

Calculating the ROI of Cloud-Based ERP Is No Simple Task

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CALCULATING THE ROI OF CLOUD-BASED ERP IS NO SIMPLE TASK

Cloud solutions can deliver a wide variety of direct and indirect financial benefits. Determining the collective value of both types of benefits is challenging, but worth the effort.

KEY HIGHLIGHTS

- *Customers have achieved a payback on their investment in NetSuite OneWorld in just under five months. Estimates that they will realize an average annual ROI of 574% (based on direct benefits) for this investment over four years.*
- *One of many elements in an ROI and cost-benefit analysis is a comparison of the subscription costs of a cloud service to the licensing fees for a comparable on-premises software solution.*
- *Cloud-based ERP delivers many direct financial benefits, including the reduction of costs associated with purchasing and maintaining on-premises hardware and software infrastructure, and the potential reduction (or reassignment) of IT and other staff.*
- *Cloud-based ERP also delivers many indirect benefits, including improved productivity and simplified company growth and expansion, but it can be difficult to calculate the financial value of some of these “soft” benefits.*
- *By allowing global companies to concentrate on the “business of the business,” rather than worrying about the mechanics of financial management and operations, NetSuite OneWorld customers have achieved rapid ROI and have often grown revenues significantly with only minimal headcount increases.*

As cloud-based ERP services have moved from the margins to the mainstream of IT and business practice, a growing number of companies are attempting to calculate the return on investment (ROI) of their cloud initiatives. To determine the economic paybacks they can, and do, realize from cloud deployments, companies need to consider a number of costs and benefits—some direct and some indirect. While not a trivial exercise, such ROI analyses can give companies valuable insights into their own critical operations, as well as the benefits possible by enhancing those operations with solutions.

Of the cloud services now available, cloud-based ERP is proving to be one of the highest-value solutions for many organizations. By moving their ERP operations to the cloud, companies have realized significant reductions in their capital and operational expenses, as well as a wide variety of indirect benefits. These indirect benefits—which can sometimes exceed the value of the capex and opex savings—can include improved employee productivity, more efficient business processes, faster time to market, and simplified domestic and international expansion, among many other paybacks.

In terms of cloud cost-benefit analysis, companies may simply compare the costs of purchasing on-premises licensed software with the subscription and/or usage costs of cloud-based services.

Although that comparison is an important element of any ROI analysis, it may only scratch the surface of all the cost and benefit variables in play.

This paper examines the costs and benefits organizations have experienced when deploying one leading cloud solution: NetSuite's OneWorld ERP suite. The customers profiled illustrate the different types of benefits that a cloud-based ERP solution such as NetSuite OneWorld can deliver. The paper also provides a framework that any organization can use when seeking to determine the ROI of a cloud solution.

SECTION 1. CALCULATING THE COSTS OF CLOUD-BASED ERP

Although there are a variety of pricing models in play in the cloud software-as-a-service (SaaS) market, by far the most common model is a per-user, per-month subscription fee. This fee can vary depending on the number of services (for multifaceted suite solutions) involved, the level of the services (e.g., platinum, gold, silver), and other variables. Depending on the type of cloud service and the service provider's policies, there may also be usage fees (e.g., for the amount of storage required), set-up fees and other costs.

Many customers considering cloud solutions will simply compare the annual subscription costs for their user base with the costs of purchasing a perpetual license for a comparable on-premises software solution for the same number of users. One obvious difference between the cloud and the perpetual license models is that companies must continue paying the cloud-based ERP subscription fee for as long as they use the services. By contrast, they can purchase licensing rights for a software package, and then use that software for as long as they like.

However, even licensed software may require subsequent expenditures to upgrade to new versions or to add features. Few businesses use software for more than three to five years before replacing it with new versions or alternative solutions. (Companies also often revamp and/or replace their related infrastructure hardware and software when upgrading or replacing their licensed software solutions.) As a rule of thumb, companies can begin a cost analysis by comparing the four-year subscription costs for a cloud solution with the up-front licensing costs for a traditional software package.

A subscription-versus-licensing evaluation can be a useful exercise, but it leaves much financial territory unexplored. That's because the SaaS subscription fee covers much more than just the software functionality delivered by the cloud service (which is all the licensed software package delivers). The SaaS subscription fee also covers the many costs incurred by the cloud service provider. As noted earlier, those costs include server and other infrastructure hardware and software purchases, building or floor-space purchases or leases, IT personnel, and the many ongoing IT operational costs of managing, securing and updating the services and the infrastructure on which

they run. In the case of on-premises software deployments, the customer's IT and business units bear all of these costs themselves.

