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RESEARCH NOTE NETSUITE'S IMPACT ON PROFESSIONAL SERVICES FIRMS

THE BOTTOM LINE

In its assessment of NetSuite's customers in the professional services industry, Nucleus Research found NetSuite enabled customers to increase visibility and improve resource utilization. Professional services firms said NetSuite's software-as-a-service (SaaS) application enabled them to automate processes and grow revenues without adding back-office staff.

NetSuite provides an integrated software-as-a-service (SaaS) business management application for accounting and financials, planning and budgeting, customer relationship management (including marketing automation, sales automation, and customer service), and reporting. Because all the components share a common data record, all users, whether they are in accounting, sales, service, or management, access the same data. This reduces the need for data integration and the manual re-entry and verification of data. Components of NetSuite's Services Resource Planning application for professional services include:

- Project management
- Project accounting and billing
- Time and expense management
- Resource management
- Client acquisition and management

Nucleus found many professional services firms deploying NetSuite moved from a combination of custom applications and spreadsheets, packaged on-premise applications, and SaaS applications including Microsoft Project, Microsoft Dynamics GP, GoldMine, QuickBooks, and Salesforce.com. To better understand the impact of adopting NetSuite on professional services firms, Nucleus conducted in-depth interviews with 21 NetSuite customers in the professional services industry, including media and public relations, technology consulting and services, fleet and logistics management, and other companies providing services.

BENEFIT AREAS

Nucleus identified a number of areas where professional services customers experienced benefits from deploying NetSuite including improved reporting and visibility, improved resource utilization, improved accounting productivity, improved billing, reduced financial close and audit time, IT savings, and increased client satisfaction.

TOPICS

Enterprise Applications
 Software-as-a-Service
 Customer Relationship
 Management

Improved reporting and visibility

NetSuite professional services customers found that a centralized data store, pre-built reports and dashboards, and the ability to build custom reports improved visibility while reducing the time needed to gather and analyze information to make decisions. Additionally, the project management capabilities gave project managers and team members a common application to store, track, and collaborate on project information:

- *"I have one version of the truth and you can click across it very quickly. I can sit at home at midnight and prepare my accounts."*
- *"The biggest benefit is to be able to have a dashboard showing metrics from all across the company that we can customize to show information based on what type of manager is looking at it. It gives them the full picture instead of just pieces."*
- *"We have one single system for everything, instead of separate systems. Whether it's reservations or sales, everyone is looking at the same database. Everything lines up, which historically didn't happen. The confidence level with which level one people can give financial information to the customer is the biggest benefit."*
- *"The biggest benefit is consolidated visibility across all our businesses. We've improved reporting times by 50 percent."*
- *"It's ease of access to information. Before it would take 10 different keystrokes to get to information. Now it's in two or three."*
- *"The biggest benefit is data analysis. If you ask our support team they'll tell you it's one click for everything about a customer; if you ask marketing it's sales by any criteria; if you ask finance its automated billing."*

Based on its analysis of the experiences of NetSuite professional services customers, Nucleus estimates companies can expect to reduce time spent gathering and reconciling data and building reports (on areas such as staff utilization and client profitability) by at least one third.

Many customers said because NetSuite is delivered as a service, employees could access it from anywhere. This was an advantage for many users because they didn't have to leave a client site or return to the office to review or enter data.

Improved resource utilization

Nucleus found that the project accounting and resource allocation capabilities within NetSuite, as well as the ability to build custom reports and dashboards to track projects and resources, enabled professional services customers to increase the productivity of their services staff:

- *"People's time is now more efficiently managed. With project accounting, the real benefit is that everyone has access to the same system and the same level of reports, and it's available in real time. The idea wasn't to reduce headcount but to make them more efficient to work across more projects simultaneously. We're able to justify people's time more on projects than we used to before."*
- *"We've almost quadrupled in size since we implemented NetSuite, and our staff has grown by maybe 10 percent. We would have had to increase people exponentially without NetSuite. We can maintain a lower level of staff because we're so much more efficient."*

- *"We've billed more hours for sure. We're getting more hours in the system, they're more accurate, and we don't have to run around finding out what's going on. We've seen between a 15 and 18 percent increase by technician."*
- *"We've increased billable hours with time and expense to track our consultants and bill out to customers. It's much more convenient than the way we were doing it before in spreadsheets."*

Customers said they were able to increase services staff productivity by at least 10 percent; some that had very manual processes before NetSuite experienced more significant savings.

