

A Forrester Total Economic Impact™
Study Commissioned By Oracle NetSuite
December 2017

The Total Economic Impact™ Of Oracle NetSuite

Cost Savings And Business Benefits
Enabled By NetSuite

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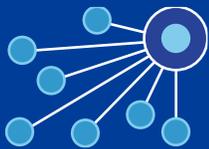
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ABOUT FORRESTER CONSULTING

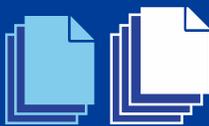
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Summary Of Benefits Three-Year Present Values



Finance productivity:
\$408,810



Sales effectiveness:
\$1,235,757



IT cost savings:
\$748,875

Executive Summary

Oracle NetSuite's core enterprise resource planning (ERP) delivers end-to-end business management of finance, inventory, supply chain, manufacturing, projects, human resources, time tracking, expenses, billing, and procurement. Additional modules include commerce, global business, and more.

Oracle commissioned Forrester Consulting to conduct a Total Economic Impact™ (TEI) study and examine the potential return on investment (ROI) enterprises may realize by deploying the core Oracle NetSuite ERP solution. The purpose of this study is to provide readers with a framework to evaluate the potential financial impact of NetSuite on their organizations, to develop a business case for ERP, or to act as the starting point for a larger business case covering ERP with CRM (which is included with the core license but only partially included in this analysis) or with the addition of other NetSuite modules.

To better understand the benefits, costs, and risks associated with NetSuite ERP, Forrester interviewed four customers, each with several years of experience using NetSuite ERP. These organizations highlighted that NetSuite was the most complete solution for businesses in the small to medium-size range. As a cloud solution, it allowed them to avoid expensive IT investments, and the business tools NetSuite provided were a significant improvement, delivering greater business visibility, reduced errors, and improved and faster reporting.

Prior to using NetSuite, these organizations used a variety of solutions, from paper and spreadsheets, to a mix of point solutions primarily for small business. Every interviewed organization knew it could do better and identified NetSuite as the most complete solution, particularly for those organizations that also included CRM or commerce modules (or plan to expand in the future).

To more clearly summarize benefits and costs, Forrester developed a composite organization based on data gathered from the customer interviews to reflect the total economic impact investing in Oracle NetSuite could have on an organization. The composite organization is representative of the interviewed organizations and is used to present the aggregate financial analysis in this study. All values are reported in risk-adjusted three-year present value (PV) unless otherwise indicated.

Key Findings

Quantified benefits. The following quantified benefits are representative of those experienced by the companies interviewed:

- › **Finance reporting and management efficiencies of more than \$408,000.** Procurement tasks are much more efficient, allowing procurement managers to spend more time on quality assurance and dealing with exceptions. Additionally, the finance team had planned two new hires over the next three years, which are now expected to be avoided with NetSuite.
- › **Greater revenue enabling a new operating margin of more than \$1.2 million with more and larger sales.** Revenue is expected to grow year-over-year by 15%, and 35% of that growth is estimated to be enabled directly by NetSuite ERP and CRM, through improved customer



ROI
380%



Benefits PV
\$2.4 million



NPV
\$1.9 million



Composite Organization
\$55 million revenue
150 employees

management and communication, improved order management, and reduced communication errors.

- › **Reduced and avoided IT costs of almost \$749,000, including the retirement of servers, applications, and services.** As a cloud service, NetSuite enables reduced IT infrastructure and resource requirements, and further simplifies management as a single solution for most, if not all, business process tasks.

Unquantified benefits. The interviewed organizations experienced the following benefits, which are not quantified for this study:

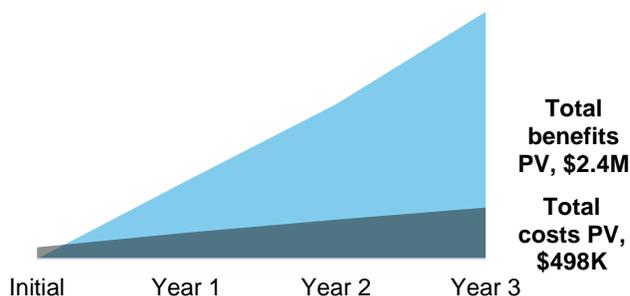
- › **Better business visibility and decision making.** With NetSuite, managers and executives have access to more complete data more quickly; for example: project reports that include resource timesheet data and service profitability data that includes more complete costs. Executives can use this information to make more informed decisions to improve the business and take advantage of new opportunities.
- › **Improved customer satisfaction.** With improved sales enablement and customer support, customers get the answers and goods they need with fewer mistakes.
- › **Readiness for business growth and adding new ERP services.** With NetSuite's cloud solution, it's a lot easier to add on a new module, such as CRM, when the business is ready, potentially avoiding higher license costs and more expensive implementation projects for on-premises solutions.

