

How to Survive — and Thrive — In the New Software Industry

Five keys to success for today's software vendors

Executive Summary

Today's software vendors are expert at solving the technical challenges of software development. But now they face a different kind of challenge: how to prepare their businesses to meet new software delivery models that are adding layers of complexity onto the already-complicated processes of financing, producing and billing for software licenses and related maintenance and services fees.

With the traditional, perpetual-license model, vendors could book new or upgraded licenses as one-time sales, and so could keep margins relatively high. This model can become complicated when sales are combined with maintenance renewals and resellers or referral partnerships, but it's not nearly as complex as the newer business model, software-as-a-service, or SaaS.

With SaaS, the customer pays for software usage on a monthly or quarterly basis and the vendor recognizes revenue only as it is received. This has repercussions throughout the business, from cash flow and revenue recognition to sales compensation and customer success. But even though SaaS adds another layer of business complexity, increasing numbers of vendors, responding to enthusiastic customers and anxious to build predictable revenue streams, are willing to take on its challenges.

In fact, many businesses are managing both model types simultaneously, with perpetual-license vendors increasingly adding SaaS products to combine with their traditional offerings. This improves competitiveness, but puts additional pressure on organizational and business systems.

Still, the rules are rapidly evolving for software companies. As recently as September 2009, a set of new FASB rules (EITF 08-01 and EITF 09-03) added yet another degree of complexity around how software companies recognize revenue. With today's challenging economic, technological and regulatory conditions, software companies should position themselves to succeed by promoting best practices in these five disciplines:

- **Finance:** Build strong revenue recognition processes for current and future needs
- **Service:** Equip everyone to manage customer success and renewal, while balancing cost-to-serve realities
- **Sales:** Sharpen sales focus and effectiveness in light of business model changes and new offerings
- **Visibility:** Maintain transparency across sales, service and finance
- **IT alignment:** Ensure that business systems are aligned with the business direction.

This white paper will describe best practices garnered from NetSuite's experience in pioneering the SaaS model and helping thousands of businesses maximize their performance across a broad range of business models. It will also discuss how NetSuite's solution can help vendors adapt or implement these strategies in order to take maximum advantage of today's and tomorrow's market opportunities.

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Software Vendors: Challenges of a Changing World

Lowered Spending, Higher Expectations

If you're a vendor in today's software industry, your prospects and customers are likely spending less, but expecting more of your products and services. According to IDC, IT spending was down in 2009, and business software buyers were more likely to renegotiate existing contracts, look for concessions on maintenance and license fees, and expect delays in scheduled software price increases.

You're feeling pressure to reduce or at least control costs, yet not cut back on product quality or delivery schedules. But you're also facing a newer challenge—to your business model.

If you're a **traditional perpetual license vendor**, you're being asked to offer deep discounts to sell new business or resell to existing customers—and you're seeing that customers are more reluctant than ever to commit to large expenditures. You're fighting tougher competitive battles, but you must apply strong management to your sales team in order to withstand pressure to overly discount products or services. Also, you're feeling increased competition for installation and consulting services, as third parties push more aggressively for your customers' business.

If you're a **SaaS subscription vendor**, you're dealing with lower margins, so you're trying to maximize customer revenues while ensuring efficient customer acquisition and service. You're also striving to keep your customers satisfied—and amenable to renewing—because they're reminded of your cost with each monthly or quarterly bill they pay.

As with traditional vendors, your pressures to up-sell customers with new recurring offerings are intense. However, for subscription vendors, the greatest challenge lies in cost effectively managing revenue recognition, billings and renewals, which lie at the center of the business model.

If you're a **hybrid vendor**, you're challenged to reconcile two different operating principles—and possibly to guide a transition from one to the other—in financial management, sales force compensation and IT alignment. And you must be careful to minimize the self-competition that comes from taking multiple product-design approaches in overlapping markets.

Toward Strategies and Solutions

For all three vendor types, the keys to addressing their challenges lie in building fundamental strengths, then fine-tuning solutions to fit specific business needs. The strengths, and solutions, will come from:

- **Finance:** Strong revenue recognition and processes that efficiently meet the needs of current and future business models help maximize cash flow and minimize the cost of doing business, and are essential to the success of all other strategies.
- **Service:** Balancing customer satisfaction with the cost-to-serve realities of new subscription-based business models is always difficult, but customer satisfaction is even more important when customers are paying regular subscription fees.

"From a vendor point of view, SaaS isn't as easy as it looks."

— Jeffrey M. Kaplan
July 2, 2009
Seeking Alpha

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- **Sales:** Balancing new business with renewals requires tight alignment between sales and business goals, and can be upset by lack of clarity around compensation and commissions programs.
- **Visibility:** Maintaining end-to-end process visibility is vital to providing decision-making with information that's fresh, accurate and accessible to all areas of your business.
- **IT alignment:** Aligning IT with business goals must extend beyond talking points into business processes that are both focused and flexible, and can handle the cross-functional needs of finance, sales and service.

Strategies for Finance:

Build Strong Revenue Recognition and Billing Processes for Current and Future Needs

For the software finance person, the situation is this: Orders are coming in from the web, from third-party value added resellers (VARs), from sales people, and via phone, fax and email. Orders themselves are multi-faceted: any order might encompass software licenses, service, support and maintenance contracts. Billings might be one-time, calendar-based, milestone or time-and-materials-based, or even usage-based; some may add to complexity by reflecting one-off sales to select customers.

Customer data is spread across a dozen different departments, but your employees are using spreadsheets or standalone accounting applications to track orders, purchase orders and service agreements—and to maintain compliance with accounting procedures and regulatory commitments. You need to do better than that.

