# THE VALUE OF A TRUE CLOUD ERP PLATFORM FOR MANUFACTURING COMPANIES

NetSuite Perspectives

ORACLE NETSUITE

www.netsuite.com/mfg

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**Grab a seat and enjoy.**
Read Time: 20 minutes

# THE VALUE OF A TRUE CLOUD ERP PLATFORM FOR MANUFACTURING COMPANIES

NetSuite Perspectives

## Our Experience

Today, cloud computing is at the forefront of the shift to the digital business and is enabling manufacturing companies to adapt to these changing business models, both strategically and operationally.

Manufacturing companies with a cloud-first strategy have learned that the cloud's real value comes with being able to delegate the Service Level Agreement (SLA) of an entire solution, from infrastructure to application, instead of components. It is also widely recognized that integrated suites reduce complexity, increase reliability and cost less—it's just that now, with cloud, the suite includes hardware, security and operations. Most agree that the cloud paradigm has cost and convenience benefits: availability, speed, agility and TCO, enabling faster development processes and providing higher reliability and lower risk. Companies that take an ad hoc approach miss out on many of cloud's benefits and experience a variety of pitfalls.

In the current state of the market, not all cloud providers can step up to the challenge of providing an integrated offering, and that forces companies to manage more than they want to.

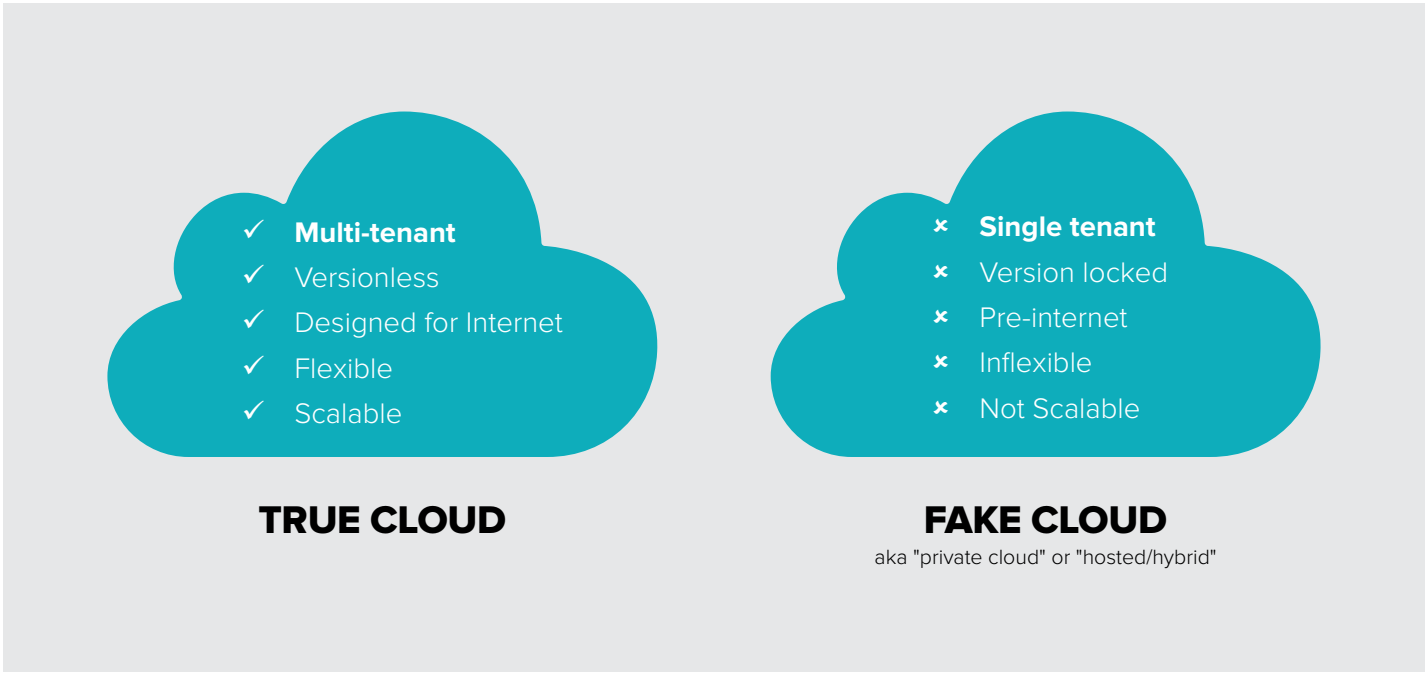
## NetSuite Value Proposition

As a leading cloud ERP company, NetSuite has championed the cause to deliver not only a true cloud platform but also strives continuously to develop a truly integrated suite for our growing global customer base of more than 18,000.