Costs. The interviewed organizations experienced the following costs:

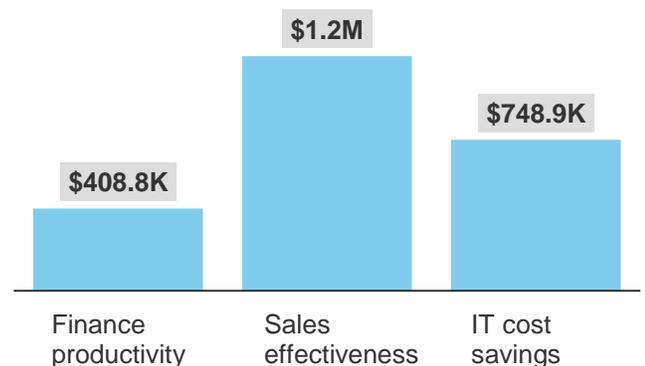
- › **NetSuite software-as-a-service (SaaS) subscription costs of about \$386,000.** Over three years, this includes the NetSuite annual subscription contract cost plus a small amount of internal organization resource time required for NetSuite management and administration.
- › **Implementation costs of less than \$113,000.** Organizations experienced a relatively short implementation of about three-months — shorter than expected — that included internal resource time, plus NetSuite services and training.

A composite organization based on Forrester's interviews with four existing customers and subsequent financial analysis experienced three-year PV benefits of \$2.4 million versus costs of less than \$500,000, adding up to a net present value (NPV) of nearly \$1.9 million and an ROI of 380%.

Financial Summary



Benefits (Three-Year)



The TEI methodology helps companies demonstrate, justify, and realize the tangible value of IT initiatives to both senior management and other key business stakeholders.

TEI Framework And Methodology

From the information provided in the interviews, Forrester has constructed a Total Economic Impact™ (TEI) framework for those organizations considering implementing Oracle NetSuite.

The objective of the framework is to identify the cost, benefit, flexibility, and risk factors that affect the investment decision. Forrester took a multistep approach to evaluate the impact that Oracle NetSuite can have on an organization:



DUE DILIGENCE

Interviewed Oracle stakeholders and Forrester analysts to gather data relative to NetSuite.



CUSTOMER INTERVIEWS

Interviewed four organizations using NetSuite to obtain data with respect to costs, benefits, and risks.



COMPOSITE ORGANIZATION

Designed a composite organization based on characteristics of the interviewed organizations.



FINANCIAL MODEL FRAMEWORK

Constructed a financial model representative of the interviews using the TEI methodology and risk-adjusted the financial model based on issues and concerns of the interviewed organizations.



CASE STUDY

Employed four fundamental elements of TEI in modeling Oracle NetSuite's impact: benefits, costs, flexibility, and risks. Given the increasing sophistication that enterprises have regarding ROI analyses related to IT investments, Forrester's TEI methodology serves to provide a complete picture of the total economic impact of purchase decisions. Please see Appendix A for additional information on the TEI methodology.

DISCLOSURES

Readers should be aware of the following:

This study is commissioned by Oracle and delivered by Forrester Consulting. It is not meant to be used as a competitive analysis.

Forrester makes no assumptions as to the potential ROI that other organizations will receive. Forrester strongly advises that readers use their own estimates within the framework provided in the report to determine the appropriateness of an investment in Oracle NetSuite.

Oracle reviewed and provided feedback to Forrester, but Forrester maintains editorial control over the study and its findings and does not accept changes to the study that contradict Forrester's findings or obscure the meaning of the study.

Oracle provided the customer names for the interviews but did not participate in the interviews.

The NetSuite Customer Journey

BEFORE AND AFTER THE NETSUITE INVESTMENT

Interviewed Organizations

For this study, Forrester conducted four interviews with midmarket companies based in the United States that are Oracle NetSuite customers. Interviewed customers include the following:

INDUSTRY	REGION	INTERVIEWEE	DETAILS
Software vendor	Southeast United States	Controller	\$35M annual revenue; 75 finance and expense reporting NetSuite users
Event production and services provider	Western United States	Director of finance and IT	\$75M annual revenue; 100 NetSuite users in finance, HR, and time tracking; also use the CRM module
Construction goods reseller	Midwest United States	Founder and president	\$7.5M annual revenue; 15 NetSuite users; NetSuite implementation focused on finance and inventory management; also, a customer of NetSuite CRM and eCommerce modules
IT value-added reseller (VAR)	Western United States	SVP of operations and strategy	\$120M annual revenue; 175 NetSuite users; NetSuite solution focused on inventory and finance; also uses the CRM module

Key Challenges

Interviewed organizations identified several business issues and opportunities that helped focus the need and value of a new ERP solution:

- › **Information was difficult to collect and view, as many processes were paper based.** Procurement orders, timesheets, expense reports, financial reports, and many other information sources were delivered on paper or in spreadsheets. Even when data was collected from a central source, any reports were disconnected and difficult to compare or replicate. “Everybody had stacks of paper on their desks,” said the SVP of operations at a value-added reseller (VAR).
- › **Business management processes were managed across multiple applications.** With a hodgepodge of information sources and applications (including spreadsheets and paper), it was challenging to look at the business as a whole and to identify trends, best practices, areas of improvement or success, or potential risks. “Our ERP was pretty much a combination of homegrown and lower-end solutions that were held together by bailing wire and duct tape,” said the president and founder of a construction goods reseller.
- › **Infrastructure and applications were old and not built for growth.** Several organizations were using out-of-date systems. “We didn’t have current licensing, that’s the thing. And we were — we didn’t have any support, nothing,” continued the VAR SVP. The company felt it had too many servers and applications that required extra time to work with and added to IT tasks.

