Wall Street initial public offerings (IPOs) run NetSuite. Nearly every major ERP vendor and all the upstart players are trying to replicate NetSuite's success.

Here, we'll look at how NetSuite has succeeded in delivering to the highly competitive and relatively mature wholesale and distribution market and why it is now the vendor to beat among small and midmarket businesses looking for enterprise resource planning (ERP) solutions.

NetSuite's Focus

The growth of NetSuite is fueled by its continued focus on two broad tenets. First and foremost is simply to be the leading modern—that is, cloud—ERP solution provider in the market. Second is to build out the solution footprint to meet the needs of its primary industries. For NetSuite, these primary industries include wholesale distribution, software, manufacturing, services, retail, and “enterprises,” which are usually very large organizations that deploy NetSuite as part of a multitier ERP solution landscape.

Many wholesale and distribution companies are looking to bring their software systems, especially ERP, into this millennium. The need to move to modern systems stems from not only the demand of the new generation of workers for slicker, consumer-grade software, but the stark reality that those companies that don't update their software will be left behind due to rapidly changing technologies (such as mobility and the rise of the Internet of Things [IoT]), market forces like globalization, and other factors. (To explore the broader issues facing wholesalers and distributors, refer to the [Technology Evaluation Centers \[TEC\] ERP for Wholesale and Distribution Buyer's Guide](#).) NetSuite's twofold focus on both being the best cloud ERP vendor and having a deep vertical market offering is why NetSuite is the vendor to beat.

NetSuite for Wholesale Distribution

Wholesale distribution has long been one of NetSuite's target markets and so garners significant attention and investment. NetSuite brings the full weight of the company to bear on its wholesale and distribution vertical, from the executive team to professional services to support. NetSuite reports that it now has thousands of distribution customers.

Broadening Its Capabilities

Over the years, we have seen NetSuite methodically build out its ERP solution's capabilities to support the wholesale and distribution markets. NetSuite takes a multipronged approach to product enhancement, including using customer input and market intelligence to set future product direction. Only a few years ago, the NetSuite product roadmap had a number of solution gaps that were noted as being first or second development priorities or being supported by partner solutions in the SuiteCloud Developer Network (SDN). Many of these gaps have been closed either through internal development or by the acquisition of those partners in the SDN. Unlike traditional on-premises solutions, a major benefit of the NetSuite cloud solution is that as features are added to the solution they become available to all NetSuite clients. This perpetual feedback loop and upgrade cycle of cloud solutions guarantees that customers are never stuck on an aging release of the product.

The solution now brings solid support for core wholesale distribution business capabilities, such as inventory management, rebates, cycle counting, procurement, warehousing, demand planning, shipping, fulfillment, and core financials. Beyond these core capabilities NetSuite provides an extensive range of ERP solution components that wholesale and distribution customers can leverage. NetSuite ERP customers can take advantage of a complete customer relationship management (CRM) solution, a refined set of e-commerce tools, and other supply chain management (SCM) tools such as the Advanced WMS. The rich and broad ERP capabilities allow a business like a wholesaler or distributor to broaden its own service offerings after moving to the NetSuite solution.

Winning Over Customers

With a solid solution to offer, NetSuite is able to shift its attention to helping organizations move to the NetSuite solution. The benefits of moving to NetSuite are important to note. A recent report by SL Associates documented many important improvements as measured by key performance indicators (KPIs) observed by NetSuite distribution businesses customers. A few KPI improvements stand out: Customers reported that collection times for accounts receivables improved 30% to 50%, delivery efficiency improved 75% to 90%, inventory costs were reduced by 20% to 30%, and IT support resource costs were reduced by 50% to 75%.