Indeed, some of the most obvious advantages of cloud-based ERP are that it requires little or no on-premises hardware and related infrastructure software; is often easy to deploy and to learn; and places few if any operational and maintenance demands on the customer's IT department.

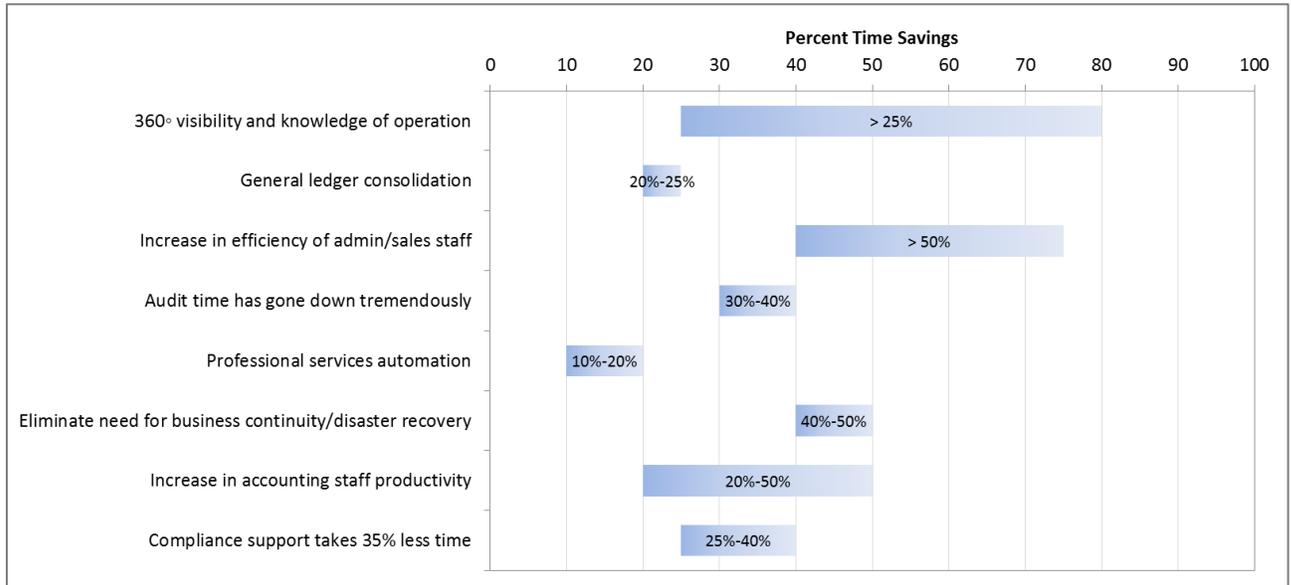
Clearly, it's insufficient to simply compare four years of a SaaS subscription fee to the up-front costs of a perpetual license. A true comparison must factor in the capex and opex costs required to deploy and maintain licensed software on premises. Beyond that, customers must consider other costs that may come into play for both cloud-based ERP and licensed ERP software. Among other items, these costs can include implementation fees, consulting and training expenses, data migration costs and IT's or consultants' professional time to customize the solution or to integrate it with other corporate or cloud-based systems.

SECTION 2. CALCULATING THE BENEFITS OF CLOUD-BASED ERP

Once organizations have calculated cloud-based ERP costs and compared them to the alternative costs of licensing and deploying on-premises software, they need to assess the benefits cloud solutions deliver. Cloud benefits can vary widely by type and by scope depending on the nature of a customer's business and the types of SaaS solutions deployed. For example, a major bank will likely see different benefits than a mid-sized non-profit organization, and the benefits of a cloud-based email system will be quite different from those delivered by a comprehensive ERP and financial suite.

After conducting in-depth interviews with a number of NetSuite OneWorld customers, SL Associates found that these customers had received a wide variety of direct and indirect benefits from their use of this cloud-based ERP solution. **Figure 1** illustrates the range of time savings realized by customers of NetSuite OneWorld.

Figure 1. Key Direct Benefits of Cloud-Based ERP (Time Savings)



Source: SL Associates, 2013

Also, as noted earlier, cloud solutions’ financial benefits fall broadly into direct or indirect categories. The direct benefits are typically the most straightforward of the two types to quantify. If a company avoids the cost of purchasing a server to run an on-premises software solution, for example, the capex savings from avoiding that purchase is a tangible, easy-to-identify financial benefit. Another direct and financially quantifiable benefit is the reduction in IT staff time that would have been required to manage an on-site server.

