NETSUITE

The Benefits of Running Your Business Software in the Cloud: Strategies for Success

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Introduction

With the economic recession behind us, markets are poised for growth yet again. As fast-growing companies achieve greater market penetration and gain more customers, they face the challenge and opportunity of expanding to new locations and efficiently growing their business. They must be able to effectively manage their sales teams and channels and improve back-office efficiency, while ensuring high levels of service for customers.

To take advantage of these opportunities, companies need to assess whether their existing business applications footprint for accounting, sales, service and other functions will effectively support the growth of the business. Many businesses that started out with ad hoc, standalone applications will determine they need to upgrade to a more flexible platform to support continued growth.

Cloud computing is a compelling option for many small and mid-sized businesses (SMBs), as well as larger enterprises, as it offers low cost of entry and ownership and faster time to market compared to traditional on-premise business software and servers. According to IDC, software-as-a-service (SaaS) solutions are set to grow six times faster than all software, and they're expected to show compound annual growth (CAGR) of around 26 percent through to 2014[1].

Organizations that opt for a cloud strategy face an additional consideration—whether to use individual cloud systems for key processes such as finance, CRM and ecommerce, or use an integrated suite that covers those functions and more. It's important to recognize that while the cloud model resolves many problems of on-premise software, cloud applications as standalone silos can introduce inefficiencies, integration challenges and IT and administrative overhead of their own.

The Risk of Fragmentation with Cloud Silos

Without integration among cloud applications, business users may still be forced to navigate multiple applications and data repositories of data for their everyday activities—slowing down processes and reducing the agility the company needs to grow. Consider the following implications of siloed cloud applications:

- If multiple cloud applications are implemented, data fragmentation still exists. Overlapping databases must be consolidated and reconciled to create a comprehensive and consistent view. In effect, the on-premise software hairball has simply been transferred to the cloud.
- Each application has its own style of configuration. User efforts to adapt the software to their needs can be hampered as they try to keep track of multiple methods of configuration.
- Getting a comprehensive picture of how people are using the software is difficult because multiple applications must be monitored.
- End-to-end processes are difficult to manage because they must be integrated across multiple applications and databases.

[1] Source: IDC: Worldwide Software as a Service 2010-2014 Forecast: Software Will Never Be the Same

One example is analysis and reporting. To achieve a reliable view of business performance, a company with six cloud providers would face a labor-intensive business intelligence task. It must pull the information from various sources, dump it into spreadsheets, and spend considerable time extracting, consolidating and ensuring integrity of data from multiple applications.

The Advantages of Integrated Cloud Applications

To avoid these limitations, it is essential to have a collection of cloud applications that are integrated around a single codebase and database, and which contain an integrated business process perspective. Characteristics of such a system include:

- ERP, CRM, HR, ecommerce, warehouse management, project management and customer service applications function atop a shared application stack and database.
- Business processes easily flow from one application and department to another—from sales quote to order, or from procurement to final vendor payment.
- A single repository for real-time reporting enables everyone to see a shared view of the business, with no need for an expensive data warehouse.
- Self-service analytics and reports can easily be customized and extended.
- The underlying platform can be easily customized to the needs of the business and its industry, and enables the application to evolve as the business changes.

An integrated cloud business suite also improves IT productivity compared to siloed cloud solutions:

- Expanded awareness: Ease of information access means that everyone can get the information they need without continually making IT requests.
- Process efficiency: Process automation flows from department to department across applications built to work together, eliminating the need for expensive and error-prone application integration work.
- Accelerated innovation: Because information and process changes can be implemented quickly, often by users themselves, line of business organizations are able to innovate themselves rather than depend wholly on IT.
- Business and IT alignment: Data and process automation can be easily delivered when and where it is needed, unfettered by technical limitations.

Best Practices for Running Your Business in the Cloud

What is lost in many discussions of cloud computing is the notion of how fixing the problems with the on-premise deployment model does nothing to address the challenges of integration, improving process automation, and providing unified, consistent information.

To gain the maximum benefits of cloud business management, companies in the SMB space need a single cloud system that integrates ERP functionality with CRM, HR, and ecommerce. Such a system should support business user customization and promote

process efficiencies and the alignment of IT with business needs. It should also supply real-time reporting and analytics for expanded awareness, and a world-class data center featuring strong disaster recovery and data security capabilities. Let's examine each of these areas.

