

## NETSUITE AND THE MODERN BUSINESS PLATFORM

### ERP, CRM, ECOMMERCE? WHAT'S IN A NAME?

#### Data Source

In this report, Mint Jutras references data collected from its 2014 ERP Solution Study, which investigated ERP goals, challenges and status and also benchmarked performance of ERP implementations.

Over 800 responses were collected from companies of all sizes of companies from very small to very large, across a variety of industries.

*There's been a lot of talk and a bit of controversy floating around recently about the future of enterprise resource planning (ERP), customer relationship management (CRM) and other TLAs (three letter acronyms). Yes, labels can be confusing, particularly when you start comparing offerings from different vendors. At first glance some of these solution providers appear to be direct competitors, when in fact they are not. As a provider of ERP, CRM and eCommerce, NetSuite often competes against other companies that offer something less than its fully integrated suite. Mint Jutras finds an overwhelming preference for an integrated, end-to-end solution, putting NetSuite at a competitive advantage over other vendors with a more narrow footprint. But Mint Jutras characterizes a true modern and "next generation" ERP as one that delivers more innovation. With almost limitless possibilities for business transformation today, the pressure is on to continually evolve with an ever broader and deeper solution.*

#### WHAT'S IN A NAME?

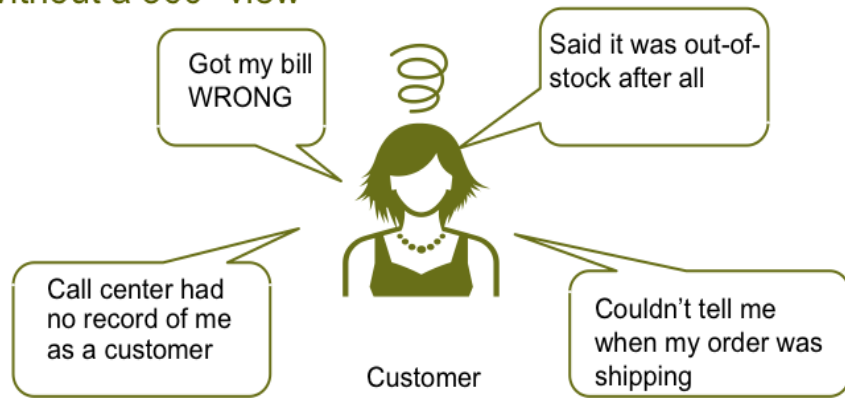
These vendor and solution comparisons happen more frequently in the cloud than elsewhere in the enterprise software landscape. When discussing or evaluating any solution provider, the tendency is to look for other similar vendors. Because there are very few ERP solutions that were born in the cloud and offered exclusively through Software as a Service (SaaS) deployment, comparisons are often made to other exclusively cloud vendors. So, NetSuite for example gets compared to Salesforce.com and Workday, both of which are SaaS-only solutions. But they aren't ERP.

In fact NetSuite CEO Zach Nelson has gone so far as to say Salesforce isn't CRM because it doesn't capture the customer order. If you take the acronym literally, as managing the entire relationship with the customer, Salesforce is a subset. It manages contacts and opportunity and pipeline, but once an order is taken it drops the ball in managing the continued relationship through delivery, invoicing and post-sale support. CRM vendors have been claiming to



provide a 360° view of the customer for years, but without that post-sale element, the view is not complete.

### Without a 360° view



### Definition of ERP

Mint Jutras defines ERP as an integrated suite of modules that provides the operational and transactional system of record of the business.

In fact today, most real ERP vendors deliver much more than this.

Sales force automation (which is Salesforce.com's claim to fame) does not manage the order. To complete the view you need the order, the invoice, payment, and service.

### With a 360° view



Zach will also tell you Workday's human capital management (HCM) and accounting applications aren't ERP. Mint Jutras defines ERP as an integrated suite of modules that provides the operational and transactional system of record of the business. In fact today, most real ERP vendors deliver much more than this. So while others might refer to Workday as ERP, its HCM and accounting solution doesn't fit this definition of ERP. (To be fair, Workday doesn't call its solution ERP.)

