



2015 North American Cloud Enterprise Resource Planning for the Wholesale Distribution Customer Value Leadership Award



FROST & SULLIVAN



50 Years of Growth, Innovation & Leadership

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Background and Company Performance

Industry Challenges

Wholesale Distributors (WDs) across all industrial sectors want to reduce the Information Technology (IT)-related costs incurred, while simultaneously making efforts to transform their business and accelerate growth in line with the changing trends. However, in attempting to achieve this goal, wholesale distributors will have to address unique industry challenges.

WDs come from different types of industries, segments, and verticals and gradually add other services to their existing businesses. These services could include anything from a new commerce channel to another service channel. However, wholesale distributors encounter several difficulties, as their existing Enterprise Resource Planning (ERP) is not flexible, scalable, or efficient enough to improve their productivity efficiency and promote further business growth. Furthermore, as WDs evolve in their growth curve, they eventually realize the lack of comprehensive and real-time visibility across their additional organizations and businesses. Consequently, this has been translating into the incurrence of additional IT costs in the form of servers and staff. WDs are also limited by their inability to efficiently conduct business online due to the presence of multiple applications. As a result, legacy ERP vendors in the wholesale distribution sector are incapable of fostering customer growth.

Under such circumstances, unified business management platform companies, which can provide WDs with a holistic, flexible and cloud-based ERP solution to manage their entire business on a single platform, are expected to generate a competitive edge over their peers in North America.

Customer Impact and Business Impact

Since 1998, NetSuite Inc. (NetSuite) has been focused on delivering its solutions through cloud computing. NetSuite's uniqueness lies in the approach it has adopted to deliver enhanced customer value. For instance, instead of providing only one aspect of what is required to run a successful business—i.e., Customer Relationship Management (CRM), selfless automation, commerce, or ERP—NetSuite supplied the entire platform (linking CRM with both ERP and commerce) to enable customers to seamlessly run their entire business.

Wholesale distribution is one of the areas where NetSuite encourages its customers to take advantage of its whole suite approach or opt for an integrated platform with commerce, CRM, and ERP to derive enhanced value. Frost & Sullivan is of the opinion that there is no other company in the North American market that can provide WDs with a complete solution that delivers Business-to-Business (B2B) and Business-to-Consumer (B2C) commerce, marketing, sales, management, sourcing, warehousing, and support capabilities built into one customizable platform. Moreover, NetSuite's platform has inbuilt mobility and is known for its world-class financial reporting and analytics.

Customer Purchase Experience

Distribution, more so than any other industry sector, is fragmented in the ERP market. This is because distribution as a vertical includes a lot of industries, such as health and beauty, direct sellers, building materials, Heating, Ventilation, and Air-conditioning (HVAC), industrial, Consumer Packaged Goods (CPG), medical devices, and others. Although these industries are not fundamentally different in terms of distribution, there are many varied specifics within each industry. Thus, many of NetSuite's WD customers cover different types of industries, segments, and verticals and can go on to later add a manufacturing or service arm to their existing businesses. This has led to the necessity of WDs being flexible enough to support a diverse base of customers as they grow, an area of strength for NetSuite.

Working with a range of customers in the WD industry, NetSuite's unified business platform is flexible enough to deal with varying and evolving customer requirements. However, although the NetSuite platform features industry-specific capabilities, it is not purposefully built for any one industry. As a result, NetSuite customers can take advantage of the flexibility of the platform to match their changing business models. Thus, NetSuite's WD customers will be able to save time, money, and energy by not having to buy other ERP systems or re-implement existing ones to help them with their new business models.

In addition, although wholesale distributors are keen on using customized ERP platforms, many of them later realize that they are unable to take advantage of the latest innovations in the market or achieve their goals due to their inability to further improve or customize their legacy ERP platforms. Therefore, with an aim to render an enriched experience to its customers in North America, NetSuite is committed to introducing frequent improvements to its cloud-based ERP solution. NetSuite has designed its platform to equip customers to take advantage of its robust capabilities and easily customize their system as per their personalized specifications—while continuing to use the latest version of NetSuite's software through seamless automatic updates. This differentiates NetSuite's cloud-based ERP solution from other offerings, as the platform allows more than 24,000 companies and subsidiaries to run the same version of the software and enjoy the flexibility of different customization levels.

