



NetSuite: The Key to Performance and Profitability for Solution Providers

IN
NETSUITE

Table of Contents

Solution Providers Face Unique Challenges	2
Solution Provider Business Models	3
The Current Reality: Standalone Applications	5
Integrated Applications Make the Difference	6
NetSuite for Solution Providers	7
NetSuite Drives Results	8
Conclusions and Recommendations	10
About NetSuite	11
NetSuite CRM	11
NetSuite PSA	11
NetSuite Financials	11

Solution Providers Face Unique Challenges

With economic recovery, technology solution providers and value-added resellers (VARs) are experiencing unprecedented growth. Long accustomed to sector turbulence, solution providers must constantly reinvent themselves to stay ahead of changing technology, market trends and vendor-mandated channel consolidation. More than ever, channel winners require instant access to information to monitor, measure and improve all aspects of the business.

Challenges abound in the traditional solution provider business with declining product margins, increasing competition, faster technology obsolescence and more complex client requirements. These pressures are forcing solution providers to add new lines of business and more comprehensive solutions built on a broader set of services and recurring revenue models. Fundamental business model shifts require constant vigilance to stay ahead of the curve.

Grow, get big or die has become the rallying cry of solution providers as their key vendor suppliers seek to reduce the numbers of channel providers they work with. At the same time vendors and clients alike are pushing for higher value and more complex services from their channel providers to broaden their reach while reducing their own risk. Yet the benefits of scale and higher margins are not easily achieved without improved automation.

Solution providers often struggle with standalone legacy business applications that impact the profitability of projects and product sales, and limit insight into accurate and timely financial data. At the same time, they compete in a fast-paced industry in which their clients expect seamlessness, precision and an up-to-date and accurate view of their projects and orders. To answer these challenges, solution providers must simultaneously manage multiple revenue streams—services, products, managed services and support contracts; each requiring different financial and business models.

Solution Provider Business Models

Solution providers operate in many different forms with significantly different business models and information requirements:

- **Consultants and system integrators** are focused on architecting, integrating and implementing technology solutions. These organizations derive the majority of their revenue from consulting. They are typically aligned around horizontal and/or vertical software solutions. Their resource-intensive business model places a premium on efficiently managing projects and resources. Their primary business applications are Enterprise Resource Planning (ERP), Customer Relationship Management (CRM) and PSA (Professional Service Automation).

- **Value-added hardware and software resellers** package hardware and software solutions together with installation, maintenance and training. The majority of their revenues come from reselling hardware and software (60%), installation, maintenance and training (30%), with a growing component of consulting (10%). Their primary business applications are ERP and CRM with a focus on improving sales productivity, complex quoting and ordering, and revenue reporting and cash management. PSA is a critical component of growing a profitable services revenue stream.
- **Managed service providers** provide data center and/or cloud solutions involving hosting hardware and software combined with network access. They remotely manage their customers' IT infrastructure and/or end-user systems, typically on a subscription basis. Their business model is capital- and facility-intensive; it places a premium on tightly managing facility, equipment and operating costs combined with accurately measuring system usage and subscription billing. Managed service providers need integrated ERP and CRM applications with support for complex, subscription-based billing and revenue recognition.
- **Distributors** serve a wide range of customers on behalf of technology vendors. Their customers range in size from small, independent resellers to large multinational retailers requiring fast access to a wide array of products and services. The high-volume transactional business model of distributors requires constant monitoring and measurement of inventory, orders, shipments, receivables and payables. Monitoring, measuring and compensating a large transactional sales force is also a primary concern. Ecommerce ordering, shipping and billing for a wide array of products and services is a must.

The Current Reality: Standalone Applications

Today, many solution providers rely on a hodgepodge of point solutions to manage their business. They may have outgrown legacy financial applications used to manage general ledger, accounts payable and accounts receivable. These traditional accounting solutions weren't built for an always-on, technology- and project-based business at which employees at all levels need visibility and mobile access to financial information to make timely decisions.

Sales and marketing organizations often use standalone CRM solutions that are disconnected from financial, PSA and ecommerce solutions. Silos of customer information mean service delivery teams don't know what deals are in the pipeline, or the skills and resources required for upcoming projects. Finance doesn't have a view into the estimates, terms and pricing being proposed. Logistics can't forecast or anticipate future demand. The sales team may be committing to unacceptable contract terms and pricing, exposing the firm to risk and jeopardizing margins.

To bridge the gap left by standalone legacy applications, solution providers rely on scores of error-prone spreadsheets that require constant manual updating and cumbersome email approvals and data re-entry. The knowledge workers who need accurate and timely client, project- and account-based information don't have it—or if they do, they must wade through static reports to get it.