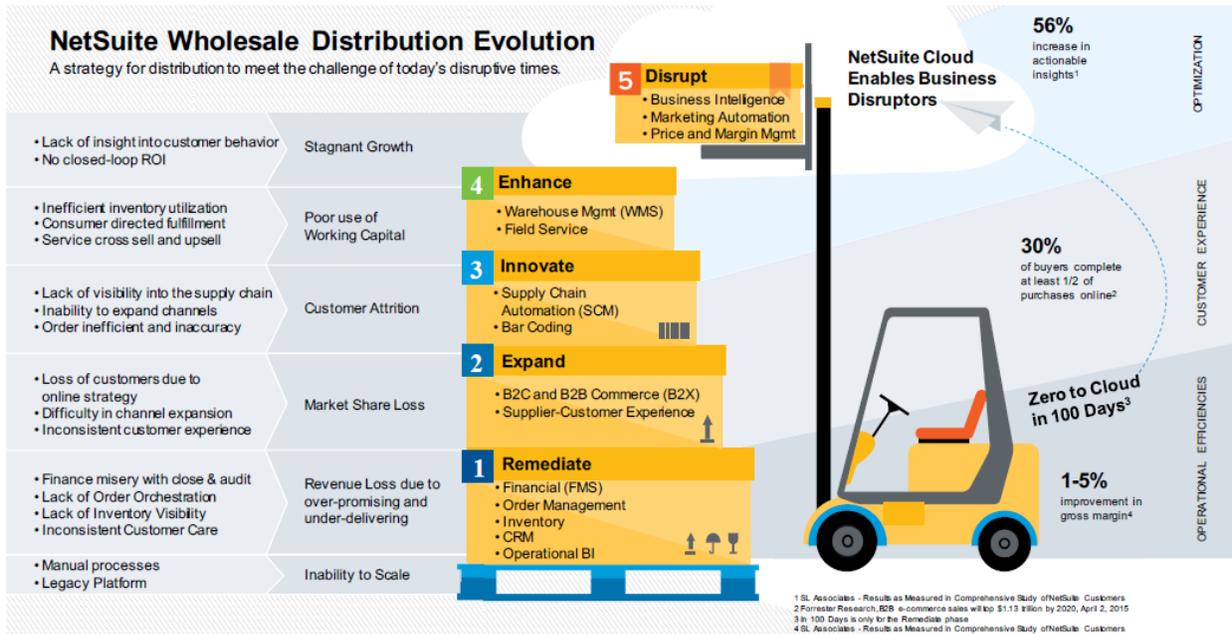


Figure 1. Wholesale distribution evolution to cloud ERP

Gradual Migration

To help companies realize these benefits, NetSuite is working on several different fronts. One strategy is to help companies progressively and quickly evolve into the solution.

Figure 1 displays NetSuite’s step-by-step strategy to help wholesale distributors move fully onto their solution—and meet significant business challenges along the way. The first step is remediation, which moves the client from legacy systems to the cloud and can be achieved in only 100 days. In the remediation step, a company’s core financial management system (FMS), order management, inventory management, customer relationship management, and operational business intelligence (BI) capabilities are in place. Even at this stage, organizations report a 1% to 5% improvement in gross margin.

The next steps on this ladder are critical for bringing the wholesale distributor into the online world. In step 2, suppliers and customers are able to do business with the wholesale distributor online through web commerce channels for business to consumer (B2C) and business to business (B2B). With multichannel commerce in place, a company can then take the steps to better business management with supply chain management and warehouse management operations. That positions a company to expand into other markets or services using the marketing optimization and field service management (FSM) capabilities delivered by NetSuite. This ladder approach shows how wholesale distribution organizations can gradually move operations onto NetSuite’s modern cloud ERP system.