Customer Ownership Experience

To be on par with the WD industry's standards and technological advancements, NetSuite emphasizes incorporating additional functionalities into its platform so that its overall value proposition in the cloud ERP space remains unmatched.

Although NetSuite's competitors claim their ERP solutions are cloud-based, they are actually only hosted services and require customers to log into their Business Process Management (BPM) systems, download additional software, or only run the platform on Internet Explorer. On the contrary, NetSuite's platform for business can be accessed from any device (iPad, iPhone, or Android phone) and any browser (such as Google Chrome, Opera, or Safari). Other than Internet access and a browser, no additional software or download is needed for

NetSuite's solution to function. Customers can also walk into an Apple store, log into NetSuite and start conducting business. This addresses one of the key concerns of WD customers—namely, an increased need for mobility for their sales force to be able to instantly reach out to customers and address their needs without delay.

Price/Performance Value

NetSuite is also a frequent replacement for several disparate systems. In such cases, NetSuite offers value to its customers in terms of reduced IT costs and IT maintenance when replacing an on-premise system. In addition, it also helps customers reduce inventory costs, enjoy better inventory visibility, as well as witness improvement in gross margins. Most importantly, NetSuite customers derive actionable insights from using the NetSuite ERP solution. This empowers customers with the ability to make well-informed business decisions at a quicker pace than before. These are some of the direct Key Performance Indicators (KPIs) that NetSuite offers its customers. Furthermore, NetSuite's customers will be able to easily and seamlessly transition to new business models and reap all the advantages of the latest versions.

Although most ERP providers will probably deliver some percentage of savings in time, NetSuite's disruptive platform enables the company's customers to smoothly transition from an old business model to a new one to change how they go to market.

Customer Service Experience

Recognizing the importance of maximizing the Return on Investment (ROI) for its clients in North America, NetSuite has promised to minimize capital investment and lower risks—an approach hard to find in this industry. NetSuite also ensures that its customers' systems are up and running as quickly as possible so that customers can reap maximum ROI within a short time span. The company enables its customers to be self-sufficient with its system and does not need to send a team of consultants to its customers' site for months or even years. As mentioned earlier, NetSuite's business platform boasts a range of diverse capabilities to serve applications such as commerce, CRM, marketing, and order management. It also helps its customers take a step-wise approach and follow the maturity curve. By extending its robust services and helping customers get maximum ROI illustrates NetSuite's ability to further expand its scope of operations to enjoy an edge over its competitors in North America.

NetSuite sends out an automated Net Promoter Score (NPS) survey every six months directly from its ERP system to everyone using the solution. NetSuite does this to track (on the back-end) and understand the experience of executives using NetSuite in comparison to administrators and end-user perspectives. The company also conducts a standard customer satisfaction survey by making phone calls to some of its customers. In addition, NetSuite customers can also cast their vote for a given feature (using a voting system). For key customers, NetSuite also has specific customer reports (by vertical) to help drive future strategy on which features work well and what improvements customers would want to

experience with its products.

For WDs, NetSuite has a real-time cloud-based ERP solution with specific functionality and commerce and marketing features; the solution can also add other elements as its customers expand. NetSuite customers are not limited by what they can do but are only limited by time and resources. Customers will also have ability to change much of their system as their business evolves and will not have to be constrained by the system. NetSuite's ability to facilitate continued innovation through the flexibility of its solution enables smooth customization. NetSuite is an enabler of its customers' growth—provided customers have a growth strategy in place.

Growth Potential

Initially, NetSuite started by targeting small businesses; it then slowly moved up the stack over the years and now continues to grow using the same strategy. NetSuite has more than 24,000 companies and subsidiaries as customers, and WD is one of its largest industry verticals in terms of customers with thousands of distributors running NetSuite solutions and reaping its unmatched benefits. Manufacturing, software, services, and retail are other industries in which NetSuite's business platform excels.