Further, the SuiteSuccess customer engagement model is helping thousands of new customers deploy the platform faster and leverage leading business process practices to both create and realize value within their organization much sooner than traditional approaches.

"Enterprises run the risk of getting nasty shocks when the thing they thought they were buying turns out to be something altogether different. Hosting and application management are not synonymous with SaaS." — **Gartner**

In this document we hope to provide you our perspective on the components and scorecard to use to not only evaluate a true cloud solution, but also analyze for yourself how our various platform offerings help you to meet your organization objectives today, adapt to the industry disruptions of tomorrow and realize savings of more than 20%-50% in Total Cost of Ownership (TCO) alone[1] or incur $64k-$242k annually in hidden or unexpected costs[2].




Reference: HBR – The CIO's Guide to Cloud Computing
[1] Hurwitz & Associates – The compelling TCO case for cloud computing in SMB, mid-market enterprises
[2] NetSuite research and example analysis for a $10M revenue company

Chapter **1**

# NETSUITE: THE VALUE OF A TRUE CLOUD PLATFORM – KEY DIFFERENTIATORS

## Software-as-a-Service (SaaS) and Multi-Tenant Architecture

### Software-as-a-Service (SaaS)

NetSuite is offered as Software-as-a-Service (SaaS). The applications are accessible via a web browser or mobile app.

Unlike on-premise software, NetSuite customers do not have to be involved with managing the underlying cloud infrastructure including network, servers, operating systems, storage and application upgrades.