So, given the potential for confusion, do we need to change the definition of these acronyms? Some go so far as to suggest we eliminate them entirely. Others suggest “cloud ERP “ is redefining what we mean by ERP. Granted, the acronym ERP has lost a lot of its meaning. The genesis of the term comes from manufacturing. Material requirements planning (MRP) was the predecessor to ERP, and did just that: planned for materials based on current inventory and anticipated demand. Then we expanded the view to manufacturing resource planning, including labor and equipment capacity, and it became MRP II. Eventually this expanded to manage all parts of running a business, and thus was labeled enterprise resource planning (ERP). Yet while “ERP” doesn’t adequately describe all that it does today, there is no reason to just throw the label away.

Companies in search of solutions to run their businesses need a frame of reference, a starting point to define what it is they need. They can’t start with a search for vendors offering “something to run my business.” As loosely as ERP and CRM are often defined, they do accomplish that. And if you accept the Mint Jutras definition of ERP, it doesn’t need to be redefined.

While we define ERP to be the transactional system of record for the business, most ERP solutions do more than this, and in fact for years now it has been getting more and more difficult to tell where ERP ends and other applications begin. But this definition is timeless. It also implies ERP cannot be static. The way companies operate is changing and therefore ERP must also evolve to reflect new ways of transacting business.

NetSuite has been responding to this challenge over the past few years, through its approach to omnichannel commerce and with several recent announcements including:

- A brand new, modernized, mobilized [user experience](#) (first available on Apple IOS, to be followed by Android)
- The addition of a “[next-generation services resource planning \(SRP\)](#)”, a unified cloud solution to meet the combined needs of project- and product-based businesses. The solution can be configured as a stand-alone SRP solution or combined with NetSuite’s ERP. It targets software, IT services, consulting, advertising and marketing services companies.
- [A new SuiteGL](#), intended to “transform the general ledger from one size fits all into a custom business asset.” New capabilities are being developed to add
  - New custom segments to the chart of accounts (example: to support fund accounting and advanced managerial reports)
  - Custom lines (example: you might post additional journal entries based on the country in which the transaction originates)

- Custom transaction types (example: vendor billing accrual, employee expense report accrual, payroll journal, depreciation journal, statistical account entries)
- Mobilization of its recently acquired HCM solution: [NetSuite TribeHR Mobile for iOS](#) brings collaboration tools, enterprise search capability, time off management and employee recognition (kudos) to Apple iPhone, iPad and iPod Touch mobile devices.
- A new [B2B Customer Center](#) built on NetSuite's SuiteCommerce platform providing
  - A self-service customer portal
  - Customization, billing and payments, account and product management capabilities, including lists for seasonal purchasing
  - Responsive web design capabilities that can optimize sites for multiple devices

### Impact of the Cloud

*Cloud does have an impact, but it is not so much changing what we mean by ERP as changing what we should **expect from** ERP, a subtle difference, but a very meaningful one...*

*The cloud connects us, automates processes, compressing them to days, hours or even minutes. But we still need to keep that system of record. We still need ERP. We just need a better ERP.*

So NetSuite is in tune with the desire and need for business transformation, largely based on the new requirements of this digital age. But... back to the issue at hand.

What impact does the cloud have on this perceived need to redefine what we mean by ERP? Cloud does have an impact, but it is not so much changing what we mean by ERP as changing what we should **expect from** ERP, a subtle difference, but a very meaningful one. We still need to track inventory assets, record orders, deliver, invoice and collect payment. In a B2B environment, these end-to-end business processes (like order-to-cash and procure-to-pay) have traditionally spanned weeks or months. The cloud connects us and it might help us automate processes, compressing them to days, hours or even minutes. But we still need to keep that system of record. We still need ERP. Whether you call it “modern” or “next generation”, we just need a better ERP.