The specific benefits individual NetSuite OneWorld customers realized, as well as a detailed cost-benefit and ROI analysis, are described in the following sections. **Figure 2** summarizes the types of direct and indirect benefits observed by NetSuite OneWorld customers. Section 3 provides details on several of these customer discussions.

Figure 2. Key Benefits of Cloud-Based ERP

Direct Benefits - Capex	Indirect Benefits
✓ No need to purchase servers, storage and other IT infrastructure to run a software solution on the premises	✓ Improved employee productivity (supported by anytime/anywhere access)
✓ No need to acquire on-premises application software	✓ Better support of mobile employees
✓ No need to purchase or lease buildings and/or floor space to house the IT infrastructure	✓ Improved business processes (via best practices bundled into cloud-based ERP)

✓ No need to wire, plumb and otherwise configure a space (e.g., raised floors) to accommodate IT infrastructure	✓ Improved employee and customer satisfaction
Direct Benefits - Opex	✓ Increased and more effective employed collaboration
✓ Headcount reductions or new-hire avoidance among IT and support staff	✓ Faster provisioning of new employees
✓ Headcount reductions or new-hire avoidance within LoB departments (e.g., finance staff)	✓ Faster deployment and exploitation of new IT solutions
✓ Responsibility for managing, updating and securing the solutions that run in the cloud	✓ Better business continuity and more rapid disaster recovery
✓ Provide data backup and disaster recovery services for business application data	✓ Faster time to market for new products and services
✓ Reduced IT billable hours by avoiding on-premises solution deployment, maintenance and upgrade demands	✓ Better and faster decision making
✓ Reduced energy bills, insurance costs and other costs associated with owning and operating IT infrastructure on the premises	✓ Access to constantly improving, more innovative solutions
	✓ Supporting growth without adding resources
	✓ Simplifying and reducing the costs of growth into new domestic and international regions
	✓ Allowing optimal placement of sales and manufacturing facilities in proximity to customers and labor forces for maximum effectiveness and efficiency

Source: SL Associates, 2013

Indirect benefits can come in all shapes and sizes, and while objectively “good,” they may be difficult to translate into precise financial values. For example, few would argue that improved employee productivity and increased customer satisfaction are desirable goals. However, IT and business managers often find themselves at a loss when asked to quantify the bottom-line impact of this type of soft benefit.

Even though it is a challenge to quantify the financial value of any indirect benefits delivered by cloud solutions, this category of benefits is no less important than the direct benefits delivered by capex and opex reductions. Indeed, for some organizations, the value of the indirect benefits of cloud-based ERP can surpass that of the direct benefits.

SECTION 3. BENEFITS REALIZED BY NETSUITE ONEWORLD CUSTOMERS

One of the best ways to get a sense of the value delivered by cloud solutions is to examine the experiences of existing SaaS customers. Even if those customers haven't performed formal ROI analyses, they have a good sense of what's working well—and what isn't—in their organization's day-to-day interactions with the cloud. We spoke with a number of NetSuite OneWorld customers about the benefits they've realized since subscribing to this leading ERP and financial software suite of services.

NetSuite OneWorld brings global capabilities to the service provider's core offering of ERP and financial management services. Out of the box, NetSuite OneWorld provides support for 19 languages and more than 190 currencies, and tax reporting support and certification for more than 50 countries. Backed by a global partner network, NetSuite OneWorld also supports transactional and use taxes for more than 110 countries, and can manage multiple subsidiaries with distinct tax years and reporting dates. As shown in **Figure 3**, NetSuite OneWorld provides comprehensive capabilities to address a wide range of global financial management requirements.

Figure 3. NetSuite OneWorld: Complete Global Financial Management



Source: NetSuite, 2013

Over the last several years, NetSuite has grown to become one of the world's leading ERP and financials software suite vendors, providing tightly integrated cloud-based financials, CRM, inventory and ecommerce capabilities to more than 16,000 organizations across more than 110 countries. NetSuite built its solution from the ground up to capitalize on the advantages of cloud computing. Its integrated suite features an open architecture with many pre-built connectors and integration partners.

The following are examples of representative NetSuite OneWorld customers, and the types of benefits they report from their use of the SaaS suite:

CallidusCloud

CallidusCloud is a vendor of cloud-based sales performance management, marketing and hiring software services that faced an even more daunting IT landscape. Founded in 1996, the Pleasanton, California-based company has eight subsidiaries across Europe, Asia, India and the Americas; employs about 700 people; and expects to book about \$110 million in revenues in 2013.