User-Driven Innovation and Customization

The power to customize should not only be in the hands of the IT department. A cloud solution that empowers everyday business users to tailor applications to their needs atop a collaborative platform accelerates processes and allows users to apply their business function expertise. Meanwhile, IT staff is liberated to focus on innovation and strategic initiatives that can add value to the bottom line.

Producer of Synthetic Motor Oils Saves $100,000 Annually on Programming Costs Alone

"We were becoming a big company, but we couldn't afford a big, integrated ERP system. With NetSuite our competitive advantage is strengthened."

—Will Gregerson, CFO
Schaeffer Manufacturing Company

Results:
• Web-based software strengthens Schaeffer's competitive advantage
• Customer shipping time improved from 2.5 days to 1 day, with more accuracy
• Use of EDI order entry grew from 30% to 70% of orders
• EFT payments grew from 2% to 15% of orders
• Yearly cost savings of $100,000 for programming and $14,000 for paper.

Challenges:
• Company growth to $100 million in sales outpaced its 25-year-old fragmented AS/400-based proprietary system
• Cumbersome manual processes slowed customer shipments
• Larger customers were requesting automated order and payment methods
• Faced with buying an expensive ERP system or a collection of applications Schaeffer would have to integrate.

Solution:
• Chose NetSuite over SAP BusinessOne and Microsoft Dynamics GP
• Using NetSuite for accounting, order management, purchasing, inventory and CRM
• Entire order-to-shipment process integrated and automated, with help of OzLINK with NetSuite
• Easier to offer EDI and EFT because NetSuite automates the processes.

Business Application Development Platform

When new functionality needs to be created on top of a cloud application architecture, IT personnel must have access to well-defined APIs and scripting engines to support either nominal or extensive customization. With a single cloud customization platform, IT departments can quickly build innovative, end-to-end business applications.

Customers should also have available a vendor-sponsored network of complementary third-party applications to enrich and extend cloud applications. Importantly, the cloud vendor should be able to carry forward any customer-made customizations as it rolls out upgrades to its suite, with no re-engineering or manual effort required.

Process Efficiency

As the Schaeffer example showed, empowering users leads to efficiency as well as innovation. When users can change the way they work directly, without having to wait in line for IT to do everything for them, business processes run faster and smarter. Studies have shown that customers migrating from unintegrated legacy and custom accounting systems and moving to one central accounting system with NetSuite can expect to accelerate financial close times by 20%-50%.

Automating processes enables companies to eliminate or redeploy staff and avoid new hires. For example, one NetSuite customer required a full-time person who did nothing but print out labels for merchandise as salespeople entered orders. Integration between CRM and inventory management applications eliminated the need for the position, saving the company $25,000 a year. Another company used a cloud inventory management application to increase inventory turns by 50%. This also freed up cash that was tied up in non-performing inventory.

Rental Car Company Saves $10,000 Yearly with Automated Invoicing

Diamond Fleet Management System

"With NetSuite, analytical and reporting tools are available instantly from any Internet-enabled terminal. This lets our executives to manage both big-picture and individual branch performance without waiting for reports or interrupting employees. NetSuite gives us an instant overview of our finances, whether we need it twice a month, every week, or as instant dashboard updates."

—*Diamond Fleet Management*

Results:
- Rental-car billing automation saves more than $10,000 annually through faster, more accurate invoicing
- Accurate forecasting helps company manage its rental fleet dynamically by responding to changing market conditions.

Challenges:

- Growing rental-car company losing money because of errors in manually prepared invoices
- Company had no way to foresee changes in rental volume by large clients
- Thin profit margins prohibited Diamond from bringing in expensive on-premise IT software.

Solution:

- Chose NetSuite for fleet management over SAP, QuickBooks
- Using NetSuite for ERP, CRM and ecommerce
- Next phase will automate Diamond's repair and maintenance business.

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Malcolite Cuts Order Processing Time from 3 Days to 40 Minutes

Ⓜ MALCOLITE

"NetSuite's platform has helped our business improve customer service, eliminate paper and waste, and utilize advanced inventory management techniques to bring new products to market quickly. We are not only saving money, but using our NetSuite system to help grow our sales."

—*Jason Howard, CEO, Malcolite*

Results:

- Saving $75,000+ yearly on reduced staffing, overnight shipping between locations, and paper/toner costs
- Building complex lighting assemblies from multiple suppliers
- Custom-order pricing quotes reduced from 12 hours to 2 hours
- Cut order-processing time from 3 days to 40 minutes
- Automated order processing saving 15-20 hours/mo for copying, faxing, etc.
- Real-time order visibility reduced carrying costs; increased inventory turns by 66%
- Won Progressive Manufacturing's PM100 Award for its innovative way of doing business with NetSuite.