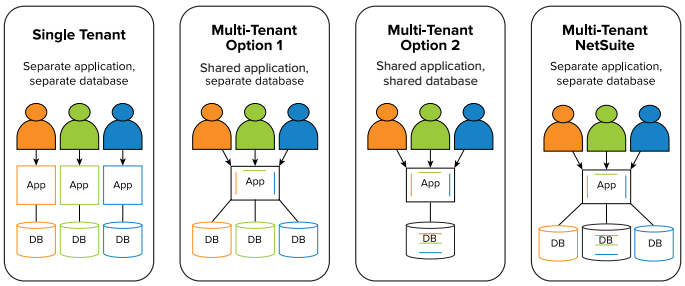
### Multi-Tenant Architecture

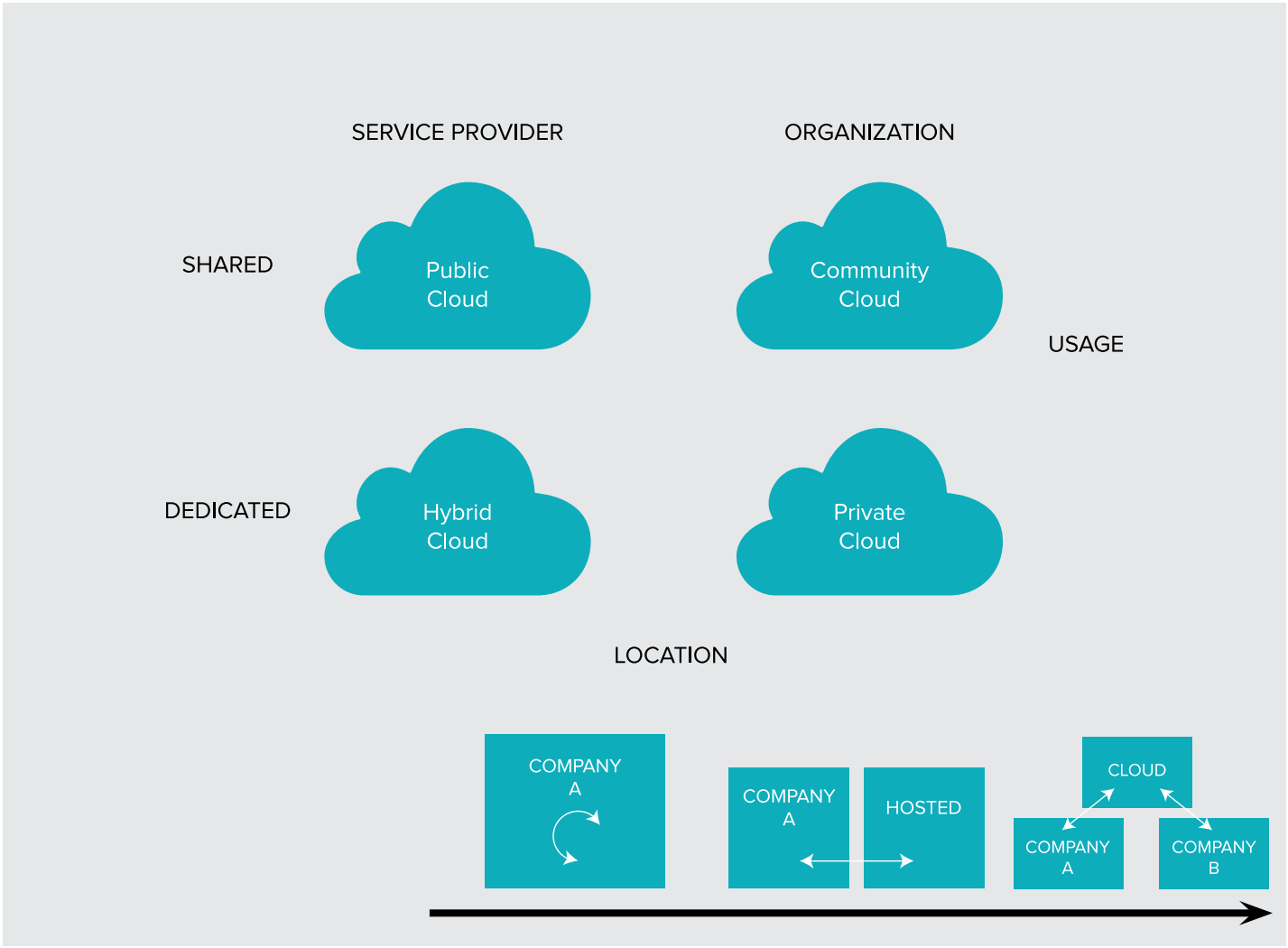
NetSuite has a single instance of the application. Each tenant can make customizations and configurations that are rendered to the views they see and/or invoked when using the application.

Most customers share a common database instance with other customers. In situations where customers need higher performance, NetSuite offers Premium Performance Tiers with dedicated database instances. Some customers start on the shared database and migrate at a later point to their own dedicated database.

This last situation (a shared database) would be considered as the highest degree of multi-tenancy. Virtualization would, by definition, then offer the lowest degree of multi-tenancy.

Despite what fake cloud vendors will tell you, multi-tenancy matters. For example, with a true cloud provider, all customers typically access the same solution from the same cloud. This gives customers continuous and instantaneous access to the latest product upgrades.






| | On-premises | Hosted | Cloud-based |
|---|---|---|---|
| License Costs (One-time) | Medium | Low-Medium | Low |
| Software Maintenance Costs (Operational Costs/Year) | High | Medium | Low |
| Subscription Costs (Operational Costs/Year) | Medium | Low-Medium | Low |
| Overall Capital Costs | High | Medium | Low |
| IT Resources (Admin/Dev) | High | Medium-High | Low |
| Hardware/Storage | High | Medium | Medium |
| Upgrade Costs | High | Medium | Low |
| Implementation Timelines | 12-36 Months | 9-18 Months | 4-8 Months |

## Preserving Your IT Investments

**Public Cloud**
NetSuite is offered as a public cloud deployment and has a single instance of the application. This is aligned with our strategy to offer SaaS and a multi-tenant architecture that allows both our enterprise as well as small business customers to be on the same version of the application globally, allowing them to reap benefits from economies of scale, less capacity planning, increased agility, scalability and IT costs.

