

FIVE FACETS OF NETSUITE RETAIL'S VALUE

NetSuite Retail

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TEC SPOTLIGHT REPORT

TEC Spotlight Reports give you an in-depth look at leading vendors' products, initiatives, and market position from an analyst's point of view.

Five Facets of NetSuite Retail's Value

Since it was founded in 1998, NetSuite has been growing steadily, expanding in revenue, geographical presence, and employee count. Currently, the vendor employs more than 4,700 people, and has showed an incredible revenue increase for a large software company—by more than 30% in each of the last 14 consecutive quarters. Overall, NetSuite serves 30+ thousand customers in more than 160 countries and in 19 languages. In recent years, the company has also been very successful in the retail industry, offering customers in this sector highly competitive benefits. NetSuite's ideal customer in the retail industry is a midsize company with annual revenue between approximately \$15 million and \$100 million. Strategically, NetSuite is moving upmarket and targeting larger customers, so another good customer fit is bigger retail companies that are looking to transform their business with a cloud solution.

In an effort to strengthen and extend its retail software offering, the company made a number of acquisitions of successful vendors and solutions, such as Retail Anywhere, an e-commerce omnichannel platform; content management software vendor LightCMS; order management system OrderMotion; retail e-commerce solution Venda; supply chain execution solution eBizNet; and commerce marketing automation Bronto Software. However, NetSuite does not make acquisitions to integrate acquired code. Instead, the company's policy is to bring over the intellectual property and human talent to rebuild applications on the NetSuite platform and offer them as NetSuite-native, without integration.

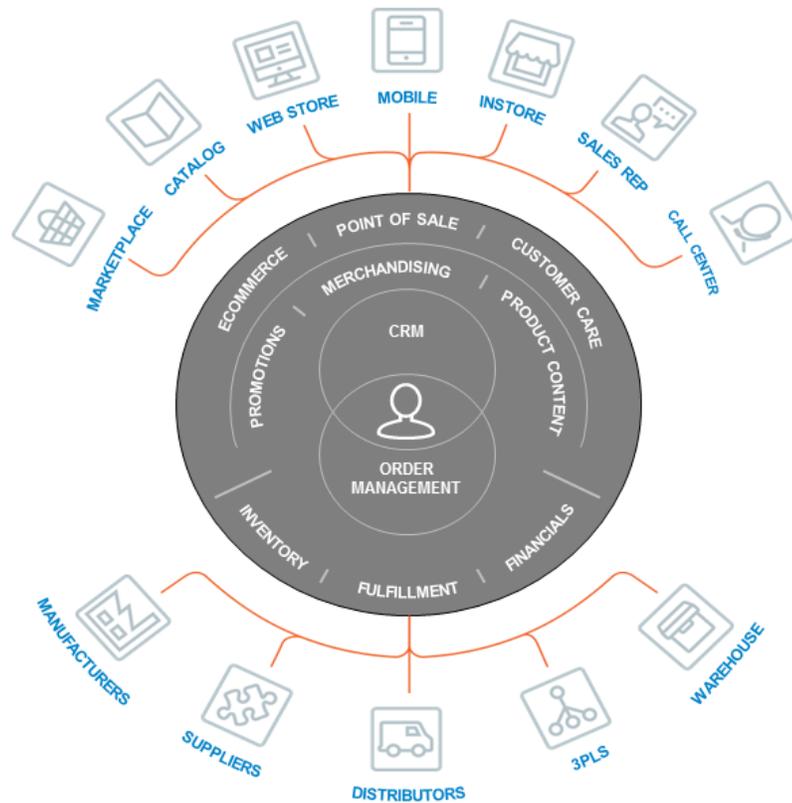
A Cloud-only Solution from Day One

Let's take a more detailed look at NetSuite's recipe for attracting business and gaining retail market share at a steady pace.

First of all, NetSuite has never offered any software deployment other than cloud-native and 100% cloud-based. This strategy probably looked quite risky in the very beginning of their business, but has proven its sustainability and effectiveness over the years. NetSuite's software-as-a-service (SaaS)-only business model brings with it the typical benefits of cloud-based offerings: lower barriers for smaller companies to access previously unreachable fully-featured enterprise software, a faster implementation time, no need for capital investments, a high security level, and allowing the customer to focus on its core business rather than IT infrastructure matters.