“Everybody had stacks of paper on their desks”

SVP of operations, VAR



“Our ERP was ... a combination of homegrown and lower-end solutions that were held together by bailing wire and duct tape.”

President and founder, construction goods reseller



Solution Requirements

The interviewed organizations searched for a solution that could:

- › Consolidate business management needs (including many future plans) in one solution.
- › Reduce or eliminate IT resource needs as a cloud solution.
- › Provide a single source of business data.
- › Improve business visibility with better access to data and information.
- › Meet executive needs with efficient and clear dashboard reports.

Each interviewed organization evaluated multiple vendors, chose NetSuite as the best solution, and began deployment:

- › All organizations implemented NetSuite financial ERP modules.
- › Several organizations implemented most other core ERP modules, including procurement, inventory, and HR. Processes such as timesheet and expense reporting were implemented companywide.
- › Several organizations also implemented other modules, primarily CRM, commerce, and the global business management module.

Key Results

The interviews revealed that NetSuite delivered easier business application usage and broader adoption, reduced the need for IT resources, and improved access to data and information. With NetSuite, these companies enabled:

- › **Readiness for business growth.** Oracle’s NetSuite applications are all delivered as software-as-a-service, meaning no IT infrastructure or resource changes are needed to add a new module. Businesses can expand their management platform when they are ready with the right people and processes and can keep the system up-to-date more easily. “We really needed to get onto an ERP platform in order to handle the growth rate of the company and possible expansion globally,” said the finance and IT manager at an event production firm. “Now I know exactly where we’re going.”
- › **Improved business efficiency.** With NetSuite, tasks such as processing procurement orders were not only faster to complete, but managers and executives are able to access more comprehensive and higher quality reports and dashboards more quickly. Report data can be accessed in spreadsheets to develop budget more quickly, which can be loaded back to NetSuite to track actuals versus budget. “Having your budget done in February allows you to do a lot more in a year,” said the controller at a software vendor.
- › **Increased sales.** With improved access to information, sales teams can identify key prospects more easily, access the most up-to-date information, and reduce or eliminate contract delays. Up-to-date and accurate sales reports also helped motivate sales reps with individual commission reports. “A full view of pipeline and where they are at with quota and other metrics changed the way our sales teams do business,” said the SVP of operations at a VAR.
- › **Reduced IT costs.** Migrating to NetSuite meant servers could be retired; old licenses, support, and service contracts could be ended; and internal IT resources could be moved to new roles. NetSuite customers also eliminated software version lag and enabled easier upgrades with the SaaS updating model.

“Now I know exactly where we’re going.”

Finance and IT manager, event production firm



“PeakWare” Composite Organization

Based on the interviews, Forrester constructed a TEI framework, a composite company called “PeakWare,” and an associated ROI analysis that illustrates the financial and business impact. The composite organization is representative of the four companies that Forrester interviewed and is used to present the aggregate financial analysis. The composite organization has the following characteristics:

Description of composite. PeakWare is a US-based midmarket organization that delivers software and services to key markets. It has 150 employees and an annual revenue of \$55 million. With NetSuite, it was able to identify lines of service that were less profitable to focus efforts on more profitable offerings. “My feeling is NetSuite is the best product in our market in our size,” said the controller at a software vendor.

Deployment characteristics. PeakWare has implemented the finance, HR, and procurement modules of NetSuite’s core ERP solution and plans to implement projects, subscription billing, and other modules in the future. It has started implementing NetSuite CRM and commerce modules as well.



Key assumptions

150 employees

100 NetSuite users

\$55 million in revenue

Financial Analysis

QUANTIFIED BENEFIT AND COST DATA AS APPLIED TO THE COMPOSITE

Total Benefits

REF.	BENEFIT	YEAR 1	YEAR 2	YEAR 3	TOTAL	PRESENT VALUE
Atr	Finance productivity	\$131,760	\$131,760	\$239,760	\$503,280	\$408,810
Btr	Sales effectiveness	\$433,125	\$498,094	\$572,808	\$1,504,027	\$1,235,757
Ctr	IT cost savings	\$267,750	\$267,750	\$378,250	\$913,750	\$748,875
	Total benefits (risk-adjusted)	\$832,635	\$897,604	\$1,190,818	\$2,921,057	\$2,393,442

Finance Productivity

Procurement managers, controllers, and others at PeakWare can complete tasks more quickly with NetSuite. Interviewed organizations reported improvements in several areas, such as:

- › Procurement order processing.
- › Financial report preparation.
- › Expense reporting and timesheets.

Procurement was identified as a significantly better and faster process. Organizations identified specific process points that were issues before but are now greatly improved or resolved. First, processing an order takes about half as long as before, alleviating any backlog that might have occurred. Second, NetSuite's improved validation options help ensure that information is entered accurately and completely — for example, an order to ship goods to a customer won't be processed unless the project agreement or statement of work is attached. Also, NetSuite's ability to set up and save searches and exception reports helps identify any outstanding issues (which have been all but eliminated with other improvements enabled by NetSuite). These efficiencies, while not measurable at the same task level of detail, extend to other financial management and reporting tasks as well.