NetSuite effectively matches its competencies to address customer needs. For instance, MusclePharm—one of NetSuite's customers that recorded revenue of \$3.2 million in 2010—added a little less than \$200 million by the end of 2014. According to MusclePharm, NetSuite played a critical role in accelerating its growth, unlike its previous system which had only constrained its growth. Thus, NetSuite helps to ensure profitable business growth for both itself and its customers. NetSuite aims to continue to deliver and provide the most flexible and scalable cloud-based business platform in the North America and around the world to enable its customers to achieve strong business growth, while helping NetSuite attain customer appreciation.

Conclusion

NetSuite, leveraging its 17-year long experience and expertise in the cloud ERP space, has ramped up its capabilities to deliver unmatched customer value and solidify its position in the North American cloud ERP for wholesale distribution market. Having leveraged its rich expertise and in-depth technical knowledge to create a strong position in the market, the NetSuite brand stands synonymous with high customer satisfaction. NetSuite has also gained a competitive edge over its peers in the North American market through its collaborative approach. The company's combination of flexibility, customization, and technical know-how has helped it design an easy-to-use, real-time, cloud-based ERP solution with measureable KPIs. Drawing from the heightened satisfaction that NetSuite renders to its wholesale distribution customers in North America, the company holds huge potential for growth in the cloud ERP space in the future. Because of its strong overall performance, NetSuite, Inc. is recognized with Frost & Sullivan's 2015 Customer Value Leadership Award.

Significance of Customer Value Leadership

Ultimately, growth in any organization depends upon customers purchasing from your company, and then making the decision to return time and again. Delighting customers is therefore the cornerstone of any successful growth strategy. To achieve these dual goals (growth and customer delight), an organization must be best-in-class in three key areas: understanding demand, nurturing the brand, and differentiating from the competition.



Understanding Customer Value Leadership

Customer Value Leadership is defined and measured by two macro-level categories: customer impact and business impact. These two sides work together to make customers feel valued, and confident in their products' quality and long shelf life. This dual satisfaction translates into repeat purchases and a high lifetime customer value.

Key Benchmarking Criteria

For the Customer Value Leadership Award, Frost & Sullivan analysts independently evaluated two key factors—Customer Impact and Business Impact—according to the criteria identified below.

Customer Impact

- Criterion 1: Price/Performance Value
- Criterion 2: Customer Purchase Experience
- Criterion 3: Customer Ownership Experience
- Criterion 4: Customer Service Experience
- Criterion 5: Brand Equity

Business Impact

- Criterion 1: Financial Performance
- Criterion 2: Customer Acquisition
- Criterion 3: Operational Efficiency
- Criterion 4: Growth Potential
- Criterion 5: Human Capital

Customer Impact

Criterion 1: Price/Performance Value

Requirement: Products or services offer the best value for the price, compared to similar offerings in the market

Criterion 2: Customer Purchase Experience

Requirement: Customers feel like they are buying the most optimal solution that addresses both their unique needs and their unique constraints

Criterion 3: Customer Ownership Experience

Requirement: Customers are proud to own the company's product or service, and have a positive experience throughout the life of the product or service

Criterion 4: Customer Service Experience

Requirement: Customer service is accessible, fast, stress-free, and of high quality

Criterion 5: Brand Equity

Requirement: Customers have a positive view of the brand and exhibit high brand loyalty

Business Impact

Criterion 1: Financial Performance

Requirement: Strong overall financial performance in terms of revenues, revenue growth, operating margin and other key financial metrics

Criterion 2: Customer Acquisition

Requirement: Customer facing processes support the efficient and consistent acquisition of new customers, even as it enhances retention of current customers

Criterion 3: Operational Efficiency

Requirement: Staff is able to perform assigned tasks productively, quickly, and to a high quality standard

Criterion 4: Growth Potential

Requirements: Customer focus strengthens brand, reinforces customer loyalty and enhances growth potential

Criterion 5: Human Capital

Requirement: Company culture is characterized by a strong commitment to quality and customers, which in turn enhances employee morale and retention

The Intersection between 360-Degree Research and Best Practices Awards

Research Methodology

Frost & Sullivan’s 360-degree research methodology represents the analytical rigor of our research process. It offers a 360-degree-view of industry challenges, trends, and issues by integrating all 7 of Frost & Sullivan's research methodologies. Too often, companies make important growth decisions based on a narrow understanding of their environment, leading to errors of both omission and commission. Successful growth strategies are founded on a thorough understanding of market, technical, economic, financial, customer, best practices, and demographic analyses. The integration of these research disciplines into the 360-degree research methodology provides an evaluation platform for benchmarking industry players and for identifying those performing at best-in-class levels.