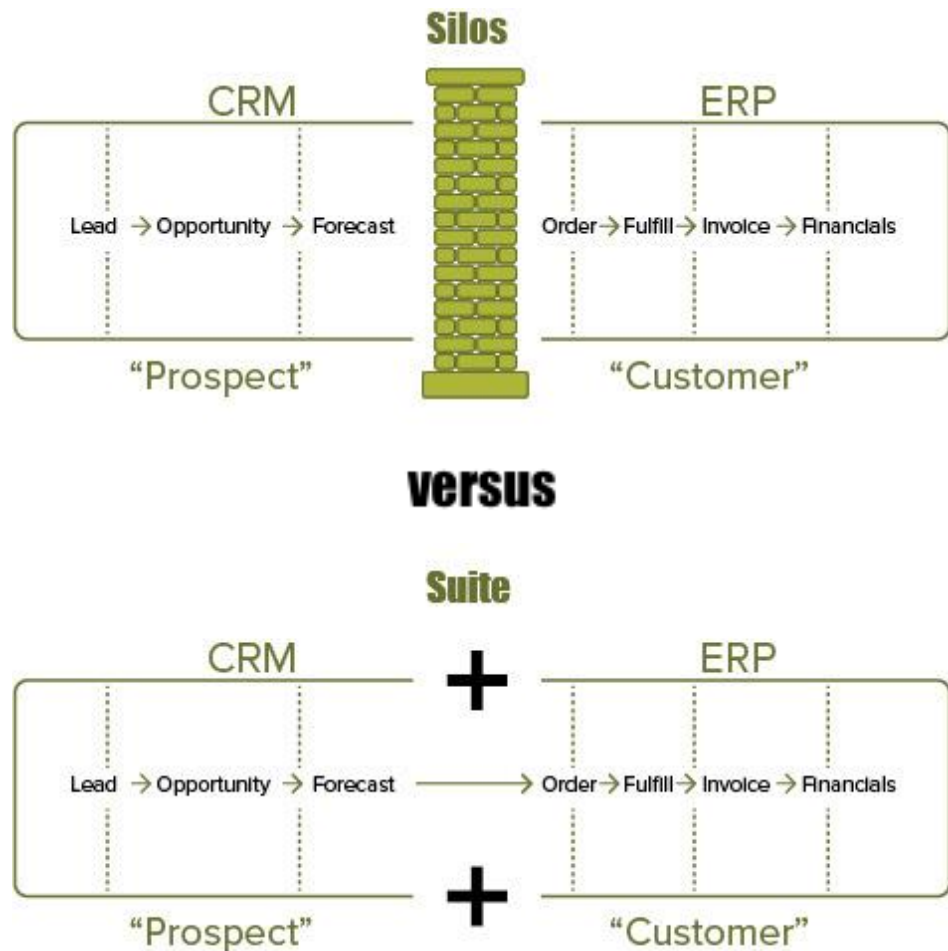
### A BETTER ERP

Mint Jutras defines “[next generation](#)” ERP as: providing better ways to engage with ERP, replacing invasive customization with configuration that is preserved from release to release, more innovation and better integration. Much of what NetSuite has done, and is still doing, is driven by the need for a modernized, technology-enabled ERP.

But what about CRM? NetSuite contends Salesforce isn’t CRM because it doesn’t manage the customer order. While you might argue that you need the order in order to manage the relationship, according to our definition of ERP, that is exactly where it belongs (in ERP) because it is a fundamental element of the system of record of the business. But does it really matter? Not when we’re talking about NetSuite’s solution, because ERP, CRM (and eCommerce)

are all built as one system. And because it is all one system, everything works seamlessly together and there's no redundancy of data. The end user doesn't really know or care if it is a function of CRM or ERP, unless of course they only subscribe to one or the other and not both.

So yes, NetSuite certainly has a leg up on Salesforce in providing what CRM vendors traditionally promise: a 360° view of the customers. NetSuite can and Salesforce (or any CRM-only vendor) can't. And that is because it is delivered all in one set of code: a fully integrated suite. If sales or support representatives need to see all outstanding quotes, shipped orders, open or paid invoices, they just go to NetSuite. They don't need to worry about whether it is part of CRM or ERP.



Some analysts have started to call this "a platform." Whether you call it a platform, an integrated suite, or just extended ERP, in a way it does strengthen the argument for making ERP and CRM go away. You don't need ERP and CRM. You need this integrated platform. But now we're just getting into semantics and we're not really adding value to the conversation. For a prospect or