Managing Revenue Recognition Amidst Constant Change

Revenue recognition rules for high-tech companies have evolved quickly and are continually changing. In September 2009, the U.S. Financial Accounting Standards Board (FASB) made changes to revenue recognition rules with the introduction of EITF 08-01 that will affect how many IT companies recognize revenue and that could substantially impact their perceived performance.

The sums of the changes often go beyond the out-of-the-box capabilities of many financial management packages. The result is that employees are often supplementing them by using spreadsheets, or re-keying order information into standalone accounting applications to track the orders, revenue recognition schedules and service agreements—all while trying to maintain compliance with accounting procedures and regulatory commitments. Such commitments include Sarbanes Oxley Section 404, as well as the requirements specified in AICPA (American Institute of Certified Public Accountants) Statement of Position 97-2 and 98-9 regulations relating to Vendor Specific Objective Evidence (VSOE).

Your ability to recognize revenue and stay within legal accounting procedures demands that you track each item in the sales bundle accurately, so you can determine when and how each item can be charged. Does the item contain extensive customization? Has the product or service been delivered? Is it considered a hosted service—a SaaS product, in other words—that the customer will not, at some point in the future, decide to bring in-house? Answers to these and other questions that affect your bottom line will be found in your accounting, order processing, customer-service and other business processes.

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If you can't pull together and centralize reliable data about orders, invoices, services and software, then you'll find it nearly impossible to determine profit or loss of any given contract, plus you'll be risking compliance errors. And the chances are you won't find reliable data in spreadsheets or standalone business processes.

But what's worse — much worse — is the difficulty you'll have with revenue recognition; that is, when and how to declare revenue for your accounting purposes. If you have several contracts with a single customer to cover products and services, calculating when and how much revenue to declare can be tedious and legally risky. Without strong financial management processes in place, as your business grows, your risks will be exponentially greater. You may be legally exposed, and you may not be able to monitor profit and loss for certain customers or even for your lines of business.

Fact: According to both PWC and KPMG, more than 90 per cent of corporate spreadsheets have material errors in them.

—Source: The Register
www.theregister.co.uk

Strategy: Identify and Eliminate Manual Processes around Revenue Recognition

You should regularly review and maintain adherence with important accounting standards, including those of AICPA, FASB (Financial Accounting Standards Board), and relevant SEC regulations (including SOP 81-1, SAB 101). Particularly important for recurring revenue management are the requirements specified in SOP 97-2 and 98-9 relating to VSOE, including the accommodation of the Residual Method and a separate VSOE price for every item. So, if your business is evolving different revenue streams, it's important to examine existing systems, identify your business's conformance to the rules, and the manual processes and spreadsheets that are filling in the gaps.

In addition, for delivering services, your existing systems should support percent-complete revenue recognition, which allows you to recognize revenue at the time of project completion. Finally, it's important to make sure that your systems can manage GAAP revenues and billings separately—a critical necessity for most software companies.

With the new FASB revenue recognition rules, broadly speaking, the impact of EITF 08-01 is that companies that had been required to recognize multiple elements under a single unit of accounting may now be allowed to break those out into multiple units, and recognize them at different rates, meaning they can recognize revenue more quickly on some elements than they could before. However, while preferential in terms of revenue recognition, the new rules place additional pressure on systems in terms of calculating "Estimated Sales Prices" and managing many revenue recognition schedules.

Strategy: Reduce Billing Errors through Automation and Self Service

For companies with recurring revenue streams, getting billing processes right is of paramount importance. You'll face one-time and recurring billing and different payment terms whether monthly, quarterly or annually. You may end up having to alter billing in advance or arrears, and manage pro-ration of partial months.

And if you have global ambitions and a potential global subscriber base, then you'd also need to be sure that multiple currencies aren't going to be a problem as your business grows. If you think about the possible situations in advance, you've got a better chance of avoiding outgrowing your billing systems.

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Billing can even be a competitive advantage by making it easier for customers to do business with you. An example where billing can become a competitive differentiator is in customer self service. If you make it easy for your customers to change their billing plans, payment options or their demographic information, they can better manage their relationship with your business and get faster service at the same time.

Strategy: Integrate Business Processes across Sales and Finance

Integrating sales processes with back-office applications such as order management, accounts receivable and general ledger may deliver the greatest single benefit for a software vendor. Yet many companies still run multiple systems databases, using manual entry and spreadsheets as business process “duct-tape.”

Integration helps speed time-to-cash by making the order-to-invoice process more efficient. It reduces the likelihood of errors or data duplication by eliminating or reducing manual data entry. It can also support built-in approvals and checks in order to motivate people to follow company policies in areas such as sales discounting. And process integration gives you visibility across the business spectrum, letting you view, analyze and calculate all aspects of every sale so you can fine-tune the quote-to-order-to-cash process and identify bottlenecks.

Process integration helps ensure that sales quotes are based on the latest pricing and currency information, and it lets you consolidate orders, customer and other information into a central repository, invaluable for managing invoices, managing days sales outstanding (DSO), and driving renewals. With a centralized repository, you can work with confidence that your information is accurate and up-to-date.

Strategy: Synchronize, Automate Renewals Processes

A key to improving the efficiency of financial management and enhancing customer satisfaction involves synchronizing subscription termination schedules for customers with multiple orders.

Inconsistent schedules can result from a variety of scenarios: separate order dates, orders through different channels, orders that come in via different sales people—and, of course, IT applications that are fragmented and inadequate for your billing needs. Synchronizing these makes it easier to automate renewals, and that pays off in revenue for the software vendor, along with process simplicity for the customer. It also makes it easier to simplify and optimize the customer’s revenue-recognition schedules, which pays dividends in multiple areas, from improved efficiency to lowered cost-per-order and simplified compliance management.