For example, one organization highlighted a common situation: "The sales rep sends over an order to be purchased, and the purchase manager sees an error and sends it back to the rep over email. But the rep has left for vacation, a day off, or meetings. The rep comes back to find the order hasn't been placed." Now, with NetSuite, dashboards and reports with integrated notification and communication tools are included. The organization continued by highlighting the improvements: "Now it's not a personal message; it's a team dashboard. So, now if that sales rep goes on vacation, the rest of the inside sales team will get the same notification, and they can go and fix it."

For PeakWare, the following estimates are included in the modeling:

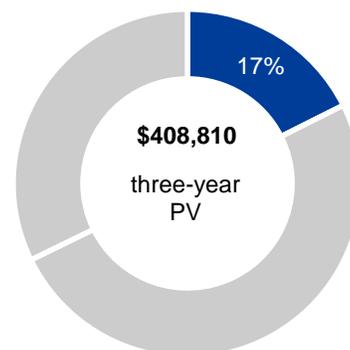
- › Four employees process 25 procurement orders each day.
- › Orders used to take 15 minutes to process; now they take 10 minutes.
- › Procurement orders are a focus about 10 days out of a month; the remaining days are spent on monthly close and other financial tasks.

The table above shows the total of all benefits across the areas listed below, as well as present values (PVs) discounted at 10%. Over three years, the composite organization expects risk-adjusted total benefits to be a PV of nearly \$2.4 million.



"A long-term strategy for us has always been to grow through technology and not through headcount; I think that's where NetSuite has really helped us."

*President and founder,
construction goods reseller*



Finance productivity

- › The added time is used to complete any other orders in the backlog, but is primarily used to conduct order quality assurance, check exception reports, and further reduce any issues or errors. However, only about half of time recovered is assumed to be used on similar, value-added tasks. The other time is spent on largely useful tasks but not measured in this analysis, such as collaborating with colleagues, planning, and analyzing business results.
- › Financial tasks are also more efficient (including, for example, analyzing expenses and reviewing the profitability of resource-driven services), saving significant time. For example, the finance team had planned to hire one new employee within a year and another in a few years to meet expected growth; however, with NetSuite, the current finance team will be able to meet expected growth for at least the three-year analysis period, if not longer. The president and founder of a construction goods reseller said, “A long-term strategy for us has always been to grow through technology and not through headcount; I think that’s where NetSuite has really helped us.”

Orders completed, order backlog, the time to complete an order, and the additional time savings may all be overestimated. To account for these risks, Forrester adjusted this benefit downward by 10%, yielding a three-year risk-adjusted total PV of more than \$408,000.

Impact risk is the risk that the business or technology needs of the organization may not be met by the investment, resulting in lower overall total benefits. The greater the uncertainty, the wider the potential range of outcomes for benefit estimates.

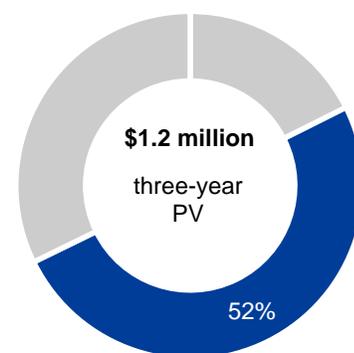
Finance Productivity: Calculation Table

REF.	METRIC	CALC.	YEAR 1	YEAR 2	YEAR 3
A1	Finance employees focused on purchase order processing		4	4	4
A2	Days per month focused on purchase orders		10	10	10
A3	Purchase orders processed per day per employee		25	25	25
A4	Time to process purchase order before NetSuite (minutes)		15	15	15
A5	Time to process purchase order today (minutes)		10	10	10
A6	Time saved in purchase process (hours per day per employee)	$A3*(A4-A5)/60$	2	2	2
A7	Time recovered for additional work-related tasks		50%	50%	50%
A8	Time saved in purchase process (total hours per month)	$A1*A2*A6*A7$	40	40	40
A9	Average hourly rate per procurement employee		\$55	\$55	\$55
A10	Planned finance team hires (cumulative) now avoided since NetSuite		1	1	2
A11	Finance team FTE estimated fully burdened salary		\$120,000	\$120,000	\$120,000
At	Finance productivity	$A8*A9*12 + A10*A11$	\$146,400	\$146,400	\$266,400
	Risk adjustment	↓10%			
Atr	Finance productivity (risk-adjusted)		\$131,760	\$131,760	\$239,760

Sales Effectiveness

NetSuite was easier to use and delivered faster and more reliable information to sales reps. This helped build efficiencies that meant reps could spend more time with each customer or make time for an additional call. Easier and more reliable information means that reps can confidently share details and make plans with their clients — perhaps checking that a part is in stock and confirming shipping, or verifying an engineering or service resource is available and scheduled.

