

WHITE PAPER

# Executives Express Need for True Cloud ERP

See Why Customers are Switching from SAP to NetSuite



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# Executives Express Need for True Cloud ERP

## See Why Customers are Switching from SAP to NetSuite

### Overview

There is perhaps no better advocate for how cloud-based ERP systems can support and help organisations continue their success than those who have been through it. In this white paper, we consolidated feedback from senior IT executives on why they switched from various SAP systems to NetSuite's true cloud-based ERP, highlighting the pitfalls of fake cloud and on-premise deployments and how these challenges impacted their business.

Throughout these interviews, participants commented on a prevailing theme: SAP's product line is often confusing. With the marketplace changing faster than ever before and competitive pressures continuing to mount, companies are realising that their historical processes and solutions may not be adequate. They need to modernise their IT infrastructure to a true cloud solution to provide the visibility and scalability necessary to adapt quickly.

These discussions underscored how true cloud ERP systems enable businesses to respond to market dynamics better than fake cloud or on-premise solutions through rapid scalability, access for distributed workforces and real-time visibility into the organisation from anywhere. Unlike fake cloud and on-premise systems, true cloud solutions provide a full view of the customer, which equips employees at all levels with real-time information to support intelligent decision-making. The IT team is freed from the complex integrations and upgrades that can prevent businesses from outrunning the competition.

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# Why Organisations are Moving to Cloud Financials

## Businesses in All Industries Are Under Pressure to Modernise

In every industry, organisations big and small face significant pressures. Competitors are introducing new products, customers are demanding improved service and greater speed, and companies are launching new offerings and expanding to new locations and geographies. Achieving these ambitious goals requires operating differently. It requires cloud technology.

Today, business leaders must deliver outcomes more quickly, with fewer resources. For most organisations, fake cloud solutions or legacy on-premise systems don't meet the business needs of the present and future. Modern multi-tenant SaaS systems enable companies to have a unified data model that dramatically improves decision-making.

Industry research and analysts suggest that the cloud has become the de facto standard for doing business:

- In a recent Mint Jutras survey, 66% of respondents cited Software as a Service (SaaS) as the predominant deployment choice as compared to traditional on-premise and hybrid models at 25% and 21% respectively.

- Gartner says the cloud is the number one technology affecting IT today.
- According to Forrester<sup>1</sup>:
  - “In 2012, public cloud subscriptions represented \$21 billion in revenues; in 2020, we estimate they will account for \$170 billion.”
  - “Cloud app spending will reach \$226.9 billion in 2022.”
  - “Due to usability challenges with legacy systems and an increasing appetite for SaaS, we now see one-third of new spend in financial management going toward SaaS.”

“NetSuite was hands down the best solution for us. Other ERP platforms didn't meet our requirements for quick response time and an intuitive user experience. Over time, I think the NetSuite product will get even better.” **CraftMark Bakery**

<sup>1</sup>“The Global SaaS Landscape, 2019 To 2022: Some Categories Grow, While Some Reach Saturation.” Forrester Research Inc., December 30, 2019.

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 recognised that integrated cloud suites have cost and convenience benefits: availability, speed, agility and lower total cost of ownership (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.

“We’re looking to expand through acquisitions and wanted a solution that could scale quickly and dynamically with that growth model.” **OmniTRAX**



# True Cloud vs. Fake Cloud vs. On-Premise

## Understanding Your Options

If you are in the process of evaluating a new ERP system today, you may be debating between a cloud and an on-premise solution. In partnership with Mint Jutras research, we've looked at the different software deployment options that have been considered over the last six years. Today, SaaS is the most likely deployment option to be considered, while willingness to consider traditional on-premise solutions dropped off dramatically between 2011 and 2013 and has not recovered since.