Customers that worked on a billable hours basis (as opposed to a fixed-fee project basis) experienced an increase in billable hours for two primary reasons. First, because employees could enter project-based time information from any computer at any time, they were more likely to enter accurate information instead of relying on memory. Second, because managers had greater visibility into current and future contracts, they could devote resources to projects more efficiently.

Improved accounting productivity

Because professional services firms often have to complete deliverables or account for hours spent on a project, project progress information must be verified before accounting can issue an invoice. Because time and expense reports, project milestones, budgets, and other details are automatically appended to the account details within NetSuite, Nucleus found customers could reduce the time needed to verify what could be billed and provide the underlying detail needed.

Based on its analysis of NetSuite professional services customers, Nucleus estimates firms moving to NetSuite can reduce the time spent on accounting tasks (such as expense billing and project accounting) by an average of 60 percent.

Customers said this enabled them to increase the productivity of accounting staff, resulting in less time spent on paperwork:

- *"Monthly revenue accounting would take a week before – now we're done in half a day."*
- *"We had certain accounting people doing core accounting ... We've reduced staff there a little bit because we don't need as many people – there were five and now there are four."*
- *"Without NetSuite we would probably need three to four accounting people – it's all integrated and processes are automated."*
- *"With the accounting staff we had eight to 10 people before and we had two people in operations that were accounting liaisons. Today our revenue has tripled and we added six people in accounting and one in operations. [Without NetSuite] we had projected we'd have to add 10 people."*
- *"Accounting and accounts receivable and accounts payable in the old days were ugly. Every check would be posted to QuickBooks and other systems – meaning at least double entry. It was twice as much work and that was just for accounting – never mind reports."*
- *"It has allowed us to reduce accounting staff labor requirements. We had someone for 40 hours a week and she gave notice and we negotiated one day*

a week and now instead of paying 40 hours a week I pay her for four hours a week."

- *"We had three [full time equivalents] in 2007 and three now and we've grown from \$1 million to \$10 million."*

Improved billing

One of the results of improved accounting productivity is improved billing. NetSuite professional services customers noted two main improvements in billing: the ability to send more timely invoices and the ability to provide more detailed explanation of activity being billed so clients were more likely to pay invoices without disputing them or asking for additional detail. In one extreme case, a customer uncovered a missed billing opportunity that represented more than \$100,000 in revenues. He said, *"Before, people were doing billing by hand – one person was managing 26,000 customers with an Excel spreadsheet. Now that we have a standard, structured place to put information, we found 1600 customers that weren't billed for years. The integration in NetSuite allowed us to identify a missed opportunity and fix it."*

NetSuite professional services customers found detailed time and project accounting enabled them to provide more rapid and detailed invoices to customers, accelerating receipt of payment by at least 15 percent.

Other customers said:

- *"There's a level of confidence in what we're producing that improves both our performance and [credibility] with the client – they know what we're providing them is accurate."*
- *"We've been able to bill more accurately because information is put by the employees immediately in the system. We gained about 20 to 25 percent [speed] in billing because of reducing inaccuracies and having the details the customer needs to pay it. AR has gone from 120-plus days to 30 to 45 days."*
- *"It reduced errors and increased the speed to process invoices for clients. Prior to the system we had a lot of spreadsheets tracking time and invoices – it was difficult to get detail back to the clients."*
- *"We send invoices out three days after the meeting happens. We brought AR back by five days [on 30 day terms]."*

Reduced financial close and audit time

Nucleus found that one single system of record in NetSuite, as well as the ability to review reports and dashboards in real time, reduced the time and work needed to reconcile accounts and provide the reports needed by auditors and other shareholders. Customers said this reduced the time and cost associated with closing the books and delivering financial reports:

- *"We reduced cost for external auditors easily by 50 percent. If they were on site for a month, now that's only two weeks. It's also better for consolidation – it gave us the ability to structure everything down to a couple hundred accounts, and there's more uniformity and everyone has to report in a certain way."*
- *"If you're using NetSuite to capture your revenue data, that's real time. To close, you can pop the chalk line and your revenue's done."*

- *“Now I have the flexibility of being able to close the books anywhere I want. Now there are no problems closing the books; it’s at least 50 percent faster and with everything in the system, the risk of errors has diminished substantially.”*
- *“When the auditors are here we can drill down into the information. It’s reduced the time to close the books; if everybody puts their stuff in I can be done with the books in five days.”*
- *“We are 100 percent faster in closing the books. NetSuite is a lot quicker and more user friendly [than the old system]. We used to be here until 10 or 11 pm for days to close the books; now we’re done by the third of the month.”*
- *“The customization of the reports means I have a sales tax return I have to file each quarter. In the old days I’d have to go through all the sales manually. Now I have a custom NetSuite report – a process that used to take 2 hours now takes 10 minutes.”*

Professional services companies using NetSuite were able to cut the time needed to close the books by at least half.