Challenges:

- Wanted to increase operational efficiency, extend benefits of efficiency to customers
- Cutting costs of inventory, shipping, and logistics, particularly challenging with a growing list of 8,000 product variations
- Wanted to expand business by helping customers save money in difficult economy.

Solution:
- Chose NetSuite over Salesforce.com, Infor and QuickBooks
- Moved more than 80 business processes to NetSuite
- Integrated AP/AR, implemented paperless processing across the 3 locations
- Sales force, order processing from leads and opportunity management, and shipping and fulfillment all automated
- Integrated customer service with NetSuite CRM
- Established new incentive program for telemarketers.

Aligning IT with Business Needs

In most companies, the line to get help from IT to change business applications is so long that people give up trying. Only the biggest ideas with the biggest payoffs make it worth enduring the wait and expense. But as the lean manufacturing principle of kaizen has shown, huge gains can be made from making many small improvements.

In the best cloud models, IT staff can devote their time to improving the business, rather than trying to solve integration and other headaches. IT shifts from being an interchangeable commodity to a differentiator.

Manufacturer Cuts Time Required to Take Orders by 66%

"NetSuite has simplified our company's operations, given us great efficiency, power, and flexibility, helped us do business on the web, and has helped unify our customer touchpoints by linking CRM with ERP and ecommerce. In IT, NetSuite changed our role. We're not traditional IT anymore—we now spend our time adding value rather than answering requests."

—*Advantage Sign Supply*

Results:
- Order processing time cut by 66%
- Decreased monthly inventory on hand by more than 15% ($500,000+ in inventory)
- Electronic invoicing saves $1,000 per month over costs of paper mailings
- New website channel attracts 50+ customers per month, accounting for 11% of revenues
- Cut time required to update pricing from two hours to 10 minutes for 500+ items.

Challenges:
- Large supplier of sign-making materials and components wanted to attract more franchise customers, improve profitability
- Fragmented IT systems forced company to set prices manually—frequently— to growing inventory of 15,000 SKUs
- IT systems overloaded by 8,000 orders per month, mostly multi-SKU and requiring inventory from several of 9 warehouses in U.S.
- Lack of website meant lost orders to competition.

Solution:
- Replaced Counterpoint and in-house software with NetSuite ERP, CRM, and Ecommerce
- NetSuite Advanced Shipping integrates order management with warehouse software to automate picking, packing, and shipping
- Used NetSuite partner SPS Commerce for outsourced EDI.

Reporting and Analytics for Expanded Awareness

Real-time business intelligence is important in making informed decisions. You can instantly look at metrics from many sources—the number of hits to your website, the number of orders placed, or the current bank balance. This information can be accessed instantly from almost anywhere, with no extraction cycle. The result: expanded awareness of important information. When staff is better informed, they make better decisions.

In traditional ERP systems, getting a single view of a customer is a major undertaking that might involve several databases and a business analyst, consultant, or a special software product. Many companies invest in elaborate systems to collect data from applications nightly or weekly to create a single data warehouse for reporting and analysis—almost always an extremely costly and complex undertaking.

The better, more efficient option is to have a unified and consistent database. This allows employees to do a single search on a customer and see what they are buying, how much they paid, and their order status. This information should be available to the front-line staffers who need this information in real time.

Health Services Retailer Increases Ecommerce Sales by 25% in 6 Months

"After 12 years we needed one system that could enhance our current customer service initiatives and grow with us through the next decade and beyond. NetSuite has helped us improve customer service and order fulfillment. Plus it is flexible enough for us to affordably customize it to fit the company's long-term needs."

—Hallelujah Acres

Results:
• Saved $500,000 over cost of comparable on-premises installation
• Will save $50,000 annually in extra staff expenses vs. on-premise system
• Within 6 months of go-live and internal revamping of company's website, ecommerce sales increased by 25%
• Average employee training time reduced from 2-3 months to 2 weeks
• Faster sales-trend reports saving IT about 4 hours a month vs. previous system
• Average backorder time dropped from 30 to 15 days.

Challenges:
• Limitations of small-business IT software prevented proactive marketing and endangered customer loyalty through order-fulfillment errors
• Unreliable accounting, lack of reporting lead to lost revenues on shipping costs
• Wanted to maintain hard-won leadership position by improving its abilities to engage customers through online seminars and other educational tools.