In addition, NetSuite has helped PeakWare identify more profitable lines of business. With better time tracking and project data, it was able to identify the true cost of many services that had been underestimated — for example an implementation support contract with a lot of ad hoc tasks wouldn't have every hour billed to that project. "Now we could see the profitability per rep, per team," said the SVP at a VAR. PeakWare reduced efforts selling these less profitable services and focused on more profitable areas.



Sales effectiveness

Sales Effectiveness: Calculation Table

REF.	METRIC	CALC.	YEAR 1	YEAR 2	YEAR 3
B1	Revenue (\$USD millions)		\$55	\$63.25	\$72.73
B2	Revenue improvement since NetSuite		15%	15%	15%
B3	Percentage of revenue improvement attributed to NetSuite ERP		10%	10%	10%
B4	Percentage of revenue improvement attributed to NetSuite CRM		25%	25%	25%
B5	Income margin		20%	20%	20%
B6	Operating income improvement due to ERP	$B1 * 1,000,000 * B2 * B3 * B5$	\$165,000	\$189,750	\$218,213
B7	Operating income improvement due to CRM	$B1 * 1,000,000 * B2 * B4 * B5$	\$412,500	\$474,375	\$545,531
Bt	Sales effectiveness	$B6 + B7$	\$577,500	\$664,125	\$763,744
	Risk adjustment	↓25%			
Btr	Sales effectiveness (risk-adjusted)		\$433,125	\$498,094	\$572,808

For PeakWare, Forrester assumes that:

- › The revenue in the first year is \$55 million.
- › Revenue growth is conservatively estimated at 15% year-over-year, due to business process improvements and business maturity.
- › Thirty-five percent of this revenue increase is estimated to be directly due to NetSuite:
 - NetSuite CRM, also implemented by some organizations, is the primary enabler for improving customer satisfaction, driving up- and cross-sales, and helping improve customer communication. CRM is also covered in the Flexibility chapter. It is included in with the core NetSuite ERP subscription but is an optional implementation and not fully included in the cost and benefit estimates in this study. However, it is included in this part of the ROI analysis because it is difficult to talk about this benefit only in context of NetSuite core ERP.

- For this analysis, it is estimated that 10% of sales revenue improvements are specifically due to NetSuite ERP (related to order efficiency, better product and service offerings, and more streamlined billing processes), which adds up to a three-year risk-adjusted total PV of nearly \$355,000.
 - NetSuite CRM is estimated to enable 25% of sales revenue improvements (related to customer communication, order capture, resource allocation, and other benefits) adding up to a three-year risk-adjusted total PV of more than \$880,000.
 - This adds up to 35% as the total impact on revenue increased by NetSuite.
- › A 20% margin is estimated on sales revenue, largely from the sales of profitable consulting and support services.

Sales and revenue growth, along with the impact on these metrics from one technology or strategy, can be challenging to estimate in future years. To account for this, Forrester adjusted this benefit downward by 25%, yielding a three-year risk-adjusted total PV of more than \$1.2 million.

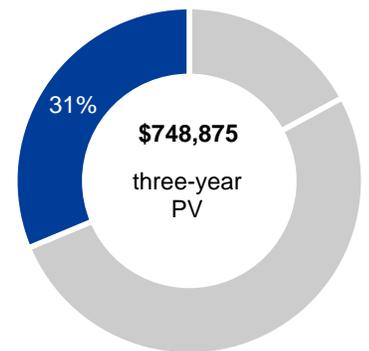
IT Cost Savings

With NetSuite, the organization was able to consolidate the use and management of many systems and applications — and hand off some IT tasks, such as patching and upgrading, to the NetSuite operations team. Interviewed organizations highlighted retiring servers and applications to reuse data center space and streamline application management tasks. Several organizations also shared how they have repurposed IT resources from business application management to other more valuable tasks.

Based on individual interviews, Forrester has identified assumptions and estimates such as:

- › Three servers were retired, reducing IT resource tasks and opening data center space for other needs.
- › Several applications were also retired, as functionality was consolidated in NetSuite.
- › Core IT tasks, such as software patching and upgrading, application monitoring and management, and hardware purchasing and upgrading, are all now managed by NetSuite, enabling PeakWare to reduce staff in its IT department and reallocate several resources to other higher-value roles (even given expected company growth).
- › Additionally, before NetSuite, three new IT resources were planned to be hired in a later year. This can now be avoided.

For PeakWare, the above IT efficiencies were measured in terms of:



IT cost savings

- › Avoided hiring and salary costs for the reallocated IT resources (as they now perform a role that would otherwise need to be filled).
- › Application maintenance contract savings and application management time savings, which are estimated as an annual total, as these details are both difficult to segment out and differ greatly across interviewed organizations
- › Infrastructure cost savings, infrastructure management efficiencies, and data center space savings, which are also estimated as an annual total for the same reasons.



Three servers retired
Three FTE hires
avoided

As explained above, some IT cost savings depend greatly on what an individual organization had implemented before. To account for this variance, Forrester adjusted this benefit downward by 15%, yielding a three-year risk-adjusted total PV of more than \$748,000.