Prior to deploying the NetSuite OneWorld solution, CallidusCloud was running 14 different software systems including Microsoft Dynamics Great Plains financials, Marketo demand generation, Neocase HR, Extensity CRM, Infor ERP and QuickArrow professional services automation. "We spent a lot of our time building interfaces among these different systems," says Chief Information Officer Shamyo Chatterjee, "and those 14 systems didn't even include the software that our subsidiaries were using."

After replacing its piecemeal collection of software solutions company-wide with the multifaceted and integrated NetSuite OneWorld cloud solution and comprehensive NetSuite OneWorld suite of services, CallidusCloud estimates that it is saving \$250,000 each year on software licenses alone.

The company also performed an ROI and time-savings analysis of how its migration to NetSuite OneWorld affected nine core business processes. CallidusCloud found that the NetSuite OneWorld deployment saved the company from 15% to 50% of the time required to complete six of the processes. The biggest time savings came in its financial closing activity, where NetSuite OneWorld's automation reduced the process from eight to 10 days to about four days.

Data Physics Corp.

A privately held company founded in 1984 by two Hewlett-Packard alumni, Data Physics Corp. is a designer and manufacturer of signal analyzers, vibration controllers, underwater acoustic equipment, and other test and measurement systems. The company employs just under 100 people distributed across its San Jose, California, headquarters and five operations in the U.K., Germany, France, China and India. Data Physics also has a network of distributor partners covering 34 countries, and approximately 60% of the company's sales are international.

Like CallidusCloud, Data Physics was previously hampered by a disparate collection of IT systems. At Data Physics, the software included Solomon financials, GoldMine CRM and multiple Microsoft Access databases. Due to the inefficiencies of this setup, the company was only consolidating its financials once each year and the process “was a spreadsheet nightmare,” recalls Chief Operating Officer Sabine Castagnet.

Among other benefits derived from its NetSuite OneWorld deployment, Data Physics has reduced its annual payroll service costs from \$13,000 to under \$4,000; has grown revenue by a factor of four without requiring any increase in administrative headcount; and has greatly simplified and reduced the costs of its ongoing international expansion. By bringing new subsidiaries into the cloud-based NetSuite OneWorld fold, Data Physics doesn’t need to worry about building on-premises IT infrastructure and establishing new business processes. “We pretty much can set it up overnight,” Castagnet says. “We just have to worry about the speed of the Internet connection.”

“We run a \$25 million business without an IT department,” Castagnet says. “I would think that if we had to maintain servers and administer software in six countries, it would require at least a couple of people.

“In addition, the NetSuite OneWorld system allows us to be very efficient at processing orders,” she continues. “We would have required a couple of more admin staff otherwise, each with salaries in the \$50K to \$70K range.”

School of Rock

Launched as a single school in Philadelphia in 1998, School of Rock sought to create an after-school program that would teach children about music and how to play it. In 2005, the school began franchising the business. Today, School of Rock has more than 10,000 children enrolled in 105 locations in 31 states as well as Mexico, and is in the process of opening another 20 to 40 locations during 2013.

The company has only three IT staff, and has always been a “cloud-forward thinking company,” says Director of Information Systems Joe Mizzi. “For every single IT piece of infrastructure, we’re going cloud as much as possible. We see inherent advantages in keeping costs down, we don’t have to be out there maintaining infrastructure and managing licensing for the franchises, and so forth.”

Between its corporate employees and franchise schools, School of Rock currently has more than 300 NetSuite users. “NetSuite OneWorld is our system of record,” Mizzi says, “so we have the ability to access data from anywhere.”

Mizzi also likes the fact that NetSuite rolls out NetSuite OneWorld upgrades every six months, continually adding functionality to the suite. In addition, the cloud-based solution is a boon to the organization’s business continuity. “Historically for any multi-location operation like ours,

application uptime is one of the hardest things to maintain for on-premises solutions. We haven't experienced any NetSuite outages that have had any impact on our business," he says, "and NetSuite notifies us in advance of any planned maintenance downtimes."

CIRCA

CIRCA is a leading international buyer and seller (to private dealers) of jewelry, diamonds and watches. With its headquarters in New York, CIRCA has seven U.S. offices and subsidiaries in Spain, Switzerland and Hong Kong. The company generates more than \$100 million in multi-currency revenue annually and employs 85 people, but has just one IT staff member. Given the size and complexity of its operations, CIRCA found that its former QuickBooks software couldn't meet its needs.