The NetSuite Retail platform offers everything retailers may need: order management, customer relationship management (CRM), merchandizing, promotions, inventory fulfillment, and financials, as well as e-commerce, enabling the various channels such as in-store, online, call centers, and marketplaces. At

the same time, there is no need for customers to abandon the applications they have already invested in. Instead, the vendor allows customers to steadily and consistently consolidate all their numerous point solutions down in the single cloud platform that provides solid and unified back-office capabilities way beyond retail: in supplier management, manufacturing and distribution management, third-party logistic providers management, and warehousing. But the platform remains flexible and allows a decent level of unique tailoring via integration, scripting, customizations, business process engineering, and analytics.



NetSuite retail platform structure

NetSuite Retail includes the following major functionality areas:

- Financial management that encompasses accounting, fixed assets, payments, and recurring revenue management
- Supply chain management with demand planning, inventory control, purchasing, and vendor management, as well as integrated shipping and fulfillment functions
- Order management that combines quotes and orders, billing and invoicing, flexible billing scheduling, and automated order processing along with intelligent fulfillment decisions
- Inventory and warehouse management, cost management, order fulfillment, and inventory visibility

- Omnichannel commerce covering e-commerce, point of sale, commerce marketing, order management, product content management, and omnichannel fulfillment execution
- The procurement module encompassing purchase requisitions, purchase contracts and blanket purchase orders, requests for quotation, and requisition approval workflows.

NetSuite Retail's Key Differentiating Factors

In addition to the recognized advantages of cloud software (the service-based business model that provides value quicker than traditional multi-year implementation of on-premise applications, and allows companies to focus on business matters first), NetSuite Retail has its own specific benefits that companies evaluating new software options should know about.

1. NetSuite Retail is a Good Fit for Modern Global Companies

Describing a modern retailing company, we think of an agile, dynamic retailer that is quick to accept changes, and is in multiple regions and countries. Such businesses are among the first to adopt the core principles and values of cloud-based enterprise software, and NetSuite is a cloud-only vendor that has laid the foundations of its business on such principles.

NetSuite offers a cloud-first and cloud-only approach. Its software has a natively global core and deep enterprise resource planning (ERP) functionality, as well as capabilities to support emerging business models. The NetSuite solution isn't a point application that resolves issues of one retail channel or one department; it's a suite that is capable of consolidating the whole business on one cloud platform with a SaaS model—customers can run their businesses while NetSuite runs its software. Retailers can be more innovative and concentrated on their core businesses rather than on the maintenance of its multiple software applications. NetSuite customers aren't overly concerned with how to get or move data—they have access to their real-time data at any time, from anywhere, and from any device. Typically, retail companies employ younger entry-level employees who are able to learn new systems quickly; NetSuite's cloud-based retail offering suits such users and their habits and preferences.

NetSuite is a truly global platform that is available in many countries and in multiple languages. Moreover, NetSuite has developed its OneWorld offering in 54 countries, which lets retailers easily deploy any new unit or subsidiary in the cloud, in any of the supported countries with automatic language requirements, local tax calculations, country-specific shipping and payments, and any currency available out-of-the-box. This allows customers to consolidate systems, improve mobile experience, and extend their brands and local presence in other regions. NetSuite also allows retailers to easily and quickly launch new brands, new concepts, or even new business models, such as discount shops or outlets. There is no need to deploy a replica of their on-premise systems—they can use the

same cloud suite with the same functionality and environment. With the help of the SuiteSuccess initiative that offers a proven methodology of deploying NetSuite in as quickly as 100 days, customers can get value from their software quickly.

2. A Flexible, Built-in Platform

Another recognizable benefit of NetSuite is its built-in rich and mature platform that provides support to every role's need, regardless of the department and part of the business. The platform is also extensible—it allows retailers to differentiate themselves with customizations and enhancements that can be saved and supported throughout new functionality releases. This is a huge advantage compared with what retailers typically had in place before—it offers companies another opportunity to focus on their core business improvements and innovations, rather than on maintaining software.