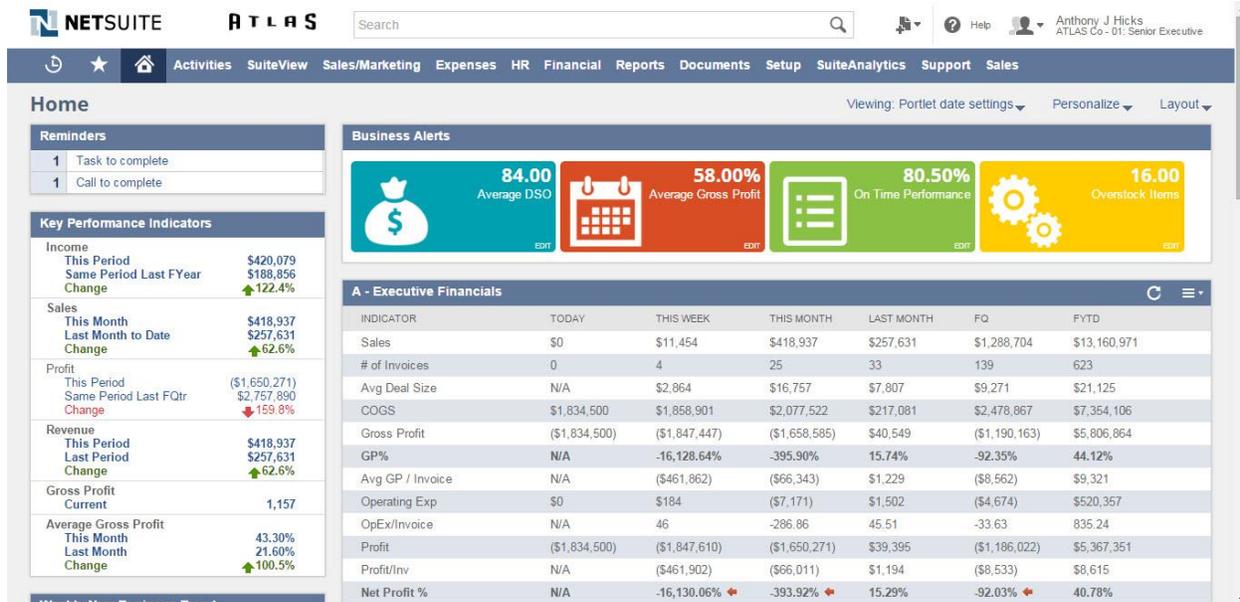


Figure 2. Senior executive dashboard

Better-defined Roles

NetSuite is also helping companies to realize a quicker time to value by delivering predefined user roles for access to the key functions of the solution. There are currently 13 dedicated roles for a business, including roles such as the supply chain manager, warehouse operations, accounts receivable (AR) analyst, accounts payable (AP) analyst, customer service, IT manager, and system administrator. And to help the roles be even more productive, NetSuite is able to deliver unique value with dashboards such as the executive dashboard shown in Figure 2.

Pure Cloud ERP—NetSuite’s Five Pillars

NetSuite builds the wholesale and distribution solution on five key pillars. Those pillars are design for modern and global companies, a flexible platform, accessibility of data analysis, readiness for omnichannel commerce, and industry support. Above we talked about how NetSuite is providing focused support for wholesale distribution industries. Here, we’ll talk about the other four pillars of NetSuite’s strategy.

Modern and Global

Modern businesses need to know that the software they purchase can scale to support business volume growth and global growth. NetSuite currently supports large-scale business operations in the existing five data centers in North America and Europe, the Middle East, and Africa (EMEA), with plans to develop more data centers in the future. One of the key characteristics of cloud software such as NetSuite is that it supports rapid elasticity—the solution can expand or contract depending on the needs of the consumer. NetSuite customers currently add more than 9 terabytes of data every day, and NetSuite guarantees 99.5% uptime.

The NetSuite OneWorld ERP solution can also support global needs. Global support is needed by wholesale distributors for a number of reasons. They need to obtain goods from suppliers all over the world; set up operations in other countries to support local needs, tastes, or regulations; and, most importantly, access buyers who speak other languages and want to purchase goods using other currencies. NetSuite OneWorld's Global Financials are deployed in more than 160 countries and dependent territories in over 20 user interface (UI) languages. It also supports more than 100 countries' tax calculations and reporting and over 90 bank payment formats.