"QuickBooks was serving more as a general ledger, with sales managed in other places," says CIRCA's controller, Gemell Davis. "As a result, there was a lot of manual journaling back and forth, and the process was prone to a lot of errors."

Thanks to the efficiencies of NetSuite OneWorld's cloud-based model, CIRCA was also able to reduce staffing needs by about a head and a half, according to Davis. Furthermore, NetSuite OneWorld's capability to display KPIs and other critical information in easy-to-comprehend, real-time dashboards "is absolutely a big benefit," he says.

"As controller NetSuite OneWorld gives me a more solid level of internal control," Davis concludes. "There's more of an audit trail so I can understand what's happening and who's doing what."

Healing Waters International

Nonprofit Healing Waters International was founded in 2002 by a couple doing missionary work in the Dominican Republic. The small organization developed a water treatment system and worked with local churches to bring clean water to the residents of their communities. Initially, Healing Waters owned and operated the water treatment systems itself, but it changed its operational model over time and now hands off the completed systems to the local community, which then operates and maintains them.

Despite having just six full-time employees at its Golden, Colorado, headquarters, Healing Waters runs subsidiary offices in the Dominican Republic, Mexico and Guatemala. With no in-house IT staff, the organization was using QuickBooks to manage its finances. That software wasn't able to meet the growing inventory, multi-currency and project-management demands Healing Waters faced, says Chief Financial Officer John Correa.

"We needed a system that could manage each project from inception, when the first funds come in, through project completion, inauguration and the eventual hand over to the community," he explains. As with most nonprofits, categorizing and tracking donor contributions are critical parts of

Healing Waters' operations. While some donors contribute non-restricted funds, others contribute funds specifically for individual communities and projects, so they can't be used for anything else.

Learning to use NetSuite OneWorld proved relatively intuitive and straightforward, Correa says. "I'd rate it 7-8 on a scale of 10 in terms of ease-of-use," he says. Operationally, the cloud suite delivers Healing Waters a range of benefits including multicurrency support, real-time consolidation, access from any location and robust reporting, Correa says. "NetSuite OneWorld drives 90% of the information that I provide to my auditors, and requires minimal or zero tweaking."

As noted earlier, not all of the benefits Healing Waters and the other NetSuite OneWorld customers report are easily quantifiable. What's the value of reducing the error rate associated with spreadsheet-centric finance operations, or the payback from having a good audit trail? Even if it's tough to translate these and other benefits into bottom-line figures, however, they clearly deliver real value to the companies. **Figure 4** summarizes some of the benefits reported by this group of NetSuite OneWorld customers.

Figure 4. Summary of Direct and Indirect Benefits Realized by NetSuite OneWorld Customers

Customer	Metrics and Perspective
CallidusCloud	<ul style="list-style-type: none"> • Cut compliance cycle time by one-third • Saving 15% to 50% in time for core processes, including close, quote-to-cash, audit • Saving \$250,000 annually on software licenses • Reduced applications team from five people to two • Seven acquisitions over 18 months without any headcount increases on the application team • From 10 days to close books down to 4 days
Data Physics	<ul style="list-style-type: none"> • 4x growth in revenues without needing to increase administrative headcount • Shifted payroll to NetSuite OneWorld, reducing annual cost from \$13,000 to under \$4,000 • Consolidating financials monthly rather than once a year • Order entry is a five-second process, and is much more automated • NetSuite OneWorld “levels the playing field” and “lets us compete with the big guys” • Ease of international expansion: “don’t have to worry about business processes; pretty much can set it up overnight”
School of Rock	<ul style="list-style-type: none"> • Minimizes capital expenditures by “going cloud as much as possible” • Avoids having to manage infrastructure and software licenses for corporate and franchise employees • NetSuite OneWorld provides one common system of record that is accessible from anywhere • High service uptime provides good business continuity • Twice-yearly NetSuite OneWorld updates keep the organization at the forefront of service functionality and innovation
CIRCA	<ul style="list-style-type: none"> • Eliminated manual back-and-forth journaling and associated errors • Reduced staff by 1.5 thanks to NetSuite OneWorld’s cloud-based model • More of an audit trail: “I can understand who’s doing what, what’s happening” • Much more functionality still to be tapped: “We’re driving a Porsche in second gear right now”
Healing Waters International	<ul style="list-style-type: none"> • NetSuite OneWorld drives 90% of information provided to auditors with minimal-to-zero tweaking • Currency translation, real-time data and consolidation simplify processes • Supports different payroll tax structures for each subsidiary • “It’s just out there and you can count on it to be operating all the time”