Although standalone solutions for ERP, PSA and CRM do provide greater visibility and control than spreadsheets, their value is limited without integration to each other and to the core financial application. Sales can't see project information, and service delivery doesn't know what deals to plan for. Finance appears to operate in its own world, precluding client-facing personnel from reacting to or anticipating issues as they arise. Clients don't have access to transactional ecommerce solutions so they can enter and view the status of their orders. Further complicating matters, each legacy software provider supplies its own database, creating a complex and rigid IT environment.

Integrated Applications Make the Difference

Service Performance Insight’s research has shown the highest-performing organizations excel in their use of integrated information technology solutions. While many solution providers utilize financial management, CRM and PSA solutions to efficiently plan, sell and execute deals, those that perform the best drive even better results through the integration of these core applications.

Information should be integrated so that it can be seamlessly passed from one application to another (for example, from CRM to PSA to ERP). Information-sharing enables all relevant employees to better understand client relationships and requirements. Resource management highlights high-demand skills, cost, availability and profitability by project, client and consultant. With integrated information, recruiting and subcontracting can be turned on and off to ensure the right resources with the right skills are available at the right time.

Sales executives can focus on the best clients and opportunities, continually expanding their relationships, financial executives can ensure revenues and costs are aligned and healthy cash flow is maintained. Logistics can anticipate and respond quickly to fluctuations in demand. Most importantly, clients receive the prompt service and attention they deserve, which keeps them coming back for more.

Sell

Client Relationship Management (CRM)

- Marketing campaigns and lead generation
- Sales territory planning
- Client information
- Contract information
- Pricing, quoting, ordering
- Fulfillment
- Upsell, cross sell
- Support

Deliver

Professional Services Automation (PSA)

- Project management
- Resource management
- Project accounting
- Time capsule and billing
- Expense management
- Analytics and reporting
- Send financial data to ERP for invoicing

Collect

Enterprise Resource Planning (ERP)

- Order-to-cash (ordering, billing, collection)
- Inventory, fulfillment & costing
- Complex billing, revenue recognition & accounting
- Payroll, time tracking, expense management and incentive compensation
- Budgeting, forecasting & financial close

Source: Service Performance Insight

NetSuite for Solution Providers

By unifying financials, sales, project and product management, ordering, invoicing and revenue recognition, NetSuite provides a comprehensive cloud-based solution that supports all aspects of a solution provider's business. NetSuite's solutions have been designed from the ground up to support the complex technology world with provisions for multiple business models and entities, each conforming to unique revenue and margin recognition rules and reporting. NetSuite enables solution providers to minimize complexity across a broad range of operations, allowing insight into the entire business based on a single, customizable platform that dramatically improves efficiency and delivers real-time visibility to help fuel growth.

NetSuite combines the best of CRM, PSA, and ERP applications, making it a strategic planning tool for executives to gain an understanding of current and future business operations. The integration of these core applications provides the systems foundation for visibility and control of all aspects of the business. Because NetSuite applications share a common database, organizations have a single source of the truth, with information constantly updated to provide an accurate view across functions and processes:

- **Sales** can see the status of leads, opportunities and projects with an eye to resource availability, client satisfaction and incremental opportunities.
- **Service delivery** can see the schedule of upcoming projects and details of the client relationship to be proactive with communication, change orders and resource scheduling.
- **Finance** gets an accurate picture of revenue and costs to ensure they are kept in balance so cash flow is improved and business plans and forecasts are accurate.
- **Logistics** can see and respond to fluctuations in demand while cost-efficiently delivering services.

With NetSuite, organizations gain visibility into and control over the entire business in real time, from new opportunity identification through to project delivery, invoicing and revenue recognition, while eliminating double-entry and costly systems and integration management overhead. NetSuite applications rely on business process workflows that mimic core business processes used by solution providers to:

- Generate, capture and qualify leads.
- Qualify opportunities to turn them into compelling quotes and proposals.
- Configure, price, order, inventory and ship hardware and software.
- Initiate and staff projects with the right resources at the right time.
- Capture the time and expenses spent on projects to optimize resource utilization.
- Manage project accounting, including invoicing, collection and revenue recognition.
- Proactively manage the entire business to maximize productivity and profitability.



NetSuite Drives Results

In theory, integrated business applications make sense. But do actual results live up to the promises? Based on results from the 2015 PS Maturity™ benchmark, NetSuite clients achieved substantially better results than the benchmark average across core metrics. NetSuite delivered superlative results in client relationships, talent management, and finance and operations.