**Two-Tier ERP Strategy**
Two-tier ERP is a business and technology strategy that enables manufacturing organizations to keep their investment in existing ERP systems, i.e. SAP or Oracle, while deploying cloud-based ERP, i.e. NetSuite, at newer subsidiaries.

As large enterprises expand and restructure through mergers and acquisitions into larger companies, one of the strategies to preserve their existing ERP investments is to adopt a so-called hub and spoke approach to ERP.

There are three hub and spoke models:

1. All business units (headquarters and subsidiaries) use a single application instance.
2. Enterprise hub and business unit spoke use same application—but may have more than one instance.
3. Business units choose from an approved list of spoke solutions which allows the subsidiaries to pick a solution that best suits their requirements. For example, localized business units often need to address specific customer billing and payments practices, and local regulatory requirements.

## Application Stack

**ERP/FMS**

**CRM**

**PSA**

**Software**

**Retail**

**Manufacturing**

**Ecosystem**
1000+ Partners
400+ SuiteApps

## Added Platform Benefits from Application Stack

**Global**
Localization
Management

**Mobile**
Tablets, Watch
iOS Android

**100% Browser**
Independent

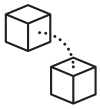
**Global Search**
Google
the Suite

**Reporting**
Create Complex
Forms & Reports

**Digital Assets**
Manage
Unstructured Data

**SuiteSocial**
Collaboration
Tools

## SuiteCloud Platform



**SuiteConnect**
Cloud Data
Integration

**SuiteScript**
Programmable
Logic and UI

**SuiteTalk**
Cloud App
Integration

**SuiteAnalytics**
Built-in Business
Intelligence

**SuiteBuilder**
Point-and-Click
Customization

**SuiteFlow**
Visual Workflow
Implementation

**SuiteBundler**
Cloud Application
Distribution

## SuiteCloud Infrastructure

**Scalability**
Enterprise Elastic
Capacity

**Security**
SSAE 16
SOC1/ISAE 3402

**Compliance**
Type II PCI DSS
SOX

**Transparency**
24x7 System Status
& Ops

**Assurance**
99.5% Uptime
Guarantee

**Process Tests**
Pre-Production
Sandbox

**No Version Lock**
Overnight
Upgrades

"In today's age, you have to be nimble and agile. It's really important for a fast-growth business to quickly adapt and fulfill customers' needs. NetSuite's really the best program out there." — **Earth-Kind**

## An Integrated Business Application Suite

### Integrated Suite

Companies in virtually every industry are using sophisticated business software to fuel their growth but many are still struggling to keep up with their growth and manage costs effectively because of a hodge-podge of disconnected functional systems causing process bottlenecks and employee productivity issues.

Integrated business software suites are transforming how manufacturing companies run and enabling them to transcend growing pains that previously were holding them back from taking their business to the next level of profitable growth.

In an ROI study by independent analyst firm Nucleus Research, customers using NetSuite's integrated cloud business suite accelerated their financial close times by up to 50%, increase sales productivity by 12.5% and increase inventory turns by 50%, amongst other efficiencies.

"NetSuite has helped us be more competitive, more agile and plan our future with more precision and flexibility than we ever thought possible." — **Feeney, Inc.**

## Cloud business application assessment scorecard – hidden costs of $64k-$242k annually[3]

| | | Cloud | On-Premise | Hosted/Hybrid |
|---|---|---|---|---|
| **Business Agility** | The ability to quickly deploy new business models and products, transact M&A and complete divestitures. | 0K | 26K | 20K |
| **Scalability** | The capability to handle growth, create new instance, launch internationally. | 13K | 25K | 19K |
| **Flexibility** | Ability to adopt to potential changes in requirements. | 0K | 12K | 12K |
| **Versioning** | The ability to remain current on latest software version from the software vendor. | 0K | 48K | 36K |
| **Configuration** | Allow business users to re-configure out of the box workflows. | 19K | 38K | 38K |
| **Customization** | Develop new functionality not available from the software vendor. | 24K | 24K | 30K |
| **Risks** | Security | 8K | 25K | 19K |
| | Availablility | 99.97% | 99.97% | 99.97% |
| | Performance | | | |
| **Time-to-value** | Time to realize business value. | 0K | 44K | 44K |
| **Potential additional investments for a $10M company** | | **$64K** | **$242K** | **$218K** |