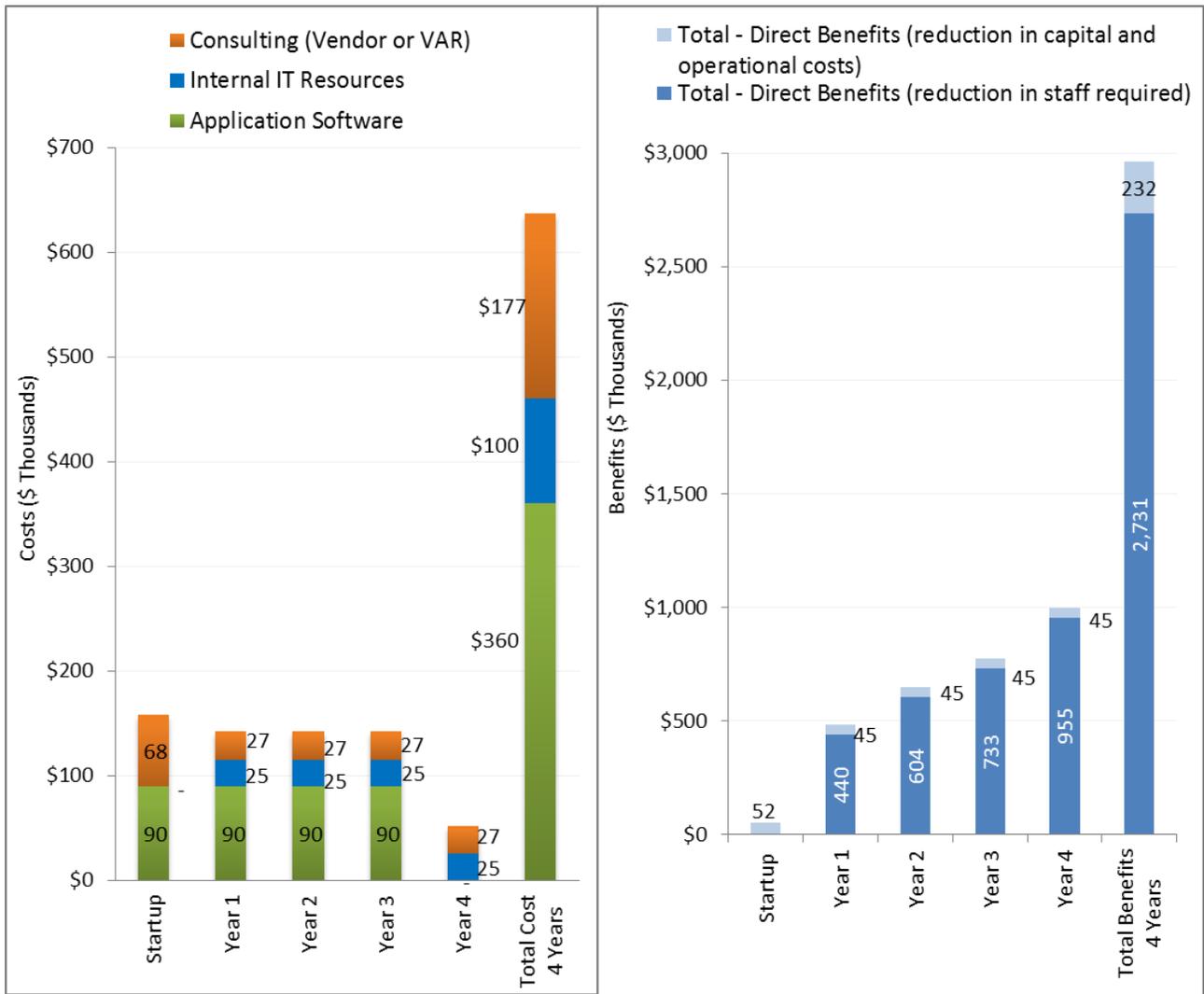
Source: SL Associates, 2013

SECTION 4. DEPLOYMENT COSTS AND BENEFITS OF NETSUITE ONEWORLD

NetSuite OneWorld delivers a wide variety of business management and financial planning benefits—both direct and indirect—to its customers. The nature and scope of these benefits can vary considerably based on the size and type of the company, its industry, its geographical distribution, the number of NetSuite OneWorld users and many other factors.