IT Cost Savings: Calculation Table					
REF.	METRIC	CALC.	YEAR 1	YEAR 2	YEAR 3
C1	Infrastructure costs avoided		\$20,000	\$20,000	\$20,000
C2	Maintenance costs avoided		\$35,000	\$35,000	\$35,000
C3	IT hires avoided (cumulative)		2	2	3
C4	Average IT ERP manager salary		\$130,000	\$130,000	\$130,000
Ct	IT cost savings	$C1+C2+C3*C4$	\$315,000	\$315,000	\$445,000
	Risk adjustment	↓15%			
Ctr	IT cost savings (risk-adjusted)		\$267,750	\$267,750	\$378,250

Unquantified Benefits

While some broader business benefits are quantified above, particularly regarding new sales revenue, NetSuite has enabled additional business benefits that are difficult to quantify, at least at the time of this study. Interviewed organizations identified the following additional benefits:

- › **Better executive reporting and business decision making.** With better and more complete information presented in real-time reports and dashboards, executives and managers have a more complete picture of the business more quickly. The director of finance and IT for an event production firm said, “We have created a dashboard for our CEO that he uses to run his entire business. He says, ‘I love my dashboard,’ and that was the ultimate compliment.”
- › **Better information and decision making.** These are also enabled by improved tools and processes for broad business tasks such as timesheet entry and expense reporting. With better, more convenient, and more structured entry, employees can deliver this information more quickly and more accurately — with easy browser access to forms with clear instructions and validation.
- › **HR benefits.** HR can experience a wide array of benefits, such as improved time reporting, employee administration, and payroll in NetSuite, to improve HR processes and more effectively link data such as time reporting between HR and finance systems.

“We have created a dashboard for our CEO that he uses to run his entire business. He says, ‘I love my dashboard,’ and that was the ultimate compliment.”

Director of IT and finance, event production firm



- › **Improved customer satisfaction.** Customers can get the answers they need more quickly, as well as faster ship times for some orders and fewer order errors.

Flexibility

The value of flexibility is clearly unique to each customer, and the measure of its value varies from organization to organization. PeakWare, based on feedback from all interviewed organizations, identified a desire to expand their NetSuite implementation to new departments covering more processes, including:

- › **CRM.** Several interviewed organizations have already implemented NetSuite CRM and take advantage of the additional functionality to manage sales contacts and opportunities to sell more and larger deals.
 - While included with the core NetSuite ERP subscription, this module is a key part of helping improve sales, and some CRM-related benefits are included in the ROI analysis.
 - Additionally, with NetSuite PeakWare does not have to source, integrate, and manage a separate vendor solution.
- › **HR and other core ERP modules.** While one interviewed organization has implemented HR, the organizations that haven't yet plan to very soon. Other core ERP modules, such as inventory and production, are also planned.
- › **Commerce.** The commerce module was also mentioned by several interviewed organizations as a key next step in their NetSuite expansion, to drive greater integration, speed, and efficiency to web and other channel sales.
- › **Global business.** Several interviewed organizations have goals for greater global expansion. The NetSuite OneWorld solution supports multinational business requirements.

Flexibility would also be quantified when evaluated as part of a specific project (described in more detail in Appendix A).

Flexibility, as defined by TEI, represents an investment in additional capacity or capability that could be turned into business benefit for a future additional investment. This provides an organization with the "right" or the ability to engage in future initiatives but not the obligation to do so.

Total Costs

REF.	COST	INITIAL	YEAR 1	YEAR 2	YEAR 3	TOTAL	PRESENT VALUE
Dtr	Annual NetSuite subscription and resource costs	\$0	\$155,190	\$155,190	\$155,190	\$465,570	\$385,935
Etr	Implementation costs	\$112,420	\$0	\$0	\$0	\$112,420	\$112,420
	Total costs (risk-adjusted)	\$112,420	\$155,190	\$155,190	\$155,190	\$577,990	\$498,355

Annual NetSuite Subscription And Resource Costs

The primary ongoing cost for PeakWare is NetSuite subscription fees, though, as a cloud solution, these fees include virtually all back-end IT management tasks, as well as the operation of the service and ongoing support.

- › PeakWare estimates its annual NetSuite ERP subscription fees are \$75,000, which includes the CRM module. (While CRM was not part of the core analysis, CRM is included in the sales effectiveness benefit in the Benefits section, so some resource costs need to be allocated as well.)
- › It also estimates that two full-time equivalents (FTEs) with a fully burdened salary of about \$150,000 spend roughly 25% of their time on NetSuite administration and management.

While not expected, Forrester adjusted these costs upward by 5%, to provide a more conservative estimate that allows for underestimated fees and/or service or support increases in later years. This results in a three-year risk-adjusted total PV of less than \$386,000.

The table above shows the total of all costs across the areas listed below, as well as present values (PVs) discounted at 10%. Over three years, the composite organization expects risk-adjusted total costs to be a PV of less than \$500,000.



Two FTEs spend 25% of their time on the management of NetSuite.