Comprehensive functionality · Good functionality · Average functionality · Limited functionality · No functionality

## Cloud IT application assessment scorecard – TCO savings of 20%-50%[4]

| | | On-Premise | Cloud Developments | |
|---|---|---|---|---|
| | | | **Multi-Tenancy** | **Hybrid** |
| **Total Cost of Ownership (TCO)** | License costs (one-time) | $$ | N/A | $$ |
| | Software Maintenance Costs (Operational Costs/Year) | $$$ | N/A | $$$ |
| | Subscription Costs (Operational Costs/Year) | N/A | $$ | $$ |
| | IT Resources (Admin/Dev) | | | |
| | Hardware/Storage | $$$ | $$ | $$ |
| | Upgrade Costs | $$$ | NA | $$ |
| | Implmentation | $$$ | $ | $$ |
| | Security | $$$ | $ | $$ |

[3] NetSuite example analysis for a $10M revenue company
[4] Hurwitz & Associates – The compelling TCO case for cloud computing in SMB and Mid-Market Enterprises

Chapter **2**

# ASSESSMENT SCORECARD

Small businesses, mid-market companies and large enterprises alike need business solutions that help them manage day-to-day operations and processes more efficiently. At the same time, they want insight and intelligence to successfully adapt to a fluid business environment and ensure compliance with regulatory requirements. It is then no surprise that some of the strategic business leaders that we engage with evaluate their cloud computing platforms not only on Total Cost of Ownership (TCO) criteria alone, but also engage their line of business operational leads to actively participate in the selection process to determine the true return on their investment that is aligned with their business strategy and objectives.

In this section, we present both a typical business need evaluation scorecard and a Total Cost of Ownership (TCO) scorecard that can assist, at least at a high level, in aligning business and IT requirements, eliminate siloed platforms and solutions that create spaghetti environments and justify the needs for an integrated platform that is aligned to your business objectives, can drive business process improvements and thus preserve your company valuations.

"The ROI of cloud ERP can be achieved relatively quickly and this delivery model brings IT cost reductions and increased employee productivity to the broad range of the companies using it. SMBs can also achieve other important benefits from ERP in the cloud, such as increased inventory accuracy, better customer satisfaction and increased sales." – **Nucleus Research**

| Value Realized by NetSuite Customers[5] | |
|---|---|
| 360° visibility | +55% to 80% |
| Order process efficiency | +40% to 60% |
| Reporting time | –40% to 55% |
| Time to close | –45% to 70% |
| Audit completion | –25% to 40% |
| IT support resources | –40% to 65% |

[5]Study of NetSuite customers by SL Associates

## Enabling Business Agility and Scalability

### Business Agility

$26,250 – $131,250*

Increase revenue by 1% on 75% of revenue ($7.5M).

Enable your business strategy to expand into new markets and channels.

**Added Platform Benefits from Application Stack**

**Global**
Localization Management

**Mobile**
Tablets, Watch iOS Android

**100% Browser**
Independent

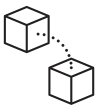
**Global Search**
Google the Suite

**Reporting**
Create Complex Forms & Reports

**Digital Assets**
Manage Unstructured Data

**SuiteSocial**
Collaboration Tools

**SuiteCloud Platform**



**SuiteConnect**
Cloud Data Integration

**SuiteScript**
Programmable Logic & UI

**SuiteTalk**
Cloud App Integration

**SuiteAnalytics**
Built-in Business Intelligence

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Point-and-Click Customization

**SuiteFlow**
Visual Workflow Implementation

**SuiteBundler**
Cloud Application Distribution

**SuiteCloud Infrastructure**

**Scalability**
Enterprise Elastic Capacity

**Security**
SSAE 16 SOC1/ISAE 3402

**Compliance**
Type II PCI DSS SOX

**Transparency**
24x7 System Status & Ops

**Assurance**
99.5% Uptime Guarantee

**Process Tests**
Pre-Production Sandbox

**No Version Lock**
Overnight Upgrades

* Example analysis of hidden costs for a $10M revenue company, with 35% gross margins. The lower box, details other assumptions used for calculating the hidden costs

**Scalability**
$25,000 – $50,000

Increase gross margins from 35% to 36%-37%.