This benefit was particularly important for companies working with multiple sites and currencies; a number of customers were using NetSuite OneWorld (NetSuite’s application that handles rollup of multiple currencies, taxation rules, and reporting requirements) to support billing and payments in multiple geographies.

IT savings

Nucleus found professional services companies using NetSuite were able to save on IT through reduced or avoided on-premise support, integration, and other costs similar to NetSuite customers in other industries. Professional services firms also experienced the benefit of enabling consultants in the field to access and input data at any location:

- *“Before we had Salesforce.com and Microsoft Dynamics GP, and one full-time administrator and a part-time programmer. Now we have neither.”*
- *“We had plateaued in our growth because of our systems – we had seven disparate systems we needed to connect together to run our business. Our office is virtual and we needed to get up-to-date information to all our employees wherever they were. Now, on IT, we’re spending at least 40 percent less.”*
- *“NetSuite has been a pretty significant savings from both a cost of infrastructure and the human cost. We’ve probably saved 50 percent on IT.”*
- *“The system has really served us well. It’s all Web-based and we are geographically large but small on back office. NetSuite basically allows me to never engage our IT staff.”*
- *“We were a 1.2 million company four years ago and had outgrown QuickBooks and we had silos of information. We thought, if we’re going to keep growing at 60 percent we need something better. I had been an implementation manager for both SAP and Oracle and had done a couple dozen projects and they were all expensive, fraught with delays, and never produced what you wanted and I didn’t want to do that again.”*

Increased client satisfaction

Nucleus found professional services users of NetSuite improved customer satisfaction by being able to answer customer inquiries more quickly and by providing customers with self-service access to their account and project information:

- *“For the first time we can see a continuum from a customer request to the satisfaction of the customer. We’ve improved the turnaround time, improved accuracy, and removed people.”*
- *“We’ve gone from 65 percent satisfaction to 90 percent and I attribute a lot of that to NetSuite. Customers can log in directly to the system, enter their own cases, and see updates.”*
- *“NetSuite has made the [client services] team more efficient and more effective in what they do.”*
- *“Our support team lives on it and we’ve integrated it with chat and phone so when a customer calls in their record pops. Customer service has grown but our business grows at 50 percent a year and headcount has only gone up by 35 percent.”*
- *“The older systems were very disjointed. Now agents can switch between customer, partner, and reservation records all on the same screen so they can look up anything the customer asks. If they’re having a technical issue or talk about an old bill, one agent in one system can help them with all of those things instead of transferring them.”*

Greater productivity for customer-facing staff and reduced incoming calls as a result of self service helped many NetSuite customers to improve client satisfaction. Many were able to support more clients without hiring additional staff; others were able to reduce staff or devote them to other activities.

Better positioning for growth

NetSuite professional services customers found that the automation of processes, the ability to provide a more professional appearance to clients, and the multicurrency capabilities of NetSuite OneWorld enabled them to attract and retain larger clients and grow because they could manage more complexity within NetSuite:

- *“We can take on larger opportunities than we could before. Our customer size has grown because we can better handle them from a service perspective and a project perspective.”*
- *“We have a platform that can grow as we grow. The ability to do business overseas is huge. Being a virtual company would be almost impossible to do without [NetSuite].”*

Professional services staff are often widely distributed and moving from project to project. Having an application that handles all aspects of the business and can be accessed from anywhere (even mobile devices) at any time can help professional services firms scale as needed to manage projects. Firms often have a diverse user base with subject matter experts and consultants as well as occasional contract consultants that work on specific engagements. For these types of users, any application must be intuitive to use and support their personal productivity (not just company record keeping) with limited training time or they won’t use it.

Nucleus analysts found that the dashboard capabilities and intuitive nature of NetSuite enabled firms to grow without a significant technology learning curve for staff.

CONCLUSION

In addition to the normal challenges of firms in other industries, many professional services firms have to manage potential scope creep, the integration of client feedback, and other exogenous factors that impact successful service delivery. Without a standard product to deliver and with many factors impacting successful delivery, they need a clear view of all activities around an engagement, from staff activity to scope changes to finance. Nucleus analysts found that, with NetSuite, firms could provide everyone with the same information about ongoing projects, automate processes that were often manual, and better manage the challenges of profitable professional services delivery.