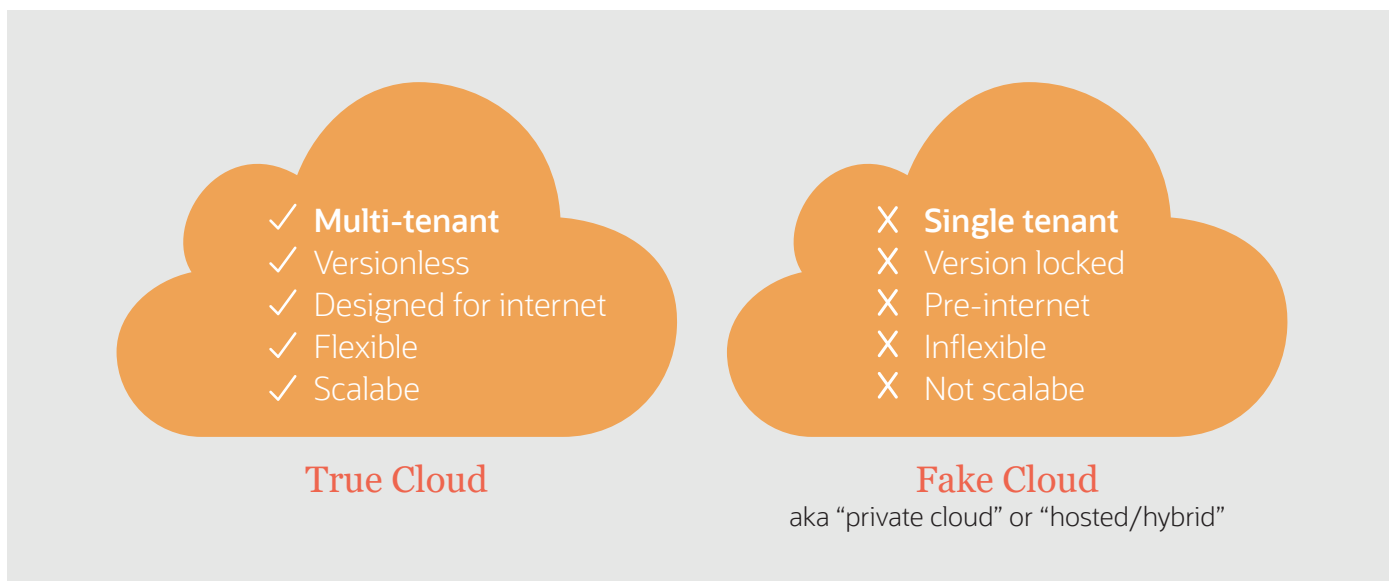
Not all hosted software offerings marketed as "cloud" are true cloud solutions. Recognising a lucrative chance to create an additional revenue stream, many on-premise vendors are trying to pull the cloud over your eyes by "cloud-washing" their applications.

So how can you tell a true cloud solution from a fake one? And, more importantly, why should you care?

## A true cloud solution is built in the cloud and only in the cloud.

Certain characteristics make true cloud solutions unique.

It's software multi-tenancy that separates fake cloud solutions from true cloud solutions and makes the below benefits possible. In a multi-tenant software environment, multiple companies are running the same instance of the software and share all the common services. While your business has personalised processes and data security, shared hardware among



others running the platform offers economies of scale and incredible cost savings that single-tenant systems cannot.

Companies who unknowingly select a fake cloud architecture inevitably struggle with the following issues because of the single-tenant environment:

#### Delayed and painful product upgrades

When running hosted/hybrid solutions, you must suffer through the same potentially arduous (and expensive) upgrades every time the software vendor releases a new version. You are also at that hosting vendor's mercy regarding when they choose to roll out the newest solution. Because the vendor will need to upgrade each customer one by one, including transporting past customisations over to the new software, it could take months or even years to get updated and by then, the next version of the product may be around the corner, which is no different from being with an on-premise vendor after all.

#### Costly, unstable integrations and customisations

Integrating a hosted solution with your other applications causes considerable hassle and expense and can be unstable because the on-premise product was not initially built for hosting and therefore, not intended to be integrated while being hosted. You also will likely have to pay extra to customise the solution to meet your specific needs.

#### Too much downtime and inadequate security and support

Given their limited headcount and resources, most Value Added Resellers (VARs) and traditional service providers simply cannot achieve the same levels of security, privacy and uptime as true cloud providers can. A simple way to determine this is to ask them

about their uptime performance, contractual uptime guarantees, and security and privacy certifications such as PCI-DSS security compliance, SOC 1, and EU-US Privacy Shield framework, NIST 800-30 and ISO 27000 standards.

#### Need to overbuy/overprovision capacity

If you're uncertain of how much capacity you'll need, you'll probably have to over-buy the number of software licenses to ensure you're not caught short, or, worse yet, you under-provision and can't live up to your SLAs with your customers because you "failed" to plan ahead.

#### Expensive, open-ended implementations

One of the best true cloud tests is the implementation method. Many fake cloud solutions talk about speed and agility, but after you sign on the dotted line, they come back with a very traditional looking implementation plan—a block of estimated consulting hours and a rough "blueprint" to get you live.

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"NetSuite has helped us become a more efficient company in everything we do. The system isn't a stumbling block, it's a platform launching us forward."