Flexible Platform

ERP systems need to be built on a solid set of platform capabilities. For example, the platform has to be designed from day one to provide a global search across the solution and allow the management of unstructured digital assets. The platform also allows the system to run on any browser and mobile devices, including tablets, phones, and now watches. The platform must also support regular business change with tools for managing information flowing within and outside of the system. NetSuite has a complete line of development and deployment tools, including SuiteConnect, SuiteScript, SuiteTalk, SuiteAnalytics, SuiteBuilder, SuiteFlow, and the SuiteBundler tools. Unlike legacy onsite solutions, where the buyer was primarily responsible for ensuring that the system was available, secure, and in compliance with multiple regulatory bodies, with NetSuite's SuiteCloud platform these requirements are taken care of.

The platform capabilities ensure that everyone who works with the NetSuite solution benefits. A system user gets a consumer grade UI. The business analyst can configure business rules, integrate apps, and build screens and tables. The developer gets a robust development environment that supports full product life cycle management. The administrator has tools to manage application customizations, roles, and security. The chief information officer (CIO) gets immediate peace of mind because governance, risk, and compliance issues are taken care of. Partners benefit from the growing SDN and large install base for their services and software.

BI for All

NetSuite's dashboards (shown above) have always been a big part of the user experience. What underpins the dashboards is a single database that makes advanced business intelligence available to virtually every user. The real-time BI platform is called SuiteAnalytics and delivers tailored database views by role and user type. The role-based BI was developed for people inside and outside of the organization, including customers, vendors, partners, and external systems. The platform has more than 300 BI components available out of the box. Figure 3 shows the components of the SuiteAnalytics platform.