Annual NetSuite Subscription And Resource Costs: Calculation Table

REF.	METRIC	CALC.	INITIAL	YEAR 1	YEAR 2	YEAR 3
D1	NetSuite annual license and support costs			\$75,000	\$75,000	\$75,000
D2	FTEs who manage and admin NetSuite	2 FTEs*.25		0.50	0.50	0.50
D3	Average IT FTE hourly salary			\$70	\$70	\$70
Dt	Annual NetSuite subscription and resource costs	D1+ (D2* D3*2080)	\$0	\$147,800	\$147,800	\$147,800
	Risk adjustment	↑5%				
Dtr	Annual NetSuite subscription and resource costs (risk-adjusted)		\$0	\$155,190	\$155,190	\$155,190

Implementation Costs

PeakWare's NetSuite implementation costs included internal resources focused on planning, data migration, and implementation efforts, as well as NetSuite services to assist with setup and training. Efforts included:

- › Two employees focused on implementation for 12 weeks.
- › NetSuite services amounting to \$25,000.

- › Internal employee training (including training fees and employee time) amounting to \$10,000.



12 Weeks Total implementation and deployment time

One key factor that deserves emphasis is that the actual cost of NetSuite services, as highlighted above, was only about half as much as it might have been. NetSuite provides flexible options where the vendor can deliver a greater share (or all) of implementation tasks for a higher fee, or can be part of a larger implementation team that includes more internal organization resources taking on a lion's share of tasks (at a lower fee). PeakWare (based on the feedback from interviewed organizations, several of which were on their second or third NetSuite implementation) chose the latter and felt very strongly that its increased involvement and oversight helped ensure data quality and speed up adoption across the organization, including:

- › Investment in inputting past years' financial and business transaction data into the new NetSuite system, which greatly improves data understanding with year-over-year comparisons.
- › Internal resources responsible for data cleanup.
- › Leveraging NetSuite resources for training and back-end configuration.

So, while PeakWare might have reduced internal costs (with increased NetSuite service fees), it also feels that many of the benefits described above are improved or enabled due to NetSuite's implementation flexibility along with its own time and effort investment.

Some potential risks can impact implementation cost, such as underestimating time requirements or losing an internal resource midstream. To account for these risks, Forrester adjusted this cost upward by 10%, yielding a risk-adjusted total implementation cost of less than \$113,000.

Implementation risk is the risk that a proposed investment may deviate from the original or expected requirements, resulting in higher costs than anticipated. The greater the uncertainty, the wider the potential range of outcomes for cost estimates.

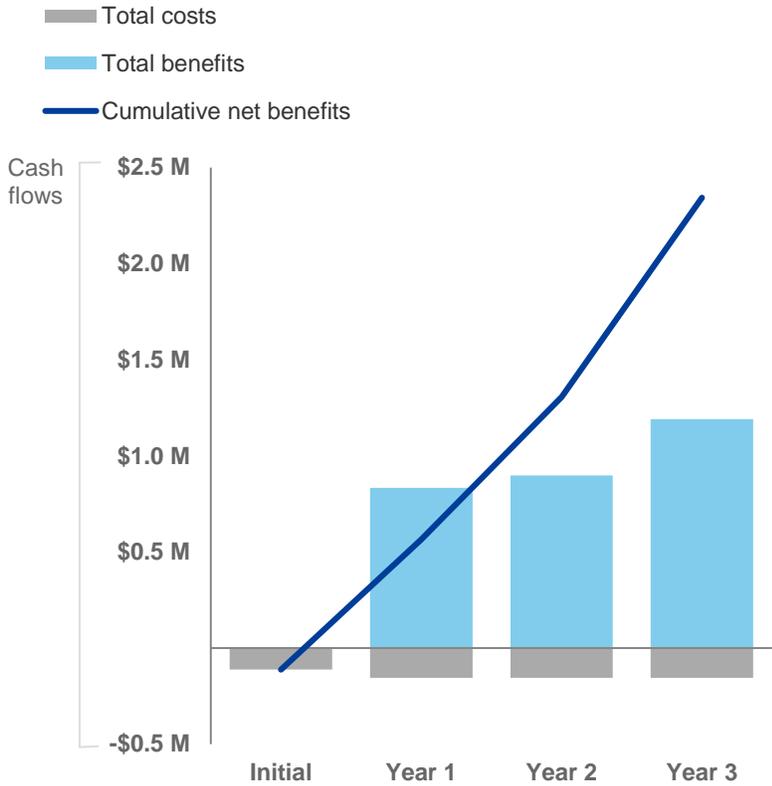
Implementation Costs: Calculation Table

REF.	METRIC	CALC.	INITIAL	YEAR 1	YEAR 2	YEAR 3
E1	Implementation time (weeks)		12			
E2	FTEs involved in implementation		2			
E3	Average implementation FTE hourly salary		\$70			
E4	NetSuite services costs		\$25,000			
E5	Training cost		\$10,000			
Et	Implementation costs	$E1 * 40 \text{ hours} * E2 + E3 + E4 + E5$	\$102,200	\$0	\$0	\$0
	Risk adjustment	↑10%				
Etr	Implementation costs (risk-adjusted)		\$112,420	\$0	\$0	\$0

Financial Summary

CONSOLIDATED THREE-YEAR RISK-ADJUSTED METRICS

Cash Flow Chart (Risk-Adjusted)



The financial results calculated in the Benefits and Costs sections can be used to determine the ROI and NPV for the composite organization's investment. Forrester assumes a yearly discount rate of 10% for this analysis.