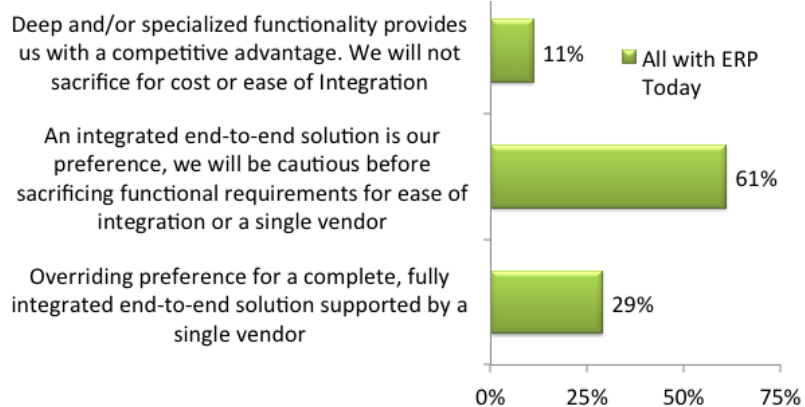
customer buying ERP today, the real question is what are the boundaries of the solutions being considered and how much of the needed functionality does it provide?

The footprint of ERP has grown steadily over the past three decades. We've reached a point where the boundary of where ERP ends and other applications begin has become quite blurry. Those in search of solutions should strive to clearly understand these boundaries, which will vary from solution to solution. CRM is only one such complementary application now offered by ERP vendors. But not all CRM solutions offered by ERP vendors are developed and delivered like NetSuite's solution. A NetSuite customer can subscribe to either of these as a stand-alone NetSuite application, but if you subscribe to both, they operate as a single tightly integrated solution. This is not the case with all solution providers. Just because you are buying both from a single vendor doesn't guarantee the two (or more) applications have been designed and developed as a single integrated solution, particularly if the complementary solution has been acquired.

In the past an integrated module of ERP tended to provide lighter-weight functionality than that provided by separate, so-called "best-of-breed" applications. So there was a clear trade-off between specialized functionality, which came with the added cost and effort of integration. But the capabilities of those built-in ERP modules today often rival or even exceed the capabilities of stand-alone applications. And the connected cloud and other modern technologies have made integration easier. So the trade-off isn't quite so clear.

We explored this a bit in our 2014 Mint Jutras ERP Solution Study, asking participants about preferences for a suite approach (like NetSuite's ERP and CRM) or a more specialized solution (like [NetSuite's partnership with AutoDesk for PLM](#)).

**Figure 1: Preferences for a Full Suite**



Source: Mint Jutras 2014 ERP Solution Study



It is clear that while there is an overwhelming preference for an integrated solution, most will be cautious about sacrificing functional requirements for ease of integration or for the purposes of having either a single throat to choke or a single back to pat (Figure 1).

This of course puts added pressure on software vendors like NetSuite to continue to innovate and expand their solutions. The easiest way to deliver a seamlessly integrated, expanded solution is to develop it internally, rather than to go shopping for additional features and functions (through acquisition or partnership). Those solution providers that exclusively deliver through a multi-tenant SaaS model will have an advantage in this regard because they maintain a single line of code. NetSuite, for example, delivers two releases a year.

Those that offer only licensed, on-premise solutions, or the same solution through the cloud and on-premise don't have that luxury. Minimally they will have to maintain multiple releases to accommodate those customers that can't or won't upgrade. And very often they offer the software on different operating systems and different databases. Any combination of these increases their support and maintenance efforts exponentially and leaves fewer resources to apply to pure innovation. These vendors are more likely to deliver releases every 12 to 18 months.

Of course acquiring functionality (like NetSuite did with TribeHR for HCM) and even partnering (like NetSuite did with Autodesk for PLM) are options as well, providing the integration is seamless enough. NetSuite has proven that it is capable of delivering on all these different fronts.

While vendors and industry observers argue over what to call these solutions, most good business decision-makers tune out to these discussions. Most are more interested in solving business problems than in redefining what we call the solution. The labels we have today: ERP, CRM, PLM, HCM... are all fine as long as we continue to ask and expect more from them. I, for one, am more interested in helping those business leaders better understand the almost limitless possibilities for business transformation, than in coming up with the next new label – or even worse, the next new TLA.

**About the author:** Cindy Jutras is a widely recognized expert in analyzing the impact of enterprise applications on business performance. Utilizing over 35 years of corporate experience and specific expertise in manufacturing, supply chain, customer service and business performance management, Cindy has spent the past 8 years benchmarking the performance of software solutions in the context of the business benefits of technology. In 2011 Cindy founded Mint Jutras LLC ([www.mintjutras.com](http://www.mintjutras.com)), specializing in analyzing and communicating the business value enterprise applications bring to the enterprise.