Solution:
• Chose NetSuite for ERP, CRM, and ecommerce over 9 competitors, including cloud-computing and on-premise software vendors
• Full-scale software changeover, in time for the Christmas rush, took just 4 months
• Partners have built NetSuite integrations for everything from the company's warehouse to point-of-sale software for the retail store
• Real-time data for call center, marketing, web, accounting, retail store, IT, and CEO offices.

The Benefit of a World-Class Data Center

One of the biggest benefits of using a cloud vendor is its ability to provide customers with a world-class data center that meets the highest standards of reliability but also are so secure that companies can confidently present a broader face to the Internet and include partners and customers as users of business applications.

Instrument Supplier Relies on NetSuite Data Center

Among the core competencies of a cloud provider is running a world-class data center that far exceeds the capabilities of virtually any small or midsize company. Brian Leffler, president of Instrumart, a leading supplier of industrial instruments, is glad to be done with the burden of running his own data center and software.

"I'm happier to have my data in the NetSuite data center than I am to have my data here," Leffler says. "I could never replicate their data center in a million years with a company my size."

Service-level agreement (SLA) guarantees are an added bonus. For instance, NetSuite guarantees a service level of 99.5% uptime. If NetSuite doesn't meet this commitment, the customer doesn't pay for that month. In contrast, an in-house deployment almost never comes with any such guarantees or reimbursement.

Clients are understandably concerned about data security. Knowing that their business success depends on this, the best cloud providers have processes and procedures in place to ensure secure client data. For example, NetSuite has multiple layers of redundancy to ensure availability and reliability. These processes are governed by industry best practices and continuously tested, improved and maintained.

Before selecting a cloud solution, ensure the vendor has undergone independent reviews to validate its processes. Key certifications to look for include:

- **SAS 70 Type II.** Make sure your vendor fully complies with SAS 70 Type II standards. This indicates that the American Institute of Certified Public Accountants or its designees have conducted an in-depth audit of the vendor's controls and safeguards. When cloud customers are audited, they can provide a SAS 70 Type II Service Auditor's Report to the auditor as a substitute for auditing your cloud vendor's controls and procedures. Without SAS 70 Type II compliance, companies are likely to incur additional costs because they must send auditors to the cloud vendor to analyze controls and procedures.

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• **EU-Safe Harbor compliant.** US-EU Safe Harbor is a key process for US companies operating in Europe. It certifies that companies comply with the EU Directive 95/46/EC on the protection of personal data. The seven Safe Harbor Principles are designed to prevent accidental information disclosure or loss of consumer data. Cloud providers should also adhere to the Safe Harbor Privacy Principles published by US Department of Commerce with respect to personal data about individuals in the EEA that the vendor receives from our subsidiaries, customers and other business partners.

• **PCI Data Security Standard.** PCI Data Security Standards for consumer data govern security management, policies, procedures, network architecture, software design and more. Established by firms such as Visa and American Express, these standards are continually refined and strengthened, and companies can lose PCI certification if they fail to meet requirements. Some cloud vendors provide 3D Secure credit card authentication, also known as Verified by Visa and MasterCard SecureCode.
These standards are beyond the reach of most on-premise providers, but the best cloud providers have PCI certification. Auditing and certifying these levels of compliance is simply too onerous for most companies that operate in-house ERP systems.

Disaster Recovery and Business Continuity

Cloud computing vendors should understand that they cannot simply ask their customers for trust. It is important to plan for the worst-case scenario. Such planning is the domain of disaster recovery and vendors should provide a variety of options to prevent disasters and to provide business continuity if disaster strikes.

• **Infrastructure:** The best cloud systems are architected with multiple layers of redundancy to ensure service continuity even if one or more elements fail. All data is stored immediately in multiple locations, with daily hot backups to ensure quick data restoration in case of emergency. In addition, all customer data is backed up on tape media daily and stored in a safe facility. Data centers are equipped with backup power batteries and generators, seismic bracings, and an Internet connection of up to three 1 Gbps pipes. This redundancy ensures round the clock connectivity with no bottlenecks; in fact, with this design, two pipes could fail with no impact on users.

• **Application security:** Any cloud system should be designed to be safe from Internet attacks. All servers should be protected by a firewall that allows access only via specific protocols and methods. It should be securely designed with segregated networks, load balancers, denial of service countermeasures and application-layer filters. All transactions should be protected by 128-bit SSL, the same strong encryption used by large banks and ecommerce companies.

• **Physical security:** Access to the facility must be controlled by security personnel and video surveillance.

