Mint Jutras

Making Enterprise Business Systems Pay Dividends

February 2016

IN TRANSITION?

HOW NETSUITE TAKES 'GRADUATES' TO FULL-SCALE REPLACEMENTS

Data Source

In this report, Mint Jutras references data collected from its 2015 Enterprise Solution Study, which investigated goals, challenges and status and also benchmarked performance of enterprise software implementations used to actually run a business.

About 400 responses were collected from companies of all sizes, across a broad range of industries.

Multi-tenant versus Single-tenant SaaS

***Multi-tenant SaaS**: Multiple companies use the same instance of hosted software; configuration settings, company and role-based access personalize business processes and protect data security.*

***Single-tenant (or Multi-instance) SaaS:** Each company is given its own instance of the (hosted) software, but may share common services, such as an integration platform, and security.*

After years of supporting "graduations" from the likes of QuickBooks and desktop solutions, more and more larger, more well-established companies are turning to cloud native NetSuite for wholescale replacement of entrenched Enterprise Resource Planning (ERP) solutions. This transition comes at an opportune time as the demand for scaleable solutions escalates and the acceptance of software as a service (SaaS) grows. NetSuite OneWorld's cloud-based ERP, including support for global financial consolidation and embedded omnichannel commerce, along with its scaleable platform that supports customization and extensibility, makes it a viable contender as a replacement strategy for legacy solutions.

CLOUD AND SAAS, NOT JUST FOR THE LITTLE GUYS

Many confuse the terms cloud and SaaS. In fact Mint Jutras has been guilty of using them interchangeably. But in fact they are not the same and this means not all "cloud" solutions should be viewed as equals.

- **Cloud** refers to access to computing, software, storage of data over a network (generally the Internet.) You may have purchased a license for the software and installed it on your own computers or those owned and managed by another company, but your access is through the Internet and therefore through the "cloud," whether private or public.
- **SaaS** is exactly what is implied by the acronym. Software is delivered only as a service. It is not delivered on a CD or other media to be loaded on your own (or another's) computer. It generally is paid for on a subscription basis and does not reside on your computers at all.

All SaaS is cloud computing, but not all cloud computing is SaaS. Traditional on-premise or hosted solutions might (or might not) be accessed via the cloud, although this is more likely to be a private cloud. NetSuite is a real multi-tenant SaaS solution, which puts it in a different class of applications than those that just deliver web-based access.

For many years, many also made the assumption that SaaS was just for small companies. And yet for the past several years, Mint Jutras Enterprise Solution

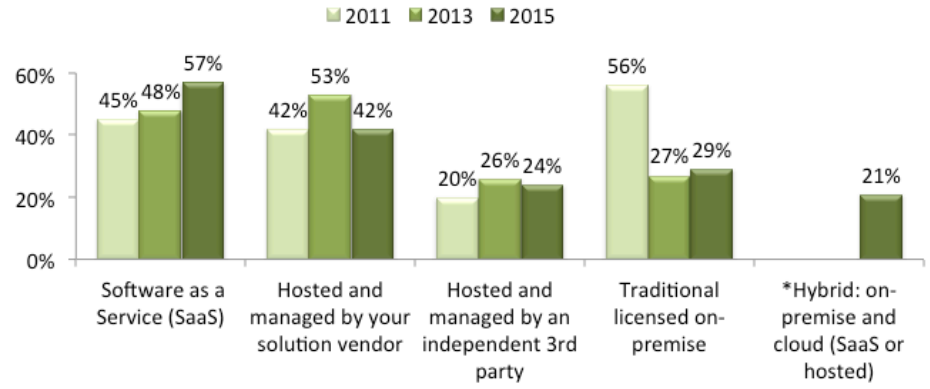
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Studies have found a growing preference for SaaS across all sizes of companies. Below we present those results in two different ways.

Figure 1 shows the progression of preference over the past several years, in intervals of two years. The question posed to survey respondents was this: If you were to select a solution today, which deployment options would you consider? Respondents are allowed to select all that apply.

Figure 1: Which Deployment Options Would You Consider?