Grow your business and revenues without the limitations of an on-premise ERP capacity planning holding you back.

| Service Tier | Shared | 3 | 2 | 1 | 1+/0 |
|---|---|---|---|---|---|
| Availability | Standard | Standard | Standard | Standard | Enhanced/Premium |
| Business Data | 10GB | 100GB | 500GB | 1TB | 3TB |
| File Cabinet Data | 10GB | 25GB | 200GB | 200GB | 400GB |
| Premium Sandbox | No | No | Required | Required | Required |
| SC+ Licenses1 | 1 | 2 | 3 | 5 | 10 |
| Upgrade Phase | Fixed | Selectable | Selectable | Selectable | Selectable |
| Users (maximum) | 100 | 150 | 800 | 1,200 | 3,600 |

**NetSuite Service Tiers**

## Enabling Business Flexibility and Eliminating Version Lock

### Business Flexibility
$12,000 – $18,000

Reduction in time to add new capabilities. 160 hours per capability at $75/hour.

Enable your business strategy to expand into new markets and channels.

### Zero Lock Versioning
$48,000

320 hours at $75/hour per upgrade. 2 upgrades/year done by NetSuite.

NetSuite's patented "phased release" process ensures that 100% of our customers are on the same version. Typically, NetSuite plans for two major upgrades per year and ongoing minor upgrades throughout the year. A release preview environment is also provided to the customers. Certified customizations carry forward and customer use cases are incorporated in QA testing.

**SUITEBUILDER**
- Custom fields and records
- Centers
- Rolers
- Point and click

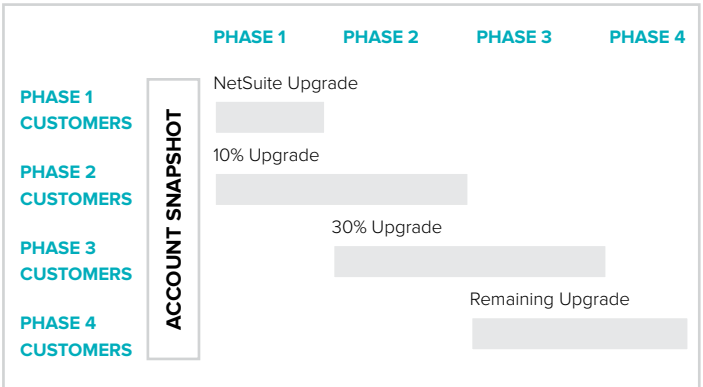
**SUITEFLOW**
- Custom workflow
- Decision trees
- Extend with SuiteScript
- Point and click

**SUITESCRIPT**
- Custom back-end logic
- Custom UI
- Industry-standard JavaScript programming

**SUITETALK**
- Application integration
- Token-based authentication
- Support for customizations
- SOAP-based web services
- SuiteScript REST

**SUITEANALYTICS**
- Real-time analytics
- Report builder
- Dashboards
- Saved searches
- SuiteScript and WS APIs
- SuiteAnalytics Connect: ODBC/ JDBC integration

**SUITEBUNDLER**
- Easy application packaging
- Rapid deployment
- Business template replication
- Managed releases



## Configure and Customize and Carry Them Forward

**SuiteSolutions**
$37,500 – $50,000

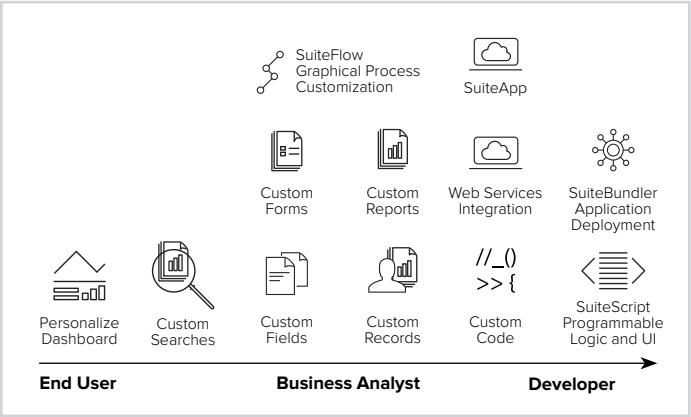
1 IT FTE reduction, effort shift to business user.