SUITEANALYTICS – BUSINESS INTELLIGENCE PLATFORM

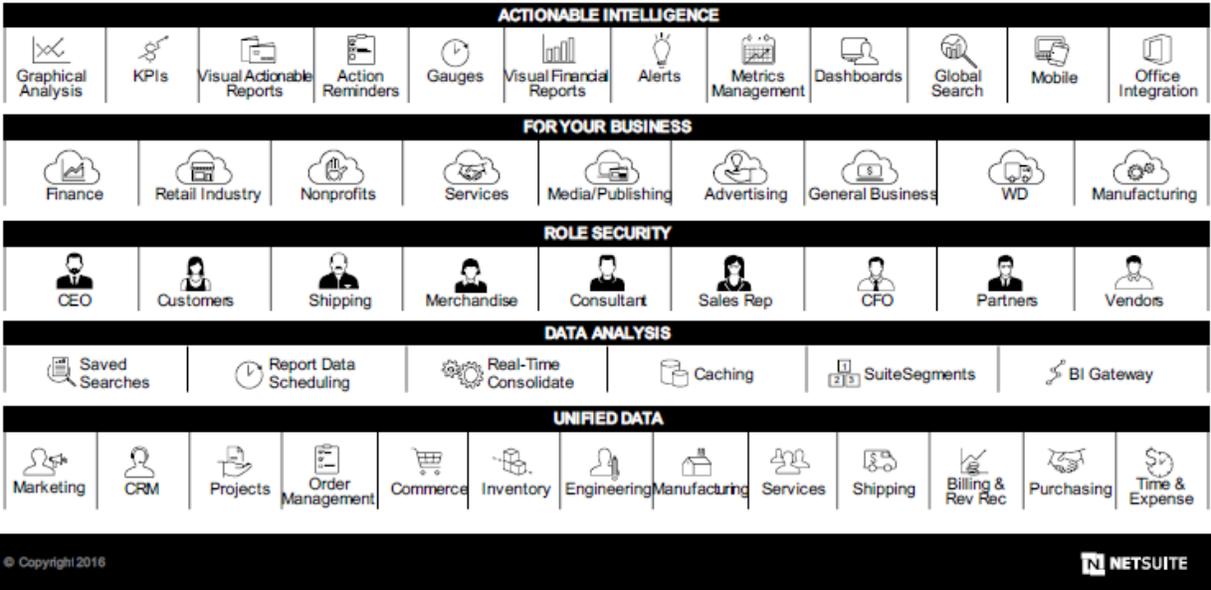


Figure 3. SuiteAnalytics platform

Omnichannel Commerce

SuiteCommerce, NetSuite’s omnichannel commerce solution, has seen significant investment and has developed into a key differentiator for itself and its customers. The growth of electronic commerce in both the B2B and B2C channels requires businesses to deliver what are now being called “any-channel” commerce solutions. Businesses need to be able to provide interactive experiences anytime, anywhere, and on any device. Regardless of the channel, the solution helps to manage the buying, ordering, fulfillment, and potential return of the product.

Now more than ever, wholesalers and distributors have to move outside of their traditional role of intermediary between a manufacturer and consumer. In order to grow and expand business, they need to provide more value-added services to their customers. One such service might be to manage a manufacturing customer’s business along with order-processing services, including a complete online experience that supports the marketing and ordering of a product. As TEC Principle Analyst PJ Jakovljevic noted in a recent article on [NetSuite’s retail industry support](#), the lines between retailers and wholesalers and manufacturers are blurring. But for any business to succeed, it needs a fully capable electronic commerce solution that can support the business wherever it needs to go.

Why Wholesale Distributors Choose NetSuite

There is a lot of opportunity for software companies to deliver modern solutions for wholesale distribution organizations. Yet, we see that some vendors have chosen to stay the course by delivering more functions into aging software architectures. Some of these functions might be nice, but they miss the bigger picture of what these wholesale distributors need to succeed today.

More and more companies are turning to NetSuite because it has been able to deliver on its two key tenets:

1. Offering solid competitive functionality for wholesale distributors
2. Being the best, all-around pure cloud ERP

In a recent software selection project conducted by TEC for a food distributor, NetSuite won the deal not because it had the deepest food distribution capabilities. It won primarily on the strength of its platform and technology, because it is a pure cloud solution, has an easy-to-use interface, has excellent CRM functionality, has excellent demand planning and analytics tools, and provides a simple implementation path.

Though this is just one example, the reported financial and growth numbers don't lie. NetSuite is growing because it has had a solid focus since its founding in 1998. We see competitors trying to play catch-up with NetSuite on different fronts. Some are scampering to get their solutions to the cloud by any means, including running their software on Amazon Web Services (AWS) and claiming to offer a "cloud" solution. Other vendors are trying to match NetSuite's extended solution components by buying also-ran CRM solutions and gluing them to their ERP suites. Others quietly steam over how NetSuite spends too much on marketing and keeps buying up all the web search results. What they don't get is that NetSuite is the one to beat because it has stayed true to the vision and goals that were set out when the company was founded nearly 20 years ago.

About the Author

Ted Rohm is Senior ERP Analyst at Technology Evaluation Centers, covering the areas of enterprise resource planning (ERP), enterprise asset management (EAM), configure price quote (CPQ), supply chain management (SCM), and IT service management (ITSM), with a particular expertise in manufacturing. He has over 20 years of experience in large-scale selection, design, development, and implementation projects, primarily in the biotech/pharma industry.



Prior to joining TEC, Rohm worked for a number of companies including Oracle, Syntex, and Genentech (now part of The Roche Group). Rohm worked with Genentech for 13 years, starting as a senior programmer analyst responsible for building custom applications using the Oracle Tool suite in support of sales and marketing and product distribution. He then became senior manager of commercial systems, where he directed the development, deployment, and operations of enterprise-wide applications for the sales and marketing departments. Rohm was the principal systems architect during his last few years at Genentech, focusing mainly on the implementation of SAP ERP and its integration with other systems.

Rohm holds a bachelor's degree in electrical engineering from Columbia University and a bachelor's degree in physics from Allegheny College.

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