Strategy: Strengthen Reporting and Forecasting

Gaining access to integrated data gives you new opportunities to perform analysis and forecasting. But more information doesn’t necessarily mean better decisions unless you can put reporting tools to use to turn that information into meaningful insight. What’s needed are role-based dashboards that can be tailored for each of your managers to show key performance indicators—whether bookings, billings, backlogs or customer service drivers—and let them drill down to granular detail when necessary.



Key insight:

Automate quote-to-order-to-invoice-to-cash processes to accelerate cash flow.



Key insight:

Establish co-terminus-based contracts for renewal and accounting efficiency.

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Strategies for Service:

Equip Everyone to Manage Customer Success And Renewal

For a software vendor, the customer-vendor relationship can be highly complex—and difficult to manage to the satisfaction of both customer and vendor. A good customer who likes your product wants your business to thrive and continue producing good products, and is willing and ready to entertain your suggestions for regular upgrades. But the same customer can become quickly frustrated, if for example, he or she has to have duplicate conversations with both the service and sales team, or if sales or finance is unaware of a service issue when trying to renew the customer or collect a payment.

Strategy: Clear Visibility into Customer Information to Drive for Renewal

An integrated approach to managing customer information in a central repository ensures the latest customer interactions are accessible to sales, service, the renewals team, executives and other groups.

For example, for a sales call, a salesperson should know things well beyond just the current opportunity; he or she should know the full list of products to which the customer subscribes, the results of recent customer support calls, and how close the customer is to renewal. This information can come from sales, service or finance, and may be stored in separate systems, such as sales force automation, customer relationship management or finance applications.

With integrated customer service processes that can pull from each of these applications, the benefits to customer and service team become substantial. The customer feels well-served, with a single conversation covering multiple points of your organization. At the same time, the customer touch point, whether sales, professional services or sales, can remind the customer about an upcoming renewal or about a new product that fits the customer's application—all on the same call, and in the spirit of guiding, rather than frustrating, the customer.

Strategy: Partner the Renewals Team with Accounting

The more information the renewals team has about each customer, the greater the chances of success. The team can use accounting information on a number of levels: they can examine payment histories to determine which customers are most likely to renew; they can avoid the customers who are least likely to pay on time; and they can target the customers that have the greatest reference impact.

Strategy: Identify Your Best Renewals and Minimize Risk of Non-Renewals

Once you have access to information across your sales, CRM and ERP systems, you can take the next step in optimizing customer renewals by ranking your customers according to factors such as current status (no problem issues), annual expenditures and profitability. Once you know which customers are in the top 20 or 30 percent, you can prioritize sales activities by focusing on those that have the highest impact on the business, as well as those that require additional attention to overcome barriers to renewal. To do this, you need an agile, integrated system with strong financial competencies.



Key insight:

Equip your sales, service, finance and professional services with all the information they need to drive renewals.



Key insight:

Integrate your customer information and establish metrics to prioritize your renewals and risk.

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Strategy: Simplify the Renewal Process by Co-Terminating Contracts

Co-terminus management is a means of grouping multiple product or services orders into a consistent time frame for renewal. The customer may have placed additional orders, for instance, or turned on new SaaS functions, in each case triggering a different contract time period. With a co-terminus program, the customer permits these to be grouped together, so they have the same end date. This helps streamline the customer's own payment schedules, and greatly simplifies your billing and accounting processes.



Key insight:

Group multiple sales contracts together so they terminate and renew on the same date.

Strategy: Gain Clear Visibility into Services—and Customer Success

It's important to gain visibility into services for two key reasons: services margins can often be thin, and customer success is key to renewal. You should therefore strive to monitor service metrics for customer satisfaction; on-time, on-budget services delivery; and project profitability.



Key insight:

Establish executive line of sight into project performance to remove downstream roadblocks to renewal.

This typically requires integration of project delivery and billing processes with finance.

But it pays off in some important ways. To keep up with ever-tightening services margins, for instance, you can specify services accurately and track expenses and profitability on a daily basis. With your services information available via managers' dashboards, you can act quickly if services expenses suddenly rise out of scope. Or you can locate services personnel with specific technical expertise quickly, and send them to the customer site with a minimum of wasted time and cost.

Strategies for Sales:

Sharpen Sales Focus and Effectiveness In Light Of Business Model Changes and New Offerings

Software contracts are more complex than ever before, and so is the act of selling software. Revenue recognition issues affect commission schedules; multi-tier pricing and one-off deals can heighten the risk of errors in calculating quotes, invoices and commissions; multiple quotas and complex sales plans can blur the sales team's focus on specific selling strategies and goals. Confusing or inequitable commission structures can even drive sales in directions that are not in line with business goals. In a company moving from perpetual to SaaS, for instance, sales people may be more inclined to sell perpetual-license products than subscription products because of the commission structure.

Complex or contradictory product lines can lead to other problems. Quotas may be set incorrectly, causing sales people to under-achieve. Price changes, complex configurations, manual data entry—any or all of these can lead to errors in commissions and to poor sales performance.

Strategy: Integrate Quote and Order Management with Finance Processes

All too often, sales force automation (SFA) applications are loosely integrated with finance systems, and the quote-management system consists of a spreadsheet. This can result in sales quotes with errors—an incorrect quote turning a solid prospect away from becoming a customer. With spreadsheets, your people can end up keying and re-keying sales quotes and orders into different systems, making it increasingly difficult to enforce discounting guidelines or produce error-free quotes, especially in the face of increasing bundles, configurations, pricing tiers and pricing changes.