- **Advanced disaster recovery:** In rare cases, customers may require exceptional safeguards outside the scope of the cloud vendor's data integrity models, such as dedicated redundant hardware or replication of data to a client's remote data center. Cloud vendors should arrange to provide such safeguards for such companies.

The Environmental Benefits of Cloud Computing

Environmental responsibility is a growing concern for many companies. Research by Greenspace, a supplier of green operations and maintenance products and analytical solutions, has identified cost savings and environmental benefits of using a cloud model. Greenspace's analysis of NetSuite's platform found that:

- NetSuite enables customers to reduce overall server room electric consumption by more than 99%, an annual savings of more than $10,300 per customer.
- An average reduction in energy use of 99,000 kilowatt hours (kWh) per year.
- NetSuite allows customers to realize savings from reduced use of software, hardware, maintenance, personnel, and occupancy costs, exceeding $100,000 per year.
- Aggregate reduction in electricity use by NetSuite and its customers amounts to 595 million kWh per year, the equivalent annual consumption of more than 56,000 homes
- This reduced greenhouse gas emissions by more than 423,000 metric tons of carbon dioxide per year, the equivalent of taking more than 77,000 automobiles off the road.

NetSuite has a record of energy efficiency and environmental stewardship. Some highlights:

- NetSuite's data center is a state-of-the-art facility that takes advantage of the latest power-management technology
- NetSuite disposes of obsolete equipment via certified e-waste recycling companies.
- NetSuite's has hired Greenspace to survey its headquarters and further expand its green building programs.
- NetSuite utilizes web meeting technology to host meetings with customers for sales and implementation, reducing travel.

Key Functions of NetSuite's Integrated Business Management Suite

From its inception, NetSuite set out to solve problems in not just one application area, but to provide a better way to run the most important processes in a business. With NetSuite, integration is inherent in the product. All enterprise functions are wrapped up in a single database, application and version of code. Key functions covered by NetSuite include:

- **Accounting and operations:** Financials are the backbone of any company and a well-designed system will ensure that your back-office processes tie with one another. NetSuite includes financials, fulfillment, purchasing, inventory, time and billing, HR and more. Integration between these functions helps to drive efficient processes from order to cash through to procure to pay. Integrating these key processes across the entire customer cycle is especially important for SMB companies that must ensure that they have enough cash flow on a monthly basis.
- **CRM:** Having a complete view of your customer is more critical than ever in this era of heightened customer expectations. NetSuite unifies sales force automation, marketing automation, customer support, opportunity management and renewal and upsell management systems. This allows your reps to see across the entire customer experience and transaction history.
- **Ecommerce:** NetSuite provides a platform for any business to create a customized online store. If your business plans to sell on the web or uses online registration forms or customer self-service, integration with inventory, accounting, sales and support is critical to support efficient business growth, and NetSuite provides this integration.
- **Business intelligence:** Operational, tactical, and strategic intelligence needs to be delivered in real-time from a single system of record—consolidated and rationalized with no need for a data warehouse. NetSuite provides dashboards and preconfigured key performance indicators but also enables companies to customize their own analytics capabilities. The result is business intelligence that can be created, managed, and used by anyone at every level of the organization to make better, faster decisions.
- **Business process management:** For rapidly growing companies, creating, streamlining and altering business processes is an important part of continuing the momentum. NetSuite provides a consistent platform to customize and automate business processes and workflows across finance, marketing, sales, service and more. Organizations can respond to change more rapidly by adjusting business processes and approval chains based on the needs of the business or organizational change.
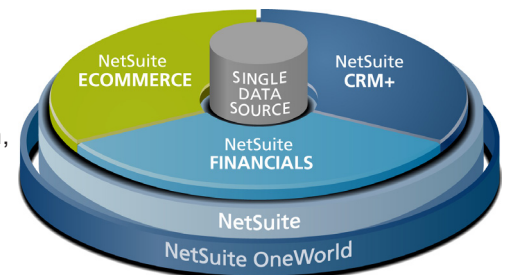
Conclusion

For rapidly growing and mid-sized businesses, the resources required to maintain and grow an IT infrastructure to support the needs of the business can be enormous. Cloud computing is often seen as a cost-effective and quick-fix solution, but businesses must be careful not to repeat the same mistakes of the past and end up with another applications hairball, albeit one running in the cloud.

With the growth of cloud computing, businesses must take a strategic long-term view of their application footprint—understand how applications and business processes cross departments and lines of business, and optimize their applications architecture around collaboration and process. By combining an integration applications strategy with cloud delivery, businesses can position themselves for efficient and cost-effective growth, and improved competitiveness.

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