Table 1: The Advantages of Using NetSuite

Key Performance Indicator (KPI)	Use NetSuite	Benchmark Average	Key Performance Indicator
Profit (EBITDA)	18.0%	13.2%	37%
Level of CRM and PSA integration	35%	26%	36%
Average project size in man months	32.0	27.0	19%
% of quarterly revenue target in backlog	56.2%	48.4%	16%
Employee attrition	7.6%	8.9%	15%
Average project staffing time (days)	8.75	9.41	7%
Bid-to-win ratio (per 10 bids)	5.12	4.92	4%

Source: Service Performance Insight

Table 1 is based on the 2015 PS Maturity™ benchmark of 220 firms. It demonstrates the advantages achieved by the 44 firms that use NetSuite compared to the benchmark average. The metrics show NetSuite clients are significantly more profitable than firms that do not use NetSuite. Higher levels of profitability are achieved as a result of higher levels of application integration, enhancing visibility and control while reducing administrative time and overhead.

Larger projects are delivered based on the enhanced resource and project management capabilities of NetSuite’s native PSA solution. Higher levels of backlog result from better sales effectiveness. Employee attrition is reduced because employees have the information they need to effectively perform their jobs. Projects are staffed faster with the right resources due to sales and service delivery alignment and visibility to the resource plan. More bids are won because the firm is well-positioned in a growing market. Qualified leads are more rapidly turned into deals further driving productivity and profit.

All the NetSuite advantages add up to deliver superior net income. NetSuite clients achieved net earnings of 18% compared to 13.2% for the benchmark average. These superlative statistics prove beyond a shadow of a doubt the value delivered by NetSuite.

Conclusions and Recommendations

The solution provider market is experiencing unprecedented growth as businesses around the world increasingly turn to solution providers to take care of all aspects of their technology requirements. With increased global competition for business and resources, solution providers must continually improve across every aspect of the organization, and all departments must work together to achieve excellence. Executives need key performance measurements, integrated business applications and a plan for continual advancement.

The integration of core business applications—ERP, CRM and PSA—provides executives the real-time information they need to rapidly adapt to changing market conditions. NetSuite solutions integrate and amplify the best-of-breed results that its core business applications provide and are at the heart of enabling solution providers to efficiently and profitably deliver technology solutions.

Integrated business solutions are essential to provide the platform for running today's technology solution providers. Significant performance improvements are abundantly apparent when comparing the results of firms that use and do not use NetSuite.

About NetSuite

NetSuite CRM

NetSuite provides global CRM to manage a complex multinational sales organization that requires multiple languages and currencies. It provides global visibility to every aspect of CRM, including quotas, forecasts, sales, customers, partners, support cases, issues, leads and campaigns. NetSuite CRM capabilities include sales force automation (SFA), marketing automation, customer support and service, and flexible customization, all in a web-based solution. Unlike typical CRM solutions, NetSuite CRM includes powerful sales performance, order management and marketing capabilities as standard.

NetSuite CRM is the only CRM solution that is completely integrated with the back office and project delivery, reducing manual entry and risk of error by synchronizing front- and back-office processes and information. This integration ensures the business is operating on the same customer and project data, and has real-time visibility into the entire client lifecycle from lead to close to fulfillment. Key CRM features include:

- Advanced SFA to improve sales performance and customer service.
- Marketing automation to drive lead generation, nurturing and management.
- CRM analytics and reporting for a single, pervasive view of customer information.

NetSuite PSA

NetSuite PSA provides comprehensive project management, resource management, project costing and accounting, and timesheet and expense management. NetSuite PSA has been proven to generate tangible results by driving down bench time, increasing resource utilization, enhancing on-time project delivery, improving invoicing accuracy, streamlining revenue recognition, reducing overhead, expediting billing cycles and increasing visibility. Key PSA functionality includes:

- Advanced resource management and forecasting.
- Project costing, accounting, budgeting and profitability reporting.
- Powerful billing rules engine to support complex client billing.
- Collaborative project management to proactively identify and resolve issues.
- Easy-to-use timesheet management, integrated with project management and billing.
- Flexible expense management to maximize accuracy and timeliness.
- Powerful, intuitive, configurable dashboards and reporting for personalized views of key metrics.

NetSuite Financials

NetSuite Financials provides award-winning financial/ERP capabilities that integrate with broader back-office, sales and project delivery processes. NetSuite Financials takes the business beyond traditional accounting software by providing the real-time visibility needed to make better, faster and more accurate decisions. Key capabilities include:

- Comprehensive financial management accelerates financial close and ensures accountability and compliance.
- Integrated quote-to-order-to-cash accelerates cash flow, drives sales and improves customer satisfaction.
- Powerful reporting, budgeting and planning delivers real-time visibility with drill-down to detail.
- Advanced revenue recognition automates processes and supports revenue recognition standards.
- Flexible bid-to-bill and recurring billing management automates billing, invoicing and complex recurring, time and project-based billing.
- Automated contract renewal reduces cost, revenue leakage and customer churn.
- NetSuite OneWorld addresses the complex multinational and multi-company needs of mid-market organizations, and enables businesses to adjust for currency, taxation and legal compliance differences at the local level, with regional and global business consolidation and roll-up.