Camp Chef

# Benefits of Switching From SAP to NetSuite

Providers like SAP feature complex and fragmented offerings, delivering disruption rather than efficiency. Companies running SAP products are hindered by a variety of challenges, depending on the product line:

## SAP Business One

SAP Business One is a classic example of traditional legacy software that has been reverse engineered for the cloud. Customisations made to the solution may not carry forward upon upgrading to the latest versions and companies must often deploy other systems to automate support, sales, warehousing, ecommerce, professional services and other functions. With different processes running on many different systems and versions, it is difficult or impossible to:

- Obtain a clear picture of bookings, billings and backlogs.
- Decrease spreadsheet-based accounting.
- Scale up to support development.
- Provide visibility to everyone in the organisation.
- Reconcile different versions of data.
- Integrate front- and back-office processes.
- Have a clear audit trail.
- Understand the business in real-time.

## SAP Business ByDesign

While ByDesign is a multi-tenant offering, there is a limited ecosystem of fully integrated third-party products and extensions. In addition to suffering from many of the challenges above, TCO may quickly rise if additional SAP or third-party licenses are needed for add-on solutions. Moreover, ByDesign has limited data centre locations, meaning that scalability is a significant issue. Customer adoption is the strongest case against SAP ByDesign. The product has been available for over ten years yet has only seen minimal adoption. Current 2020 plans for the product include a code change which will have unknown impacts on future upgrades.

## S4/HANA

SAP's latest ERP solution, S4/HANA represents another area for confusion in the SAP portfolio. SAP is currently offering two versions of S4/HANA, one for on-premise and one for cloud. Despite the similar naming convention, the two offerings are running on separate code versions which can lead to gaps in functionality. Like ByDesign, [S4/HANA has also struggled with customer adoption](#). SAP has not updated a live customer count since 2018, implying the solution is classic "shelf-ware". SAP is having such difficulty selling S4/HANA that it has switched its market approach from replacing legacy SAP solutions to one targeting subsidiaries, hoping those legacy SAP ERP systems at the headquarters level will migrate over time.



However, only certain modules of SAP software, such as financials and supply chain, are designed to leverage HANA architecture. Thus, modules that are not optimised must utilise older infrastructure, which requires intense customisation and inefficiency.

Although different product lines are created and enhanced with the best intentions, lack of integration and clear migration paths in the SAP ecosystem often create chaos and hinder scalability. Multiple point solutions create a “legacy applications hairball” that is burdened with manual tasks and bottlenecks. Over time, this infrastructure translates into more money, more resources and more integrations. Indeed, SAP users considering making a switch within the existing SAP product environment practically face an entirely new implementation. After investing in technology, organisations should be able to run the business more efficiently and gain the insights needed to make decisions. With SAP, the result is just the opposite.

### **True Cloud Platforms like NetSuite Simplify Business Processes and IT**

There are many compelling reasons why companies move from on-premise and fake cloud applications like those offered by SAP to modern cloud-based solutions, such as NetSuite. These include:

- **Reduced IT infrastructure investment and lower total cost of ownership through economies of scale.**

Few internal IT teams can afford to maintain excess computing capacity to accommodate variability in demand. Characteristics of true cloud solutions such as resource pooling and elasticity allow applications to scale instantly to meet both short-term and long-term fluctuation

in transaction volume, storage requirements or network bandwidth. True cloud solutions like NetSuite maintain the IT infrastructure, ensure that the system is always up and running, maintain system security, and roll out product enhancements seamlessly without breaking customer customisations. When your business expands and you need to add a new production facility, enter a new market or open a new product line, you don't have to worry about building out IT infrastructure or headcount to make it happen. New sites are easily brought up and your business can expand seamlessly and cost effectively. Moreover, true cloud ERP systems offer a predictable pay-as-you-go subscription model that makes cash flow planning much easier.

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“We share the vision NetSuite has that the cloud is the future of information systems, particularly those who don't have endless resources to hire and retain top-tier IT talent. At just a fraction of the cost of keeping SAP, NetSuite provides us a solution that is much more flexible and dynamic.” **RedBuilt**

- **Increased business agility and automatic compliance.**

Because true cloud solutions like NetSuite take version upgrade concerns off the table, companies can focus their core competencies on running the business. Those automatic, regularly scheduled enhancements are particularly important as regulations and standards change and evolve. For example, when changes were made to the Value Added Tax (VAT) by the UK and EU in 2008, 2009 and 2015, NetSuite customers didn't have to worry about downloading and testing new software. Since they were all on the same version of the software, NetSuite updated the code and all customers woke up with a compliant system. For on-premise customers, that meant downloading a patch, testing it to make sure it works and then testing any integration that might be impacted by the change. For on-premise or hosted cloud customers locked into even older versions, it's an even bigger headache. NetSuite customers know they have a solution that addresses the latest standards and builds them into the system.