Given the variability in benefits realized, it's not possible to predict a precise ROI that NetSuite OneWorld users can expect. In particular, the soft benefits realized can differ greatly from company to company. However, SL Associates has calculated the typical four-year costs a company with 55 NetSuite OneWorld users can expect, and the value of the direct benefits they're likely to realize. **Figure 5** provides a breakout of those costs, and shows that the direct financial benefits alone greatly exceed the combined costs. Details of this analysis are included in **Appendix A**. A summary of the NetSuite OneWorld cost analysis over a four-year period is detailed in **Figure A** (Appendix A), and the NetSuite OneWorld direct and indirect benefits analysis over a four-year period is detailed in **Figure B** (Appendix A).

Figure 5. Cost and Benefit Components



Source: SL Associates, 2013

The anticipated direct financial benefit of \$2,962,850 for a company with 55 NetSuite OneWorld users consists of staff reductions as well as reductions in capital and operational costs. As illustrated in **Figure B** (Appendix A), the non-staff capital and operational cost reductions hold steady through each year of the four-year analysis. The staff cost reductions, by contrast, increase each year through the four-year period. As shown in the table, the reduced staff costs occur in IT, accounting and administrative areas.

Although it isn't possible to estimate the dollar value of the indirect benefits different OneWorld customers will realize, we can identify the typical scope of these benefits. For example, as shown in **Figure B** (Appendix A), companies can expect to save from 30% to 40% of the time required to

perform their audits each year. Even the scope of some indirect benefits, such as the ability to reassign IT staff from routine maintenance and operational work to more strategic tasks, can't be meaningfully measured. But the value of some of these benefits to an organization can be significant.

SECTION 5. ROI COST BENEFIT ANALYSIS OF NETSUITE ONEWORLD

By allowing companies to concentrate on the “business of the business,” rather than worrying about the mechanics of financial management and operations, NetSuite OneWorld helps customers achieve significant direct and indirect benefits as well as rapid ROIs. **Based on our interviews with NetSuite OneWorld customers, we estimate most of them are achieving significant ROI of more than 574% (excluding indirect benefits) and payback in four to five months.**

The financial results calculated in Section 4 are used to determine the ROI and payback period for an organization’s investment in NetSuite OneWorld. Details of the cash flow analysis and ROI are shown in **Figure 6**. A complete summary of the cost benefit analysis is detailed in Appendix A.

Figure 6. Four-Year Cash Flow Analysis and ROI

55 Users	NetSuite OneWorld (Cloud-Based ERP)					
	Startup	Year 1	Year 2	Year 3	Year 4	Total 4 Years
ROI Analysis						
Total Direct Benefits	\$ 52,000	\$ 484,900	\$ 648,650	\$ 777,400	\$ 999,900	\$ 2,962,850
Total Costs	\$ 158,000	\$ 142,200	\$ 142,200	\$ 142,200	\$ 52,200	\$ 636,800
Cash Flow Before Taxes	\$ (106,000)	\$ 342,700	\$ 506,450	\$ 635,200	\$ 947,700	
Cash Flow After Taxes (@50%)	\$ (53,000.0)	\$ 171,350.0	\$ 253,225.0	\$ 317,600.0	\$ 473,850.0	
Annual ROI		323%	401%	467%	574%	
Payback Period (Years)	0.31 (payback in four to five months)					

Source: SL Associates, November 2013

APPENDIX A.

Figure A. Summary of NetSuite OneWorld Cost Analysis

55 Users	NetSuite OneWorld (Cloud-Based ERP)					
	Startup	Year 1	Year 2	Year 3	Year 4	Total Cost 4 years
Costs	Cost Addition					
IT Infrastructure	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Application Software						
OneWorld application software license/subscription and maintenance	90,000	90,000	90,000	90,000	-	\$ 360,000
<i>Total NetSuite OneWorld Application Software</i>	\$ 90,000	\$ 90,000	\$ 90,000	\$ 90,000	\$ -	\$ 360,000
Application Implementation, Customization, Integration, End-User support & Adminsitration						
Implementation detailed design	68,000	27,200	27,200	27,200	27,200	\$ 176,800
Work process integration		25,000	25,000	25,000	25,000	\$ 100,000
<i>Total Applications Implementation and Support</i>	\$ 68,000	\$ 52,200	\$ 52,200	\$ 52,200	\$ 52,200	\$ 276,800
User Training						
Initial training	part of subscription		-	-	-	-
Ongoing training			done by customer's existing users			-
<i>Total User Training</i>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Costs	\$ 158,000	\$ 142,200	\$ 142,200	\$ 142,200	\$ 52,200	\$ 636,800