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With an integrated approach, a quote ties into both the SFA application and the back-office financial system, automatically incorporating the latest pricing information and enforcing the discounting rules. It also builds in formal approval processes to create an effective safeguard against unprofitable sales, and it gives the sales force confidence to issue aggressive quotes, or to modify quotes where appropriate. Integrated quote management lets you adjust pricing, tiers and bundles when you need to, with the confidence that sales will be quoting based on the newest price list.

Strategy: Manage Sales Behavior to be Consistent with Business Direction

With homegrown systems, it's often difficult to correctly align sales compensation with products, and especially with complex product bundles. Also, sales people may not be able to see or understand how compensation is calculated, which can lower morale.

Gartner estimates that businesses will lose the equivalent of five to 10 percent of annual sales due to poor management of sales territories, quotas and compensation plans. And mis-management can often be a result of managing compensation via spreadsheets, and losing the flexibility needed to cope with the more demanding needs of sales as products become more diverse and the different lines of revenue grow.

For a SaaS business model, it's even more critical to maximize sales focus and performance. For instance, you may have to start customers on a low-margin plan, even though your customer-acquisition costs are high. The best way for you to add to that revenue is to employ a tiered pricing plan and encourage add-on services, which means your sales team must be able to see the compensation value clearly before going back to the customer.

Compensation flexibility is important, so the plan matches the effort. You should be able to apply commission rules based on wide-ranging metrics, such as quotas, sales, quantity or profitability. And you should be able to set quotas monthly, bi-monthly, quarterly, bi-annually, annually—or retroactively. This way, you can tailor your commission and compensation schedules to your business and your strategic goals.

Also vital is dashboard-level visibility of the sales values, the compensation information and supporting details, so sales people can feel confident that they're being compensated correctly for their efforts. They can see the value in driving the most from customer potential. Sales compensation visibility is especially important for hybrid companies, to ensure that the sales team fully understands the compensation impact of selling perpetual or term licenses.

Beyond sales incentive management, additional sales alignment can be achieved through up-sell and cross-sell management. This provides the sales person with instant visibility into what additional products are typically purchased by showing recommendations based on prior order history—and typical add-on options—while the sales person is configuring the quote.



Key insight:

Equip sales with integrated quote management to prevent billing errors and early stage customer dissatisfaction.



Key insight:

Ensure your sales compensation practices are triggering the right behaviors.

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Strategies for Business Visibility:

Maintain transparency across sales, service and finance

Try to answer these questions about your business: How are the renewals trending? Is the sales pipeline increasing or decreasing? What is the lead-to-prospect-to customer conversion rate? What are the key customers at risk of churning? What would be the impact to the business? What is the sales attainment for this quarter?

For many software companies, information on revenues, sales, commissions, customers, and more is kept in spreadsheets, notepads, online files and emails. These companies will find it increasingly difficult to stay abreast of minor competitive challenges, much less the complexities of SaaS or other business models.

Strategy: Gain the Macro View (But Get Down to the Detail When You Need to)

Ideally, the executive team should be able to see a complete view of the business at all times. Visibility across finance, sales and service is essential to company success, but it's only effective if the information shared by them is accurate and consistent. Once these processes are integrated, they will produce a single version of "the truth" that employees can monitor. That information, and that visibility, can then serve as the basis for discussions, decisions, strategies and tactics—all performed knowing that the underlying assumptions are sound.

Strategy: Equip Each Decision Maker with the Information They Need

Company-wide integration and visibility also make it possible to set meaningful standards for key performance indicators (KPIs). You can then monitor these KPIs via role-based dashboards, and use them to make immediate adjustments to errant processes.

Strategies for IT Alignment:

Ensure that business systems are aligned with the business direction

In the search for competitive advantage, software vendors shouldn't overlook the one area that they should know well—the importance of aligning their business processes and IT systems with business goals. The new software paradigm may call for centralized customer information, strong sales, finance and service integration, but the current reality may be far different. The finance system may not be up to speed on revenue recognition; sales automation, customer service and marketing systems may be isolated from one another; and employees may be using spreadsheets to fill in the functionality gaps in issuing quotes, drawing up revenue recognition schedules or reporting.

In situations like these, it's difficult to streamline quote-to-order-to-cash processes; to integrate all revenue centers into accounting; to centralize customer information; or to view the business amidst a variety of accounting, sales force automation, compensation, billing and service systems. And it's costly: With disconnected, disparate IT systems, you waste time and money in many areas, from integrating applications to performing simple version upgrades. And you're frequently forced to spend more money on hardware upgrades to support ongoing software evolutions.

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Strategy: Consolidate Systems and Data Where Possible

By consolidating applications and data in key applications, you'll be able to reduce the number of point-to-point integration projects and other maintenance issues. You should expect to cut costs stemming from manual processes and manual entry, reduce unnecessary errors, and more fully execute on some of the collaborative and integrated strategies outlined in this document.

Strategy: Consider Using Software-as-a-Service for Your Business Systems

As a software vendor, you're in the best possible position to weigh the benefits of moving to a SaaS model for your business system. The following provides you with insights that SaaS can deliver for your business, and why deploying an integrated SaaS application like NetSuite can provide even broader business value.

The Case for NetSuite

About NetSuite

NetSuite, a pioneer of SaaS, cloud-computing software for more than 10 years, grew to become a public company by using its own business management software to manage its performance across all aspects of the business. Today, NetSuite's software is the business management system behind more than 6,600 other businesses; hundreds of software companies; and behind some of the successful recent high-tech IPOs, including Solarwinds, OpenTable.com, and LogMeIn in 2009.