These risk-adjusted ROI and NPV values are determined by applying risk-adjustment factors to the unadjusted results in each Benefit and Cost section.

Cash Flow Table (Risk-Adjusted)

	INITIAL	YEAR 1	YEAR 2	YEAR 3	TOTAL	PRESENT VALUE
Total costs	(\$112,420)	(\$155,190)	(\$155,190)	(\$155,190)	(\$577,990)	(\$498,355)
Total benefits	\$0	\$832,635	\$897,604	\$1,190,818	\$2,921,057	\$2,393,442
Net benefits	(\$112,420)	\$677,445	\$742,414	\$1,035,628	\$2,343,067	\$1,895,087
ROI						380%

Oracle NetSuite: Overview

The following information is provided by Oracle. Forrester has not validated any claims and does not endorse Oracle or its offerings.

Oracle NetSuite pioneered the cloud computing revolution in 1998, establishing the world's first company dedicated to delivering business applications over the internet. Today, it provides a suite of cloud-based financials/ERP, HR, and omnichannel commerce software that runs the business of companies in more than 100 countries.

WITH NETSUITE, COMPANIES CAN TAKE ADVANTAGE OF:

- › **A broad range of robust ERP** functionality that allows customers to streamline their mission-critical business processes. Cloud-based, mobile-enabled, and social, NetSuite frees businesses from antiquated PC-based, antisocial systems locked behind the firewall. Built-in business intelligence delivers a single version of the truth and provides real-time insights into key business performance indicators for a unified view of the organization.
- › **A highly scalable system for growth** with the ability to quickly and easily add functionality as a business grows. NetSuite is commerce-ready, allowing businesses to provide a seamless brand experience. International capabilities including support for 190 currencies, 20 languages, and automated tax compliance in over 100 countries fuel global expansion.
- › **A powerful development platform with unprecedented flexibility** that enables businesses to tailor the system to meet their unique requirements and industry-specific needs. A comprehensive partner ecosystem helps businesses scale up, spin off, or reinvent business models.
- › **A pathway to success** that leverages NetSuite's unmatched experience and knowledge of accounting and financials. NetSuite delivers a unique set of processes, activities, and systems specifically designed to deliver value. NetSuite provides its customers with a strong foundation to transform their business, using a preconfigured solution and phased pathway that enables faster and smarter success.

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REMEDiate

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- Period close automation
- Role-based reporting and metrics

ENHANCE

- Multi-subsidiary management
- Streamlined procurement
- Enhanced financial management

INNOVATE

- Centralized HCM
- Project management
- Global compliance

EXPAND

- Financial planning and analysis
- Integrated marketing

TRANSFORM

- Customer self-service
- Fully integrated business insights

Actionable Insights: 40%-55%

Accelerate Time to Close: 45%-55%

Accounting Staff Productivity: 25%-50%

TRANSFORM YOUR BUSINESS

Appendix A: Total Economic Impact

Total Economic Impact is a methodology developed by Forrester Research that enhances a company's technology decision-making processes and assists vendors in communicating the value proposition of their products and services to clients. The TEI methodology helps companies demonstrate, justify, and realize the tangible value of IT initiatives to both senior management and other key business stakeholders.

Total Economic Impact Approach



Benefits represent the value delivered to the business by the product. The TEI methodology places equal weight on the measure of benefits and the measure of costs, allowing for a full examination of the effect of the technology on the entire organization.



Costs consider all expenses necessary to deliver the proposed value, or benefits, of the product. The cost category within TEI captures incremental costs over the existing environment for ongoing costs associated with the solution.



Flexibility represents the strategic value that can be obtained for some future additional investment building on top of the initial investment already made. Having the ability to capture that benefit has a PV that can be estimated.



Risks measure the uncertainty of benefit and cost estimates given: 1) the likelihood that estimates will meet original projections and 2) the likelihood that estimates will be tracked over time. TEI risk factors are based on "triangular distribution."

The initial investment column contains costs incurred at "time 0" or at the beginning of Year 1 that are not discounted. All other cash flows are discounted using the discount rate at the end of the year. PV calculations are calculated for each total cost and benefit estimate. NPV calculations in the summary tables are the sum of the initial investment and the discounted cash flows in each year. Sums and present value calculations of the Total Benefits, Total Costs, and Cash Flow tables may not exactly add up, as some rounding may occur.



PRESENT VALUE (PV)

The present or current value of (discounted) cost and benefit estimates given at an interest rate (the discount rate). The PV of costs and benefits feed into the total NPV of cash flows.



NET PRESENT VALUE (NPV)

The present or current value of (discounted) future net cash flows given an interest rate (the discount rate). A positive project NPV normally indicates that the investment should be made, unless other projects have higher NPVs.



RETURN ON INVESTMENT (ROI)

A project's expected return in percentage terms. ROI is calculated by dividing net benefits (benefits less costs) by costs.



DISCOUNT RATE

The interest rate used in cash flow analysis to take into account the time value of money. Organizations typically use discount rates between 8% and 16%.



PAYBACK PERIOD

The breakeven point for an investment. This is the point in time at which net benefits (benefits minus costs) equal initial investment or cost.