- **Reduced spreadsheet-based accounting and better real-time financial and operational visibility.**

Because using SAP often requires the use of multiple unintegrated systems, separate islands of data result. To bridge the gaps, employees often use "spreadsheet-based accounting." An integrated, true cloud suite eliminates the need for this type of workaround and allows data to be easily reconciled across the organisation. Moreover, consolidating multi-subsidary and multinational financials with SAP is time-consuming and expensive, often requiring additional software. Organisations must either conduct the exercise across a multitude of spreadsheets or invest in separate SAP accounts for every subsidiary and international division, and in additional external reporting tools. True cloud solutions like NetSuite provide unprecedented "close to disclose" capabilities that accelerate close time, maximise transparency and ensure compliance, all in one system.

NetSuite was built for the internet, meaning it never existed in an on-premise environment. Money spent on our application goes directly to innovation, rather than maintaining the status quo or catching up to the cloud game. Our commitment to the cloud allows us to unify our customers' business processes, departments and divisions to accelerate scalability and efficiency. Additional NetSuite benefits include:

- **Self-service and mobility.** The workforce today is much different from 10 years ago. NetSuite provides real-time access to information anywhere and anytime, including self-service access to data and dashboards from mobile devices.
- **Global deployment.** NetSuite enables global organisations to manage multiple subsidiaries, business units and legal entities. It seamlessly handles different currencies, taxation rules and reporting requirements from a single platform.
- **SuiteSuccess.** NetSuite's true cloud roots enable us to take a consultative approach to sales, implementation and support to ensure continuity across your lifecycle as a customer. We have taken a deep look into our tens of thousands of cloud customers and pulled out the leading practices of those successful companies. Next, we package those up into pre-built user roles that deploy quickly to your team (often in 100 days or less). The result is that you have KPIs and dashboards with actual data in them at go live, not blank screens.
- **Scalability.** NetSuite's cloud roots reduce the need to migrate to other solutions as you scale. NetSuite supports more than 21,000 customers of all sizes, in all industries, and in every part of the world.

## Conclusion and Case Studies

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Building and maintaining a successful company in today's business environment requires modern tools and technology. No longer can organisations meet the increasing demands of consumers and competition by relying on legacy on-premise systems or “fake cloud” solutions offered by traditional vendors that are expensive, inefficient and not scalable.

With a true cloud solution, businesses are transformed through increased agility, better integration of front- and back-office processes, improved visibility and consolidation, and lower total cost of ownership. Unlike SAP users, NetSuite clients get a clear product path forward as their business expands, and a true cloud solution that provides an integrated suite for our increasing global customer base of more than 21,000 customers.

In addition to the inherent benefits of a cloud solution, NetSuite's SuiteSuccess model helps our customers deploy the platform faster and leverage leading business process practices to both create and realise value within their organisation much sooner than traditional approaches.

SuiteSuccess is engineered to solve unique industry challenges that historically have limited a company's ability to scale and adapt to change. Most traditional ERP vendors like SAP have tried to solve the industry solution problem with templates, rapid implementation methodologies and custom code.

NetSuite, however, took a holistic approach to the problem and productised domain knowledge, leading practices, KPIs and an agile approach to product adoption. This allows for faster time to value, increased business efficiency, flexibility and ultimately, greater success for our customers.



# Brother Max Replaces SAP Business One With NetSuite for Efficiency and Development

## Challenges

- Decade-old on-premise SAP Business One application was too big for the company's requirements, with inflexible reporting and poor support.
- Brother Max personnel found it difficult to access information, generate detailed reports and manage key business processes.
- Cost to update SAP Business One would have been more costly than a new NetSuite implementation.

## Solution

- NetSuite's integrated cloud ERP solution could handle core business processes, with flexibility to incorporate new functionality or partner technology as needed.
- Professional services from NetSuite Solution Provider Keystone Data helped Brother Max optimise its cloud ERP solution.
- In a next phase, Brother Max intends to integrate NetSuite order and inventory management to support its direct-to-consumer ecommerce website.