Source: Mint Jutras Enterprise Solution Studies
* Option added in 2015

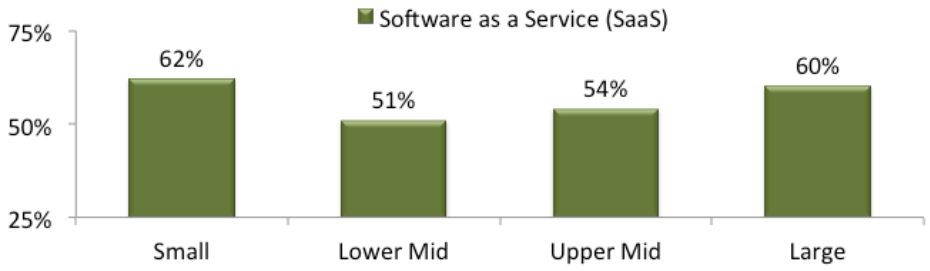
We found 2013 to be a turning point, where we saw a very sharp drop-off in willingness to even consider a traditional on-premise solution, and in 2015 we saw almost a 20% increase in willingness to consider SaaS. Very early feedback from our 2016 Enterprise Solution Study indicates both trends are continuing.

But this doesn't answer the question as to whether SaaS is just for small companies. To answer this question we need to examine the responses by size of company. Figure 2 defines size of company by annual revenue and we find nearly as much interest in SaaS in large enterprises as we do in small companies.

Company Size Determined by Annual Revenue

- *Small: Annual revenues under $25 million*
- *Lower Mid: $25 to $250 million*
- *Upper Mid: $250 million to $1 Billion*
- *Large: Over $1 billion*

Figure 2: Percentage that Would Consider SaaS (by company size)

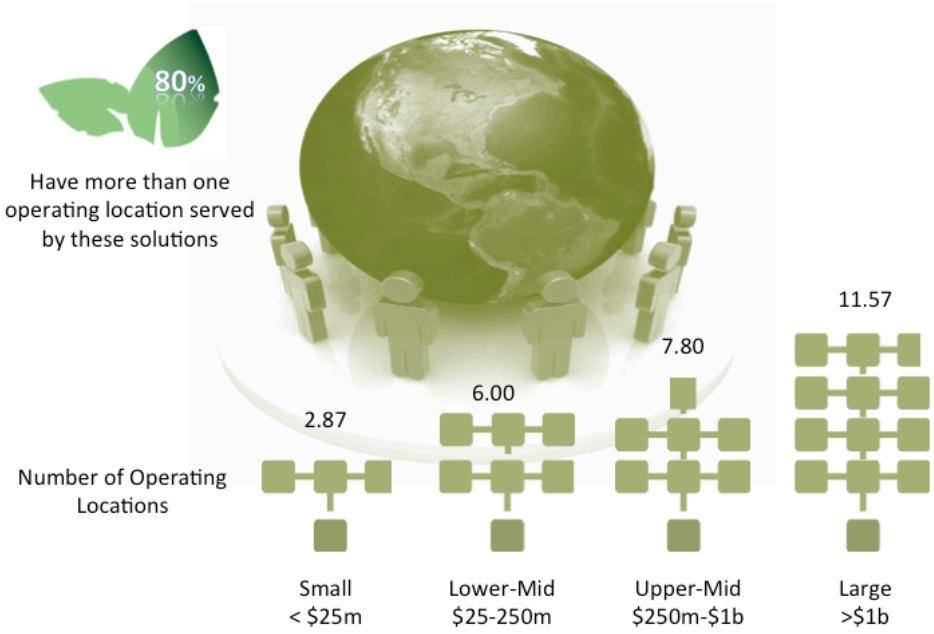


Source: Mint Jutras 2015 Enterprise Solution Study

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Mint Jutras believes this is largely fueled by the way companies grow and expand today. Gone are the days when companies grew to be large, monolithic giants. While companies may be large and centrally owned and operated, they typically expand into multiple operating locations, oftentimes distributed across the globe. Indeed 80% of companies surveyed in our 2015 study operate in more than one location (Figure 3).

Figure 3: Number of Operating Locations (by company size)



Source: Mint Jutras 2015 Enterprise Solution Study

Even where these operating locations are semi-autonomous subsidiaries, when it comes to software that runs the business, it is no longer common to leave those decisions to the individual business units. The vast majority (87%) has defined corporate standards for these applications. As the company grows, along with the number of operating locations, the potential for complexity grows faster. What better way of managing and enforcing these standards than through a centrally maintained SaaS solution like NetSuite OneWorld?