Source: SL Associates, November 2013

Figure B. NetSuite OneWorld Direct and Indirect Benefits Analysis

Direct Benefits (reduction in staff required):	Cost Reduction [\$ (number of staff)]					Total Benefits 4 Years
	Startup	Year 1	Year 2	Year 3	Year 4	
Reduction in IT staff to manage hardware (@ \$100,000 per person)		100,000 (1)	125,000 (1.25)	150,000 (1.5)	200,000 (2)	575,000
Reduction in IT staff to manage business applications and upgrades (@ \$125,000 per person)		125,000 (1)	156,250 (1)	187,500 (1.5)	250,000 (2)	718,750
Reduction in admin./order processing staff (@ \$70,000 per person) due to more efficient sales order processing		140,000 (2)	210,000 (3)	245,000 (3.5)	280,000 (4)	875,000
Reduction in Accounting staff (@ \$75,000 per person)		75,000 (1)	112,500 (1.5)	150,000 (2)	225,000 (3)	562,500
Total		\$ 440,000	\$ 603,750	\$ 732,500	\$ 955,000	\$ 2,731,250

Direct Benefits (reduction in capital and operational costs):	Cost Reduction (\$)					Total Benefits 4 Years
	Startup	Year 1	Year 2	Year 3	Year 4	
Elimination of IT infrastructure hardware and software	52,000	-	-	-	-	52,000
Elimination of IT infrastructure hardware and software maintenance		10,400	10,400	10,400	10,400	41,600
Reduction in business application upgrade/maintenance costs		25,500	25,500	25,500	25,500	102,000
Reduction in payroll services costs		9,000	9,000	9,000	9,000	36,000
Total	\$ 52,000	\$ 44,900	\$ 44,900	\$ 44,900	\$ 44,900	\$ 231,600
				Total Direct Benefits		2,962,850

Indirect Benefits:	Time Savings (compared to pre-NetSuite implementation)				
	Startup	Year 1	Year 2	Year 3	Year 4
360° visibility and knowledge of operation, increase in productivity of company executives		>25%	>25%	>25%	>25%
General Ledger consolidation easier and faster		20-25%	20-25%	20-25%	20-25%
Increase in efficiency of admin/sales staff		> 50%	> 50%	> 50%	> 50%
Audit time has gone down tremendously		30%-40%	30%-40%	30%-40%	30%-40%
Professional services automation		10%-20%	10%-20%	10%-20%	10%-20%
Eliminate need for backups and business continuity/disaster recovery		40%-50%	40%-50%	40%-50%	40%-50%
Increase in accounting staff productivity		>25%	>25%	>25%	>25%
Compliance support takes less time		30%-40%	30%-40%	30%-40%	30%-40%
Revenue recognition is much simpler since revenue schedules updated automatically		10%-20%	10%-20%	10%-20%	10%-20%
<i>IT staff re-deployed to focus on core business needs</i>		<i>These benefits are subjective and difficult to quantify</i>			
<i>Financial consolidation done on monthly vs. yearly basis</i>					
<i>Increase in customer satisfaction</i>					

Source: SL Associates, November 2013

APPENDIX B.

METHODOLOGY

This assessment was conducted by SL Associates in the summer of 2013 through an in-depth interview with several NetSuite OneWorld customers and the marketing group at NetSuite. The analysis of costs and benefits has been calculated over a four-year period, which is the average useful life of most business-class software solutions.

All costs related to implementing the NetSuite OneWorld ERP solution and annual subscription charges are estimated based on input from several OneWorld customers. Direct benefits were calculated based on discussions with these customers. Indirect benefits can come in all shapes and sizes; and while objectively “good,” they are difficult to translate into precise financial values.

Definitions of the key terms used in the analysis are included below:

Return on investment (ROI): A measure of a project’s expected return in percentage terms.

Payback period: The breakeven point for an investment. At this point, net benefits equal initial investment or cost.

The initial investment contains costs incurred at the beginning of Year 1. In subsequent years, costs occur at the beginning of that year. Return on investment (ROI) is calculated by dividing the average net benefits (direct benefits minus costs) by initial investment incurred at the beginning of year 1.

For more information, contact Sanjeev Aggarwal at (508) 410-3562.