## Customer Success

- NetSuite's integrated cloud ERP solution has introduced new scalability potential for the designer, manufacturer and retailer of care and feeding products for babies and toddlers.
- Brother Max has improved process control, efficiency and visibility since moving from SAP Business One to NetSuite in May 2014.
- Real-time data access and flexible reporting enables Brother Max to monitor the state of the business and adapt to changes.
- Workflow-driven automation translates into new speed and simplicity across inventory and order management, distribution and purchasing through Asian manufacturers.
- Multi-location inventory management enables precise, real-time views into stock of 40 SKUs at nine manufacturers in China, as well as third-party logistics (3PL) providers in China and the UK.

- NetSuite’s multi-currency capabilities make it easy for Brother Max to transact and report in the U.S. dollar, Chinese renminbi and British pound.
- Brother Max leverages NetSuite to help drive international distribution, with distributors in 18 countries including Australia, China, Indonesia and South Africa.
- Company has streamlined transactions with about 30 UK retailers carrying its goods, including Boots, Tesco, Argo and Amazon, as well as specialty shops.
- Brother Max uses NetSuite landed costing capabilities to account for the true cost of products, improving on the limited standard costing it used with SAP.

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“With NetSuite, we can see on a daily basis what our sales picture is with automated reporting—we could never have done that with our previous SAP system.” **Brother Max**



# Infopark Picks NetSuite to Integrate and Automate its Business Processes

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## Fast Implementation

Infopark was tired of on-premise servers and the costly and time-consuming maintenance they required. Following a detailed evaluation, Infopark selected NetSuite at the end of 2015. The solution was implemented within a few days and went live in January 2016 with the start of the new fiscal year. For Infopark, it was crucial that the cloud solution was completely localised for the German market and very easy to use, and that it offered tools for customisation, integration and data import.

## Flexible Adaptation

Using the NetSuite APIs, Infopark tightly integrated the cloud ERP solution with their own SaaS software “Scrivito”. For example, invoices to Scrivito customers are invoiced via NetSuite and payments are automatically booked and assigned. Data transfer from the previously used SAP system was also automated: for each month from 2011, a booking voucher was created in NetSuite so that multi-year comparisons can easily be done.

## Easy Handling

Due to the ease of operation and the automation of many processes, only two NetSuite users are needed to manage the entire company and complete the monthly closing within two hours maximum. For the future, the Infopark wishlist includes licenses for sporadic users, an “auditor” role and more NetSuite APIs, for example for the automatic creation of VAT returns and the EU-wide sales tax settlement via the Mini One Stop Shop scheme.

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“With NetSuite features and tools, we are well prepared for our further development and for everything we may want to integrate or automate in the future.” Stefan Krause, CEO, Infopark AG



## Penguin Computing Replaces SAP for Better Visibility and Control With NetSuite

“We’re more efficient on NetSuite than we were on SAP and we have real-time visibility into all aspects of the business. It’s mind-blowing how easy it is to find and access information in NetSuite compared to where we were before.” Penguin Computing

### Challenges

- Business users had poor visibility into data in the cumbersome SAP R/3 system, relying on IT for report generation and troubleshooting.
- Penguin was forced to resort to costly third-party consultants to maintain the aging system, implemented in the early 2000s.
- The company began exploring its options when SAP announced it would be ending support for the SAP R/3 4.6D version in place.

### Solution

- NetSuite was the only cloud ERP vendor to meet Penguin’s requirements for simplicity, rich functionality, ease of use and a robust API for customisation.
- Integration between NetSuite and Penguin’s Salesforce.com CRM instance, which had not been integrated with SAP, gives Penguin sales reps greater automation and visibility.
- Rapid three-month self-implementation with assistance from NetSuite Professional Services helped Penguin Computing accelerate time to value from cloud ERP.

### Customer Success

- Leading provider of Linux-based and high-performance enterprise computing solutions has gained new scalability, visibility and business control since replacing SAP R/3.
- Penguin Computing uses NetSuite as a single system of record across financials, revenue recognition, work orders and assemblies, and inventory management.
- Transparency into key business metrics has enabled informed, data-driven decisions that scale the business beyond 2,500 customers in 40 countries.
- Penguin Computing has eliminated integration hassles, high maintenance fees and version lock issues with its problematic SAP system.
- Business users have on-demand access to real-time data and rich reporting capabilities not possible with the previous SAP environment.
- IT staff efficiency has increased 30% without the stress and overhead of managing on-premise IT infrastructure.
- Penguin Computing retired three servers with its move to cloud ERP, saving money as well as time for IT personnel.

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