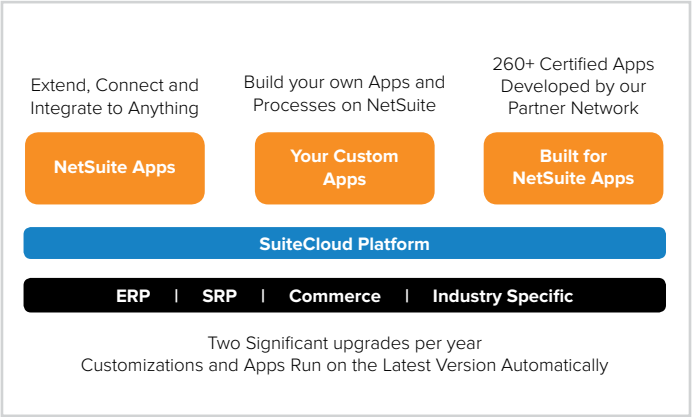
In addition to offering a host of configurable forms, reports and process flows that are configurable by the business users, NetSuite SuiteSolutions offers a library of ready-to-launch solutions to address common business requirements across market verticals. SuiteSolutions facilitate accelerated time-to-market and reduce development costs—enabling customers to achieve business agility with fewer resources.

**SuiteCloud**
$24,000 – $36,000

160 hours at $75/hour per customization. Faster execution and elimination on customizations.

With SuiteCloud you get the best of both worlds—centralization in a suite for core business function, data and analytics to avoid unnecessary hairballs plus the most flexible system for customization, extension, integration and development in cloud ERP—making “smart integrations” easy and putting the business processes that give you competitive advantage right in your system of record.



## Built-In Security and Redundancy

**Security**
$25,000 – $50,000

Analysis assumes 1% customer churn due to security issues (500 customers & $20k revenue/customer).

NetSuite employs stringent round-the-clock monitoring tools, controls and policies and a dedicated tenured security team to ensure that it provides the strongest security (Application, Network and Data) for its customers.

This results in benefits to our customers by getting stringent security certifications for their business applications and lets them enjoy security controls such as fully guarded premises and physical access management that are economically unachievable with typical in-house, on-premise deployments.

**Availability**
$0

Benefit analysis assumes that customer evaluates this SLA for all platforms it may be considering.

NetSuite maximizes application availability by operating multiple geographically separated data centers. Its data center redundancy includes data mirroring, disaster recovery and failover. NetSuite has achieved a historical uptime track record of 99.96% over more than the past five years and guaranteed uptime of 99.5% backed by transparent Service Level Commitment. To add to its commitment, NetSuite's SLC is backed by a service credit if availability commitment isn't met. System status is displayed at all times at http://status.netsuite.com.

ISAE 3402 Type II Audit Completed

ISO 27001 CERTIFIED BY BRIGHTLINE

PCI DSS Certified

Trustwave Information Security & Compliance

AICPA SOC

SSAE 16 Type II Audit Completed

**99% SLA**
Potential Downtime

**99.5% SLA**
Potential Downtime

**99.97% ACTUAL**
Actual Downtime

"NetSuite has been a big part of our growth from the start. The ability to make day-to-day decisions based on real-time data in NetSuite is absolutely fantastic." — **Jaybird**

## Performance to Boost Productivity

**Performance**
$0

Benefit analysis assumes that customer evaluates this SLA for all platforms it may be considering.

Application performance is key to NetSuite and our customers. NetSuite's built-in performance monitoring tools provide deep insights into the application's behavior and exposes granular details about performance metrics.