The functional capabilities of NetSuite Retail are not limited to the solution itself. There is a large ecosystem of NetSuite partners and third-party developers combined under the “Built for NetSuite” initiative that develop and sell a whole range of supplemental applications compatible with NetSuite and certified by the vendor. Some of them extend the functionality of the major product, but many offer connections and integrations with third-party products and popular services such as Amazon, eBay, Alibaba, a variety of shipping services, electronic data interchange (EDI), and so on.

3. A Unified Data Model

NetSuite is a single system and its platform operates with a unified data model. Regardless of the functional module and the user's role, the data is stored, is managed, can be retrieved and is analyzed in the same way, in real time. This brings many benefits to the customer—the platform delivers real-time business intelligence (BI) for all users, tailored views and key performance indicators (KPIs), automated business processes, and real-time alerts. Another side of this is that the system provides single records of all its objects—the problem of having multiple records of a customer or product across different functions in the system is eliminated. One singular record of a customer or one singular record of the inventory, for example, is stored in the single database and can be reached by a range of appropriate functions.

Therefore, NetSuite Retail is capable of providing one “smart view” on the consumer, along with not only summarized data on the customer (such as its total lifetime value or spend frequency), but full visibility of the transaction details. NetSuite can drill down into this data with regards to profitability and profit margins, as well as into the cost-associated information from background ERP data, which is held in the same database and is also fully available. The system also offers a number of innovative data views such as suggestive selling, dynamic merchandizing, personalization, promotions, and email marketing campaigns that are useful for retailers.

4. Commerce and Omnichannel

NetSuite Retail software natively supports omnichannel retail that combines physical, online, and mobile stores, and online marketplaces with such features as 360-degree views on customers, innovative customer experience, and intelligent order management. Its single cloud platform obviously plays a key role in providing capabilities that support e-commerce and omnichannel retail. NetSuite's unified retail e-commerce platform and its rich functionality allows retailers to create a better customer experience out of the box, eliminating the struggle to become an omnichannel retailer.

Here is a list of NetSuite's major omnichannel commerce products.

SuiteCommerce is a front-end scalable application that can be layered on top of NetSuite, and is primarily designed for branded experiences. This is not a separate product but an optional module that retailers can turn on or off. If so required, retailers can use other e-commerce products until they are ready to switch to SuiteCommerce. The application provides a digital experience for e-commerce, whether it is business to consumer (B2C), business to business (B2B), or through channels like Amazon or eBay. The product offers complete flexibility, a responsive design, and a pre-built starting point store. A singular platform is used to manage multiple sites for either multiple countries or multiple brands at once. Among other features are interactive shopping that is coupled with rich ERP and CRM data, dynamic merchandising, faceted search tools with better product information and more relevant offers and promotions via guided navigation, and advanced pricing. Importantly for physical stores, the same e-commerce application can be extended to the in-store experience, so all the values of digital commerce can also be fully utilized—images, product information, search function, reviews, and other online shopping attributes. The capability of the system to run in-store and online in parallel brings a unified and more effective shopping experience to consumers. For example, a sales associate in store can pick up the customer's virtual shopping cart and wish list and work with them. Similarly, a physical store visit can be saved in the consumer's virtual card so that the customer can later return to it at home or from any mobile device, and make changes or transactions.

NetSuite Advanced Order Management is a tool for orchestrating orders and is essential to omnichannel retailers. The Order Management application addresses the challenge of managing orders from all channels for either B2C, B2B, or store sells. As NetSuite's solution allows companies to have full visibility of the supply chain, managing orders becomes a very complex thing. For the best results, the Advanced Order Management application includes embedded best practices such as minimized shipments, and shipping from the closest facilities (retail store, warehouse or distribution center, or shipping from a location that needs optimization for inventory turns). In addition, functions such as buy online, pick up in store; buy in store, ship from other store; and buy online, return in store are

seamless and available in one system, in one interface, in one database. Other smart features like fulfillment decisions optimization based on availability and configurable strategies, fulfillment options and fill rates, leveraging of omnichannel inventory, and automated order orchestration supplement the system well.

It has to be noted here that NetSuite makes a lot of investments in business tools to improve customer experience management capabilities of its software and to make the digital customer experience simpler and better. A business user can manage the solution independently from IT staff; as an example, managing site content is simplified. Adding, editing, formatting, and removing content by dragging it from one location to another can be performed by a user with almost any level of software experience. Changes made are automatically applied to an internal unpublished website to preview and can be scheduled to go live at a future date.