CASE IN POINT: DENT WIZARD INTERNATIONAL

Dent Wizard International has been the leader in the development of Paintless Dent Removal (PDR) technology since its establishment in 1983, and today is North America's leading provider of SMART Repairs (Small to Medium Area Repair Techniques). In 2010, Dent Wizard was acquired by a private equity firm, and therefore needed to transition off its legacy IT environment, including an on-premise ERP and custom accounts receivables and payroll

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About Dent Wizard International

Dent Wizard provides on-site reconditioning services and products to the automotive industry through its relationships with dealerships, auto auctions, rental companies and insurance companies. Services include: PDR; minor paint; wheel repair; chip and scratch repair; bumper repair; headlight brightening; interior repair; key programming and replacement; exterior blackout; and hail damage repair. Dent Wizard also offers Ding Shield®, Ding Shield Preferred and Ding Shield Signature, service plans sold through dealership F&I departments.

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applications running on an IBM AS/400. With over 1,800 employees, 1,500 of which are service technicians in the field, Dent Wizard needed a solution with access to business data any time, from anywhere capabilities, so cloud was a "must." But beyond that, Dent Wizard sought added scalability and the ability to automate labor-intensive processes. Dent Wizard was specifically looking for:

- a broad range of functionality to run complex and mission-critical business processes across multiple subsidiaries on the same platform;
- speed of implementation and time to value;
- a platform that removes the burden of having to manage upgrades and servers and dealing with version lock issues;
- real-time visibility into and control of its business across all business entities and subsidiaries through a single version of the truth;
- the agility, scalability and flexibility to support business growth.

When it first selected NetSuite in 2012, the majority of its invoices were entered manually, which necessitated a massive amount of data entry. Since then, the company's revenue has grown by more than 60% and it now processes more than 1.8 million invoices per year, and has increased electronic invoice processing by 30%.

"There's a lot of competition in the cosmetic reconditioning space. Using technology as a differentiator is a key pillar within Dent Wizard's core values. NetSuite enables us be an innovative company long-term by allowing us to focus on our business vision rather than system capabilities."

Tammy Conner, Dent Wizard Chief Information and Accounting Officer

Many of those invoices are filed directly by field service technicians using its Wizard Pro mobile invoicing application running on mobile devices. This eliminates the need for the lion's share of that manual data entry. The mobile application was developed using the NetSuite platform and integrates directly with OneWorld. It gives technicians the ability to manage tools and equipment on site through NetSuite inventory management.

Value and scalability were key elements of the decision to go with NetSuite OneWorld. "NetSuite gives us a platform for growth and scalability, and from an IT infrastructure standpoint—we don't have to manage servers," said Tammy Conner, Dent Wizard Chief Information and Accounting Officer. "NetSuite has enabled us to run a very lean IT department, and that makes our organization much more efficient. Our people are happy with NetSuite and routinely evaluate how we can optimize the solution for our business."

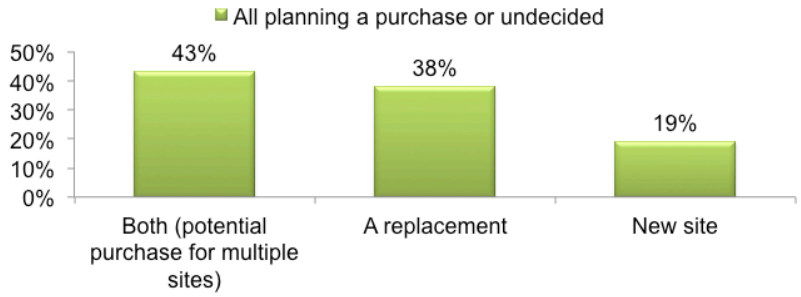
NOW IS THE TIME

Now is certainly an opportune time for NetSuite itself to be graduating into this new realm. Only 36% of Mint Jutras survey respondents gave us a definitive "no" when asked if they would purchase an ERP system within the next two years. Of course some (20%) of the remaining 64% are still undecided and some of these purchases will be "graduation" from a solution like QuickBooks that might not qualify as a full-fledged ERP. But a follow-on question lends a bit more clarity around those switching out old solutions

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versus supporting new sites or perhaps even a first time purchase. While 38% will be replacements, another 43% will combine replacement with accommodation for a new site not previously supported by ERP (Figure 4). Needless to say, this is a huge opportunity for ERP solution providers.