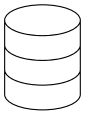
"Today, we cannot imagine how to do business anywhere if we didn't have NetSuite."

— **Grape Solar**

Typical Day

**500 Mn +**
HTTP Requests

**6 TB +**
Data Persisted



**2 Bn +**
Health Checkpoints

**30 Bn +**
Queries Processed

# NETSUITE STAIRWAY FOR MANUFACTURING

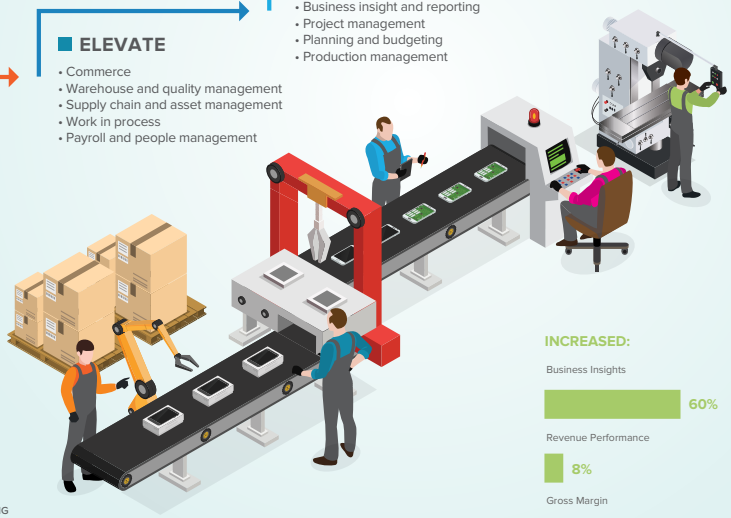
**ESTABLISH**
- Financials
- CRM and order processing
- Inventory management
- Discrete manufacturing

**ELEVATE**
- Commerce
- Warehouse and quality management
- Supply chain and asset management
- Work in process
- Payroll and people management

**EXPAND**
- Business insight and reporting
- Project management
- Planning and budgeting
- Production management

**ACCELERATE**
- Sales and order optimization
- Warehouse and shop floor automation
- Project and revenue management
- Omnichannel commerce

**DOMINATE**
- Field service and repair
- Industrial internet of things
- Global expansion
- Business AI



ORACLE NETSUITE

WWW.NETSUITE.COM/MANUFACTURING

**INCREASED:**

Business Insights — 60%

Revenue Performance — 8%

Gross Margin — 3%

**REDUCED:**

Customer Back Orders — 80%

Time to Close the Books — 60%

Inventory Costs — 30%

Chapter **3**

# SUITESUCCESS – ZERO TO CLOUD

**SuiteSuccess – Time to Value**
NetSuite packages the experience gained from tens of thousands of deployments worldwide amassed over two decades into a set of leading practices. These practices pave a clear pathway to success and are proven to deliver rapid business value. Intelligent, staged implementation begins at sales contact and spans the entire customer life cycle so that there is seamless continuity from sales to services to support.

Most ERP vendors have tried to solve the industry solution problem with templates, rapid implementation methodologies, and custom code. NetSuite took a holistic approach to the problem and productized domain knowledge, leading practices, KPIs and an agile approach to product adoption. The benefits of this are faster time to value, increased business efficiency, flexibility and greater customer success.

Within each industry offering, NetSuite has built unique micro-vertical solutions to address specific market needs. SuiteSuccess has over 4,000 customers and is expanding globally into more industries and current NetSuite customers than ever before.

"I've just really enjoyed and appreciated the commitment to meeting timelines and deliverables with SuiteSuccess. That's a refreshing change."

— **Precision Medical Products**

Chapter **4**

# NEXT STEPS

**Path towards a strategic partnership**
NetSuite is aligned and committed to your transformation initiatives. As a strategic partner we will take this responsibility extremely seriously and are ready to bring our expertise and cloud solutions delivery experience to your organization.

## Proposed Next Steps:

- Plan and schedule a value assessment engagement to confirm and validate the platform value that can be realized with NetSuite solutions.
- Establish a joint executive sponsorship and governance team to track and monitor our strategic partnership.

**NetSuite Manufacturing Customers**

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