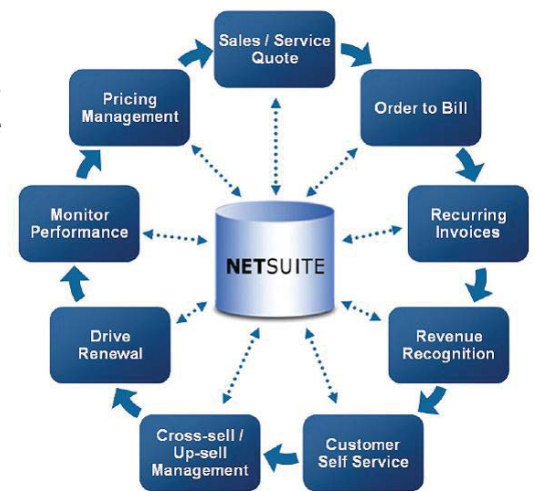
In 2008, NetSuite acquired OpenAir, adding industry-leading professional services automation (PSA) functionality to its financials, CRM and ecommerce software, and providing automation for another key area of optimization for software companies.

In mid-2009, Gartner published its "Market Share: ERP Software, North America, 2008" report. It showed that NetSuite is the fastest-growing (41 percent, year-over-year) vendor out of the top 10 financial management system vendors by a large margin—growing more than 250 percent faster than the next solution provided, and the only cloud solution in the top 10.

NetSuite Software Edition

For software companies, NetSuite offers the NetSuite Software Edition, which includes best practices from across the software industry, and which combines finance, CRM and services management capabilities with specific functionality to help software companies turn the financial management complexities of the software business from a hindrance into a competitive advantage.

Because NetSuite is a broad and fully integrated suite, it lets you remove individual silos and integrate multiple systems—enabling business information to flow easily across your organization.



NetSuite automates the entire business life cycle for software companies.

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Cloud-Based Delivery

NetSuite's software is completely cloud delivered, so it lets you focus on running your business, not the software, and eliminates the need for costly servers, infrastructure and the ongoing upgrade treadmill. In fact, analysts such as Hurwitz estimate that NetSuite is at least 50 percent more cost effective to run than legacy on-premise solutions such as Microsoft Great Plains.

NetSuite's software is highly secure, combining SAS 70 Type II, PCI DSS certification and EU Safe-Harbor compliance. This provides data security and also accelerates financial audits by helping you adhere to the AICPA's best practices for managing financial systems.

Your business will also benefit from high availability: NetSuite commits to 99.95 percent availability, higher than traditional systems, and publishes statistics about its ongoing availability (<http://status.netsuite.com>).

NetSuite's cloud delivery model permits automated upgrades twice a year as part of the service, and supports "anytime anywhere" browser-based access, even from devices such as the Apple iPhone.

Financial Management for Software Companies

A key component of NetSuite Software Edition is NetSuite Financials, which, in addition to general ledger and accounting applications, includes specific applications for software companies such as advanced billing, recurring revenue management, revenue recognition and amortization schedules, as well as advanced project accounting for professional services.

NetSuite Financials help companies manage recurring revenue streams in a number of ways. They support integration with front- and back-office business processes; they deliver end-to-end visibility with real-time responsiveness; they feature built-in billing and revenue recognition functions, as well as seamless order-to-cash CRM integration; and they make all financial and other information available to authorized users via role-based dashboards.

Some examples of how NetSuite supports the revenue recognition needs of software companies:

Complete Revenue Recognition Management

NetSuite supports AICPA, FASB and SEC regulations (including SOP 81-1, SAB 101). NetSuite accommodates the requirements specified in SOP 97-2 & 98-9 relating to Vendor Specific Objective Evidence (VSOE), including the accommodation of the Residual Method and a separate VSOE price for every item, while also providing the tools. Percent Complete Revenue Recognition allows companies to recognize revenue in conjunction with the completion of a project. NetSuite supports Sarbanes-Oxley compliance with Section 404, and lets software companies manage both GAAP revenues and billings separately. NetSuite supports the latest FASB regulations around revenue recognition such as EITF 08-01 and EITF 09-03, easily allowing multi-element revenue recognition and easing the calculation of Estimated Selling Prices (ESP).

Deferred Revenue Management

NetSuite lets you recognize deferred payments within regulations and guidelines, all within NetSuite Financials. Deferred revenue reports deliver detailed data on both posted and forecasted revenue. NetSuite gives you easy access to detailed historical and future views for more accurate business management and planning.

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Flexible One-Off and Recurring Billing Management

NetSuite provides flexible-billing capabilities that are compatible with the billing and payment solutions used by thousands of companies globally. NetSuite's built-in flexibility and sophisticated logic let you tailor customer-billing processes to your business. For example, with NetSuite, you can:

- Bill customers one time or on a recurring basis
- Manage different payment terms, whether monthly, quarterly or annually
- Bill in advance or arrears, and prorate partial months
- Provide customers with self-service capabilities, allowing you to provide faster, more efficient service and increase customer satisfaction.

Streamlines Billing with Front- and Back-Office Integration

NetSuite provides pre-built integration of your billing processes with all back-office functions, including order management, project billing, recurring billing and accounts receivable. Integrated ecommerce and customer relationship management (CRM) capabilities ensure that customers can sign up easily, allowing you to convert them from prospective customers to subscribers — no matter what the channel.

Customer Success: A Financial Platform for Growth

"[NetSuite] has allowed us to build a stable and reliable financial platform to support the company through its dramatic growth."