Best Practices Recognition: 10 Steps to Researching, Identifying, and Recognizing Best Practices

Frost & Sullivan Awards follow a 10-step process to evaluate award candidates and assess their fit with select best practice criteria. The reputation and integrity of the Awards are based on close adherence to this process.

| STEP | OBJECTIVE | KEY ACTIVITIES | OUTPUT |
|---|--|--|--|
| 1 Monitor, target, and screen | Identify award recipient candidates from around the globe | <ul style="list-style-type: none"> • Conduct in-depth industry research • Identify emerging sectors • Scan multiple geographies | Pipeline of candidates who potentially meet all best-practice criteria |
| 2 Perform 360-degree research | Perform comprehensive, 360-degree research on all candidates in the pipeline | <ul style="list-style-type: none"> • Interview thought leaders and industry practitioners • Assess candidates' fit with best-practice criteria • Rank all candidates | Matrix positioning all candidates' performance relative to one another |
| 3 Invite thought leadership in best practices | Perform in-depth examination of all candidates | <ul style="list-style-type: none"> • Confirm best-practice criteria • Examine eligibility of all candidates • Identify any information gaps | Detailed profiles of all ranked candidates |
| 4 Initiate research director review | Conduct an unbiased evaluation of all candidate profiles | <ul style="list-style-type: none"> • Brainstorm ranking options • Invite multiple perspectives on candidates' performance • Update candidate profiles | Final prioritization of all eligible candidates and companion best-practice positioning paper |
| 5 Assemble panel of industry experts | Present findings to an expert panel of industry thought leaders | <ul style="list-style-type: none"> • Share findings • Strengthen cases for candidate eligibility • Prioritize candidates | Refined list of prioritized award candidates |
| 6 Conduct global industry review | Build consensus on award candidates' eligibility | <ul style="list-style-type: none"> • Hold global team meeting to review all candidates • Pressure-test fit with criteria • Confirm inclusion of all eligible candidates | Final list of eligible award candidates, representing success stories worldwide |
| 7 Perform quality check | Develop official award consideration materials | <ul style="list-style-type: none"> • Perform final performance benchmarking activities • Write nominations • Perform quality review | High-quality, accurate, and creative presentation of nominees' successes |
| 8 Reconnect with panel of industry experts | Finalize the selection of the best-practice award recipient | <ul style="list-style-type: none"> • Review analysis with panel • Build consensus • Select winner | Decision on which company performs best against all best-practice criteria |
| 9 Communicate recognition | Inform award recipient of award recognition | <ul style="list-style-type: none"> • Present award to the CEO • Inspire the organization for continued success • Celebrate the recipient's performance | Announcement of award and plan for how recipient can use the award to enhance the brand |
| 10 Take strategic action | Upon licensing, company may share award news with stakeholders and customers | <ul style="list-style-type: none"> • Coordinate media outreach • Design a marketing plan • Assess award's role in future strategic planning | Widespread awareness of recipient's award status among investors, media personnel, and employees |

About Frost & Sullivan

Frost & Sullivan, the Growth Partnership Company, enables clients to accelerate growth and achieve best in class positions in growth, innovation and leadership. The company's Growth Partnership Service provides the CEO and the CEO's Growth Team with disciplined research and best practice models to drive the generation, evaluation and implementation of powerful growth strategies. Frost & Sullivan leverages almost 50 years of experience in partnering with Global 1000 companies, emerging businesses and the investment community from 31 offices on six continents. To join our Growth Partnership, please visit <http://www.frost.com>.