5. Built for Industry

NetSuite is a single system using a single code set; however, to better serve its customers, the vendor developed industry-specific editions of the software. The major industries that the company is focused on are software development, wholesale and distribution, manufacturing, services, non-profit organizations, advertising/media/publishing, enterprises, and, of course, retail. Industry-specific solutions are internally managed by dedicated teams of people from all departments—sales, delivery, marketing, services, and product. Particular consideration is given to hybrid businesses or certain sub-industries that are mix of industries. For instance, branded manufacturers often are the retailers that manufacture, source, distribute, and eventually retail their products to final consumers.

Although all customers of NetSuite use the same code and the same version of the system, each vertical has its own edition of the suite, and an edition isn't a separate code set. In fact, it is pre-configured with appropriate industry-focused settings, features, and best practices that are either on or off, so the use of the product is specific to the vertical. Moreover, NetSuite's industry edition is also pre-configured with all the user roles that are relevant to the industry. In the case of retail, those might be: store manager, e-commerce operators, merchants, retail associates, and so on. Vertical editions also combine with all necessary retail-specific reporting and KPIs.

In the case of NetSuite Retail, there are few primary verticals where the solution performs best. These are:

- Fashion apparel (branded manufacturers)
- Sporting and active
- Personal goods and cosmetics
- Home furnishing

- Luxury/jewelry
- Gift/toy/confectionary
- Aftermarket parts

In June 2016, NetSuite introduced its first specialized edition of software for apparel and accessories retail—NetSuite Retail Apparel Edition. More vertical-focused editions are in development and will be released within the next few years.

Who Is Going To Benefit the Most

A full-scale retail management system deployed in the cloud which uses a single platform and database, and which is capable of handling complex retail business tasks such as omnichannel orders orchestration or global presence is an attractive offering for many retail companies that are in need of new front- and back-end software, or looking for an adequate application to support their territorial and brand expansion. NetSuite Retail can be very beneficial for companies that have a more complex business model than just retail—more and more retailers manufacture products and manufacturers have retail divisions, especially if those are omnichannel and scattered across multiple regions and countries. Moreover, a solid and easily scalable technical foundation can in turn stimulate retailers to expand to other countries and add other business models. The mixed business models of such companies play well to NetSuite's strengths.

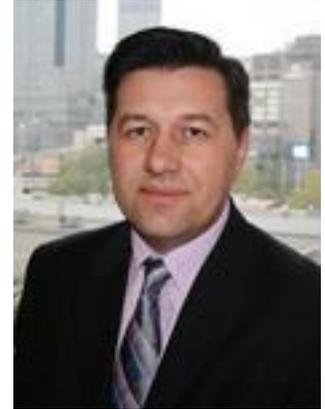
NetSuite's unique offering of a single and unified database software that includes retail, distribution, and manufacturing capabilities is also attractive for businesses, especially those whose main competitive advantages are their local and quick sourcing, the flexibility of their supply chain, and their fast assortment change. Unlike typical clothing businesses that order large volumes of products in low-cost countries a few times a year and, as a result, are unable to react quickly to changing consumer demands, flexible and lean companies can use NetSuite and have a single source retail management combined with an ERP system. Native cloud deployment of such an application and its mobile and e-commerce capabilities are the huge additional benefits for retail industry customers.

About the Author

Aleksey Osintsev focuses on the areas of ERP for manufacturing, accounting and financial software, as well as retail solutions. He has over 18 years of experience in manufacturing and private sector IT, from both the ERP application user and the corporate software development sides.

Prior to joining TEC, Osintsev was a project manager and chief information officer (CIO) at a smart instrumentation engineering, manufacturing, and servicing company. He led the IT department and was responsible for business systems, including ERP selections, implementation projects, and business processes change management. More recently, Osintsev went through a number of successful ERP implementations, system upgrades, and business management projects as a project coordinator and consultant in the food processing, electronic manufacturing, and apparel industries.

Osintsev earned his master's degree in industrial engineering and business administration at South Ural State Technical University (Russia).



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