— John Bruce-Smith, Chief Financial Officer, Atlassian

Supports Your Global Subscriber Base

NetSuite lets you consolidate multiple disparate billing software systems into one unified billing system. With NetSuite OneWorld, NetSuite delivers multi-subsidiary management, real time global visibility, and multi-currency and tax management. NetSuite's tax engine accommodates multiple tax schedules for local taxes across subsidiaries, GST, VAT, consumption tax or general sales tax, and more. You get a single real-time view of your billing operations and can interact consistently with customers around the world — all without sacrificing different subscription and per-usage billing software models.

Driving the Success at Some of the World's Most Successful Software Companies



By Patrick Barnard, Senior Web Editor, TMCnet

Not long ago, SuccessFactors Inc., which specializes in on-demand performance and talent management solutions, was like a lot of other companies in that it was relying on a patchwork quilt of stand-alone legacy software systems to carry out its critical business operations.

Faced with rapid growth internationally, the company realized that its financial

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operations and business processes were being constrained by off-the-shelf software and manual processes. QuickBooks lacked the scalability it needed to grow. Purchase orders and expenditure approvals were being bottlenecked by cumbersome workflow, requiring spreadsheets to be e-mailed around the company. What's more, the company, which has more than a dozen sales offices worldwide, was relying on local bookkeepers, spreadsheets, and manual import processes to consolidate its international results.

Recognizing the inefficiency of this approach, SuccessFactors shopped around for a variety of business software solutions and ended up selecting NetSuite OneWorld for its ability to centralize the management and operations of its international offices. With NetSuite OneWorld, the company gained the convenience and efficiency of having its ERP, general ledger, revenue recognition, foreign subsidiary consolidation, expenditures and approvals, and reporting and analysis capabilities all tightly integrated on a single platform.

Today SuccessFactors is a truly integrated global enterprise. With NetSuite OneWorld, the company's local bookkeepers can now work with the same financial controls and live data without extensive retraining, giving the company more timely and reliable insight into each and every market.

In addition the company's accounting group is substantially more productive, with the flexibility and convenience of the world's leading cloud computing enterprise suite. More than 100 SuccessFactors employees use NetSuite for business-critical activities, including deeper and more immediate insight into the company's direction and financial processes.

What's more, SuccessFactors has integrated its multinational sales operations at a cost which is about one-third less than conventional, on-premise solutions—plus it will save approximately \$250,000 annually on IT staff expenditures, thanks to NetSuite's cloud-based maintenance and support.

"The bottom line is that we now use a world-class SaaS ERP system in NetSuite OneWorld for some of our financial controls and consolidation of our multiple subsidiaries in North and Latin America, Europe and Asia-Pacific, and yet we still find the system intuitive and easy to use," said Brian Kinion, Vice President and Controller of SuccessFactors, in a release. "We are able to get new users up to speed very quickly, and that is key as our overseas expansion continues."

This article was originally published on TMCnet.com on October 9, 2009. Used with permission.

 **Find out more: contact NetSuite Inc. at 1-877 NETSUITE or visit www.netsuite.com**

Customer Management to Drive Success and Renewal

NetSuite provides a single view of the customer, with centralized management of customer satisfaction data, scorecards, case history and project completion history. Role-based dashboards ensure that every employee who works with customers is positioned to deliver the best possible service. Sales even get visibility into essential customer information such as contract renewal dates and payment history to support the renewal process.

Additionally, managers can view renewal rates at a strategic level and easily drill down to the underlying detail for a particular region, or to a particular customer to understand the history behind a failure to renew.

Customer Success: Front and Back Office Visibility to Drive Renewals

“Our services revenues have been lifted by 20 percent now that we are properly monitoring service contracts and renewal dates with NetSuite.”

—Raymond Close, Financial Controller, Healthinc

Customer Self Service

NetSuite offers comprehensive support for customer self-service, letting customers view order histories, check status, and add or update profile or other information via customized online forms. NetSuite automates invoice creation, and makes it easy for you to see specialized views—all orders due to be invoiced by a certain data, for instance—or deep visibility into the associated revenue-recognition schedules of any specific invoice.

Professional Services Management

With the addition of OpenAir, NetSuite streamlines operations by allowing you to optimize staffing resources, manage projects more efficiently and clearly account for project time and expenses.

You can create a services resource planning system—or SRP, analogous to ERP—that will drive the profitability of your services organization by increasing resource utilization, accelerating billing and invoicing, and reducing administrative costs. You’ll increase the services team’s productivity by enabling them to get the information they need and submit project and expense information from anywhere, with complete web and mobile support.

Also, you’ll get instant visibility into the health of your services business with quantifiable, real-time insights into the critical services business metrics.

Driving Sales Performance

NetSuite delivers all the key capabilities sales people need to drive renewals, quote the customer correctly, upsell customers, and ensure that they aligned with the latest product offerings and company strategy:

Upsell Management:

NetSuite lets you monetize existing customers with strong upsell and cross-sell management features, even allowing service functions to upsell. NetSuite also provides strong sales incentive compensation management to balance customer acquisition with upselling/cross-selling and to enable the roll out of SPIFs and upsell/cross-sell sales plans.

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Customer Success: Managing Revenue Performance

"We have to responsibly manage growth, and NetSuite provides the business application infrastructure that we need to do exactly that."

— Rob Gottschalk, Director of Sales Operations, SolarWinds

Integrated Pricing and Quote Management

NetSuite supports agile pricing for subscription plans in response to customer or market demand, allowing you to:

- Ensure that sales quotes are up-to-date with the latest finance and pricing information
- Effective-date new customer agreements
- Update billing processes and prorate payments
- Communicate pricing changes to the sales and service team
- Synchronize quote management, financial management processes and incentive compensation.