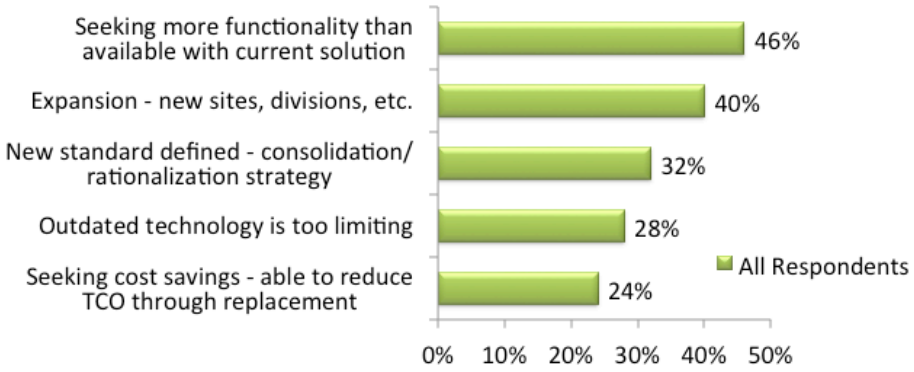
Figure 4: First Time Purchase or a Replacement?



Source: 2015 Mint Jutras Enterprise Solution Study

We know the time is right for NetSuite, but is the time right for you? If you are in the "undecided" camp, it may be helpful to understand what spurs these replacements. We asked survey respondents to select the top three reasons that would prompt a replacement of a current solution. Figure 5 shows the five reasons with the most votes.

Figure 5: What Prompts Replacement? (select top 3)



Source: Mint Jutras Enterprise Solution Studies

Interestingly enough these align quite well with what we find to be the appeal of SaaS (see sidebar). Quite often legacy solutions fail to meet the functional needs of their owners. Early solutions lack the depth and breadth of functionality available in newer solutions based on advanced technology, leading to customizations that further exacerbate the problem by building in barriers to upgrades and innovation.

Not only does a multi-tenant SaaS solution lend itself to more frequent updates (the vendor has only a single line of code to maintain), but also

The Appeal of SaaS

- *Lower total cost of ownership*
- *Reduce cost and effort of upgrades*
- *Ability to treat as operating expense rather than capital expense*
- *Lower start-up costs*
- *Elimination of hardware and associated maintenance*
- *More strategic use of IT*
- *More innovation/ through more frequent updates*
- *Ease of remote access for distributed workforce*
- *Improved IT security*
- *More viable business continuity plan (e.g. natural disaster)*
- *Lower risk*
- *Reduce or eliminate IT staff*
- *Ease of bringing up new remote sites*
- *Speedier business innovation*

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NetSuite's platform makes extending the solution relatively easy. Dent Wizard's Wizard Pro mobile invoicing application is the perfect example. This mobile process is quite unique to Dent Wizard and therefore not likely to be satisfied right out of the box. But in treating this as an extension to OneWorld the barriers traditionally built in with invasive code changes are removed. Even as NetSuite delivers innovation, this type of extension simply moves forward as well. Nothing breaks.

A SaaS solution also is a key enabler of growth. No capital expenditure required; no need to build out a data center, or even put hardware or a huge information technology (IT) staff in country. The access any time, from anywhere nature of a cloud solution is conducive to supporting distributed users and bringing up remote sites rapidly and easily while conforming to and enforcing those corporate standards mentioned earlier.

Those saddled with outdated technology can rest assured they will never wind up in such a situation in the future. A good SaaS solution also addresses the cost of obsolescence.

And finally, sometimes you need to spend money to save money. An old, outdated solution can be costing you in terms of time, effort and real money to maintain it. The good news is that with a SaaS solution such as NetSuite's you don't need a capital investment.

Based on survey responses gathered in past Mint Jutras surveys, NetSuite customers place a lot of emphasis on costs. Back in 2013, in rating the appeal of SaaS, 50% of NetSuite customers selected lower total cost of ownership (TCO). Two years later when we asked what actual benefits had been realized, NetSuite seemed to have over-delivered on this promise with 61% indicating they had realized lower TCO.

CONCLUSION

Indeed, the time is right for NetSuite to be coming up market, targeting not only those seeking their first ever real ERP solution, but also those who are hindered by older solutions that lack the functionality and the technology to keep pace with growth and change. NetSuite's solution has been developed over its long history as a cloud-native solution to address the needs of larger, global and distributed environments with financials and consolidation. Customers have proven the solution can handle massive transaction volumes while helping organizations like Dent Wizard run lean and efficiently.

Do your current solutions allow you to grow efficiently? If not, perhaps the time is right for you. If so, NetSuite is definitely worth a look.

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About the author: *Cindy Jutras is a widely recognized expert in analyzing the impact of enterprise applications on business performance. Utilizing over 40 years of corporate experience and specific expertise in manufacturing, supply chain, customer service and business performance management, Cindy has spent the past 10 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), specializing in analyzing and communicating the business value enterprise applications bring to the enterprise.*

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