Sales Commissions Management

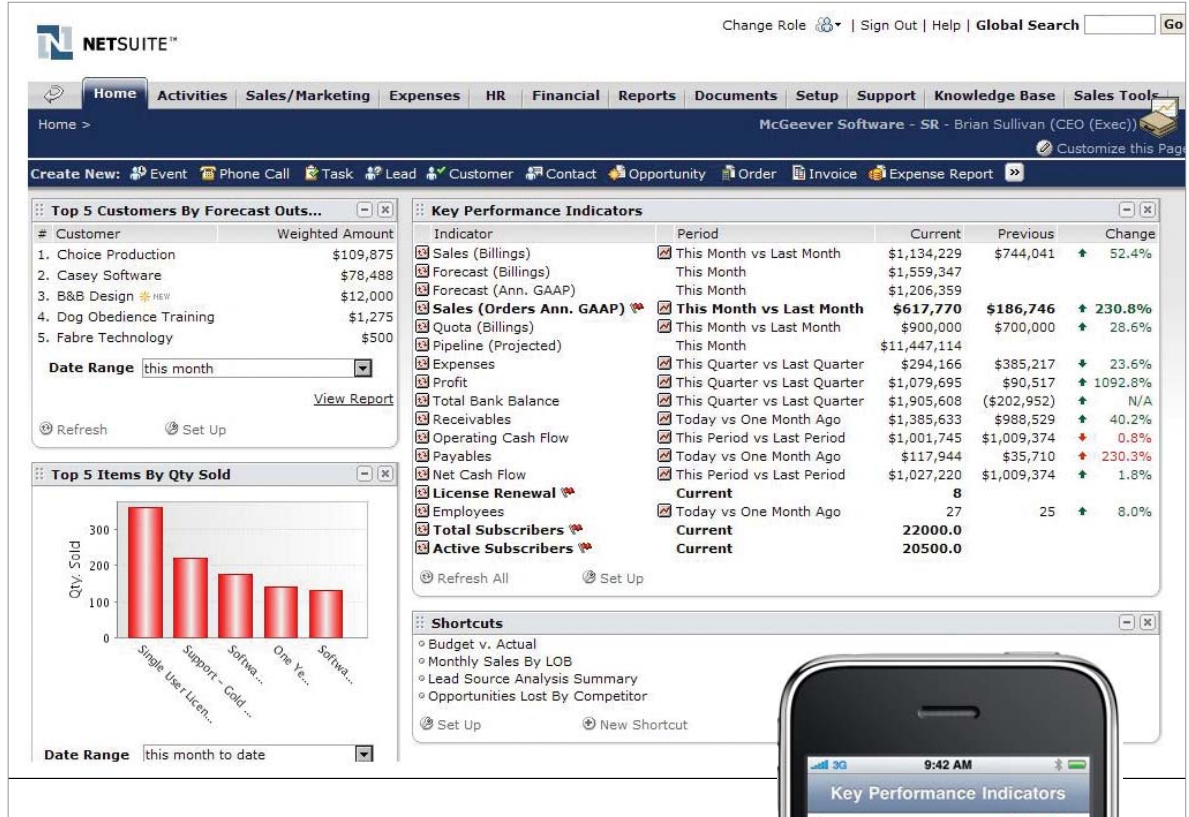
Compensation and commissions visibility are key to keeping sales people focused on their target, which can be particularly challenging in complex software contracts. NetSuite gives you a number of ways to manage and adjust commissions, including:

- Complex commission schedules can be managed centrally, and set monthly, quarterly, bi-annually or annually to allow for maximum flexibility
- Commission rules can be configured based on quota, sales or quantity
- Calculation options enable you to calculate commissions based on a linear scale, marginal scale, or no scale at all.
- Support for complete commission plans allows for multi-tiered scheduling and maximum flexibility in creating sales compensation formulas
- Retroactive commissions options enable you to make changes to compensation plans, as needed, when needed
- Target commissions enable sales managers to set a goal and calculate commissions for the entire sales team.

Clear Business Visibility

NetSuite's strong dashboard and reporting capabilities help you drive revenue management and financial reporting, and manage customer profitability. They let you continually monitor recognized revenue; examine breakouts of recognized revenue across the various elements; and achieve detailed visibility down to the transaction level. They help ensure that you're confident in reporting your financials and you're able to quickly diagnose any unforeseen issues. In addition, they equip you to handle the more complex revenue and deferred revenue reporting (by region, product line and so on) resulting from new revenue recognition rules such as EITF 08-01 and EITF 09-03.

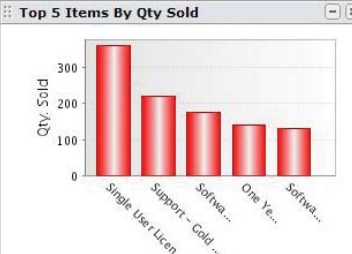
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The screenshot displays the NetSuite web interface with the following components:

- Navigation Bar:** Home, Activities, Sales/Marketing, Expenses, HR, Financial, Reports, Documents, Setup, Support, Knowledge Base, Sales Tools.
- User Profile:** McGeever Software - SR - Brian Sullivan (CEO (Exec))
- Quick Create:** Event, Phone Call, Task, Lead, Customer, Contact, Opportunity, Order, Invoice, Expense Report.
- Top 5 Customers By Forecast Outs...**

#	Customer	Weighted Amount
1.	Choice Production	\$109,875
2.	Casey Software	\$78,488
3.	B&B Design	\$12,000
4.	Dog Obedience Training	\$1,275
5.	Fabre Technology	\$500
- Key Performance Indicators**

Indicator	Period	Current	Previous	Change
Sales (Billings)	This Month vs Last Month	\$1,134,229	\$744,041	↑ 52.4%
Forecast (Billings)	This Month	\$1,559,347		
Forecast (Ann. GAAP)	This Month	\$1,206,359		
Sales (Orders Ann. GAAP)	This Month vs Last Month	\$617,770	\$186,746	↑ 230.8%
Quota (Billings)	This Month vs Last Month	\$900,000	\$700,000	↑ 28.6%
Pipeline (Projected)	This Month	\$11,447,114		
Expenses	This Quarter vs Last Quarter	\$294,166	\$385,217	↓ 23.6%
Profit	This Quarter vs Last Quarter	\$1,079,695	\$90,517	↑ 1092.8%
Total Bank Balance	This Quarter vs Last Quarter	\$1,905,608	(\$202,952)	↑ N/A
Receivables	Today vs One Month Ago	\$1,385,633	\$988,529	↑ 40.2%
Operating Cash Flow	This Period vs Last Period	\$1,001,745	\$1,009,374	↓ 0.8%
Payables	Today vs One Month Ago	\$117,944	\$35,710	↑ 230.3%
Net Cash Flow	This Period vs Last Period	\$1,027,220	\$1,009,374	↑ 1.8%
License Renewal	Current	8		
Employees	Today vs One Month Ago	27	25	↑ 8.0%
Total Subscribers	Current	22000.0		
Active Subscribers	Current	20500.0		
- Top 5 Items By Qty Sold**

- Shortcuts**
 - Budget v. Actual
 - Monthly Sales By LOB
 - Lead Source Analysis Summary
 - Opportunities Lost By Competitor

NetSuite helps you minimize “cost-to-serve” by giving you a handle on all direct and indirect customer costs—including acquisition costs, service costs and product delivery costs. You can see which customer segments drive margin and which don’t, so you can change strategy accordingly.

NetSuite’s real-time visibility even extends to mobile devices such as Blackberry and Apple iPhone, with the NetSuite for iPhone application. It enables decision makers and any employee interacting with the customer to have comprehensive access to the latest customer and business information, no matter where they are.



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Thriving in Today's Business Environment

"Revenue recognition is an issue that surfaces in a significant number of the Commission's enforcement cases and is the largest single issue involved in restatements of financial statements."

—Lynn E. Turner, Chief Accountant, U.S. Securities & Exchange Commission

"Speech by SEC Staff: Revenue Recognition," May 31, 2001

In the near-decade since Lynn Turner gave this speech, the software industry has been through substantial upheaval in markets, customer expectations and business models, to name a few major areas. The software industry has created millionaires, triggered bankruptcies, spawned a new generation of agile, innovative competitors—and embarked on a major change in the selling and distribution of software itself.

The new model, SaaS, is particularly suited to today's more demanding customers, and to smaller software companies' more aggressive sales tactics. Even traditional-style vendors are bringing on SaaS products to complement, and perhaps eventually replace, their legacy offerings.

SaaS is attractive to customers because it doesn't require a large up-front investment, and it adapts more easily to agile business processes because it is far simpler and faster to upgrade than conventional software products.

But just as SaaS has helped simplify customer software purchases and installations, it has brought added complexity to software vendors. In the past nine years, in fact, the business of software has become far more complex than it ever was. Selling and delivering software via the Web has opened up new markets, but it has also helped create new channels; new channels and new markets mean that pricing structures have become more complex. And the opportunity to sell to global customers has brought the need for extra time and effort spent on everything from currency conversions to international tax codes and other regulations.

If revenue recognition was a major financial compliance issue in 2001, for today's software companies it must be off the charts, as the saying goes. The move to SaaS; the added competition from third-party services companies; the added sales channels, along with more complex pricing structures and conversions; and the urgent need for fast, accurate financial information—all combine to place unprecedented challenges at the front steps of today's software businesses. And at the core of the problem is the need to handle these complexities while still making a profit.

The solution isn't simple, but the concept is: software businesses, no matter how modest, must begin to integrate their business processes, and must move to put spreadsheets and one-off accounting applications behind them. This paper suggests where and how to start. Done well, upgrading and integrating business processes can be the difference between thriving in—rather than merely surviving—today's challenging business environment.

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Software Satisfaction Awards
Best Enterprise Accounting Software



ISM
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CODiE Award
Best E-commerce Solution



CPA Technology Advisor
2009 5-Star Rating



Customer Interaction Solutions
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Accounting Today
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"None of...NetSuite's rivals have packaged together the full complement of back office, front office and e-commerce capabilities into an integrated, software-as-services offering."

Laurie McCabe
Vice President
AMI Partners

"NetSuite breaks the limitations of traditional CRM systems by integrating complete back-office and front-office systems in a simple application. For the first time, mid-market companies can go from lead to sale to shipment to service without ever having to integrate data from disparate systems."

Denis Pombriant
Managing Principal
Beagle Research Group

"[With NetSuite] a customer begins to realize ROI immediately... with no hardware to procure, no up-front license fee, and no complex set-ups."

Jayson Maynard
Research Analyst
Credit Suisse

"We were spending 3% of our revenue on SAP. By switching to NetSuite, we reduced that cost to 0.1% of revenue."

David Stover
Chief Financial Officer
Asahi Kasei Corp.'s Dorlastan
fiber division