



METRICS THAT MATTER: Software Company Edition

annexa

ORACLE®
NETSUITE

OVERVIEW

There is a point in the software startup lifecycle when those with a good idea begin to move out of the proverbial “startup garage” environment and dive into a sea of critical questions, such as: “What next?” and “How do we scale our business to ensure it is profitable, sustainable and meets our end goals?”

How a startup defines success, where that journey takes it and where the company ends up are all very difficult paths to predict. But there *is* a universal point in the journey of every startup: the point where demand outstrips the company’s ability to sustainably manage it. Many startups reach this point sooner than expected. And when customers happen to meet them at this intersection, bad experiences with the brand at that moment can end up dictating customers’ willingness to engage with the company, long-term.

It’s impossible to predict with absolute certainty how the market will respond to a new technology, and it’s just as difficult to predict when and where growth will occur as a result of this response. With that, software startups can learn from experiences of other successful software companies. This ebook discusses how implementing

cloud-based financials protects software companies from getting to the point where demand outstrips their ability to sustainably manage it.

FROM STARTUP TO MIDMARKET: THE CHALLENGES

There are common challenges that software companies must overcome if they want to compete in today’s global market. These challenges revolve around (but are not limited to):

1. Revenue Recognition and ACS 606 Compliance:

In December 2017, the FASB (Financial Accounting Standards Board) will introduce ASC 606, which will create changes to the standards for recognizing subscription-based revenue. Many solutions in the marketplace promise to ease ASC 606 compliance, but bolting on best-of-breed technologies increases complexity and leaves information in silos, thus compromising the transparency that ASC 606 aims to accomplish.

2. Renewal Management: Recurring revenue from ongoing licenses, support and maintenance contracts

is the lifeblood of software companies. However, many companies experience costly revenue leakage and customer churn because they rely on cumbersome and inefficient manual processes to manage renewals and account for recurring revenue.

3. Subscription Billing: The nature of most software companies is to create products and services that uniquely meet the requirements of their customers. From a financial perspective, this complicates the billing process due to the way manual processes and data entry are error prone.

4. Quote-to-Cash: Manual quote entry, billing and past-due alerts prevent the staff from focusing on the more productive task of collecting invoices. By automating quote-to-cash processes, companies can decrease the amount of time spent on those tasks and still speed up the time it takes to complete the cycle.

5. Financial Reporting: Complex billing and revenue streams often complicate the financial reporting process. Without a centralized and unified source of business data, companies cannot gather and analyze information as efficiently as possible. Therefore, the ability to make critical business decisions with this

data is compromised significantly in comparison to that of companies with automated and streamlined reporting processes.

6. Financial Close: Having real-time, reliable financial information speeds up month-end close. NetSuite provides an integrated view of information, support for revenue recognition standards and processes, and reports and dashboards that let managers view financial data on an ongoing basis—not just at the end of the quarter. This continuous insight significantly reduces the time and staff needed to reconcile accounts and close the books at the end. Customers can also dramatically shorten the time to prepare for audits, and some even automate the process entirely.

7. IT Spending: For software startups—particularly those launching products that run in the cloud—there is a special imperative to “drink your own champagne”, so to speak. Cloud-committed companies, such as DocuSign, experience the added benefits of IT savings, both from hardware savings and reducing the complexity of managing manual processes, complex integrations and upgrades.

PAVING A PATHWAY TO SUCCESS

With NetSuite, software companies can launch, run and grow their businesses on the world's most deployed cloud ERP solution. NetSuite's industry-focused implementation methodology, SuiteSuccess, delivers pre-defined user dashboards that are specifically developed from years of experience with software companies.

NetSuite cements a foundation that scales with startups as they encounter and overcome various obstacles throughout their journeys. NetSuite helps companies handle growth by:

- Automating critical finance and accounting processes.
 - Improving the accuracy and efficiency of financial close processes.
 - Synchronizing complex billing and revenue management.
 - Automating subscription and renewal processes/flows.
 - Providing a scalable and flexible platform that is engineered to support growth and diversification.
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NetSuite Stairway for Software

- Natively supporting multi-subsidiary, multi-currency, multi-language and multi-location functionality.
- Increasing visibility into all organizational units of business.
- Providing comprehensive financial consolidation capabilities with embedded analytics and real-time reporting.

NETSUITE FOR SOFTWARE COMPANIES

Revenue Recognition. NetSuite's revenue recognition templates allow controllers to define revenue recognition models and automatically apply them to line items in customer invoices. Dashboards and reports enable them to monitor the revenue recognition process and reduce the risk of errors or non-compliance associated with multiple spreadsheets and manual processes. NetSuite provides a single system to manage orders from multiple sales channels, and to manage billing and revenue recognition that supports compliance with revenue recognition rules such as revenue arrangements with multiple elements (ASC 605-25) and percentage-of-completion accounting (ASC 605-35), while providing a foundation to prepare for adopting ASC 606. Additionally, NetSuite's cloud-based architecture, with the flexible and powerful [SuiteCloud Development Platform](#), enables customizations that carry forward automatically with every upgrade and provides a robust ecosystem of complementary solutions.

Billing. Automated billing processes reduce errors and save the company time and money. Software



Video: NetSuite Knows 606

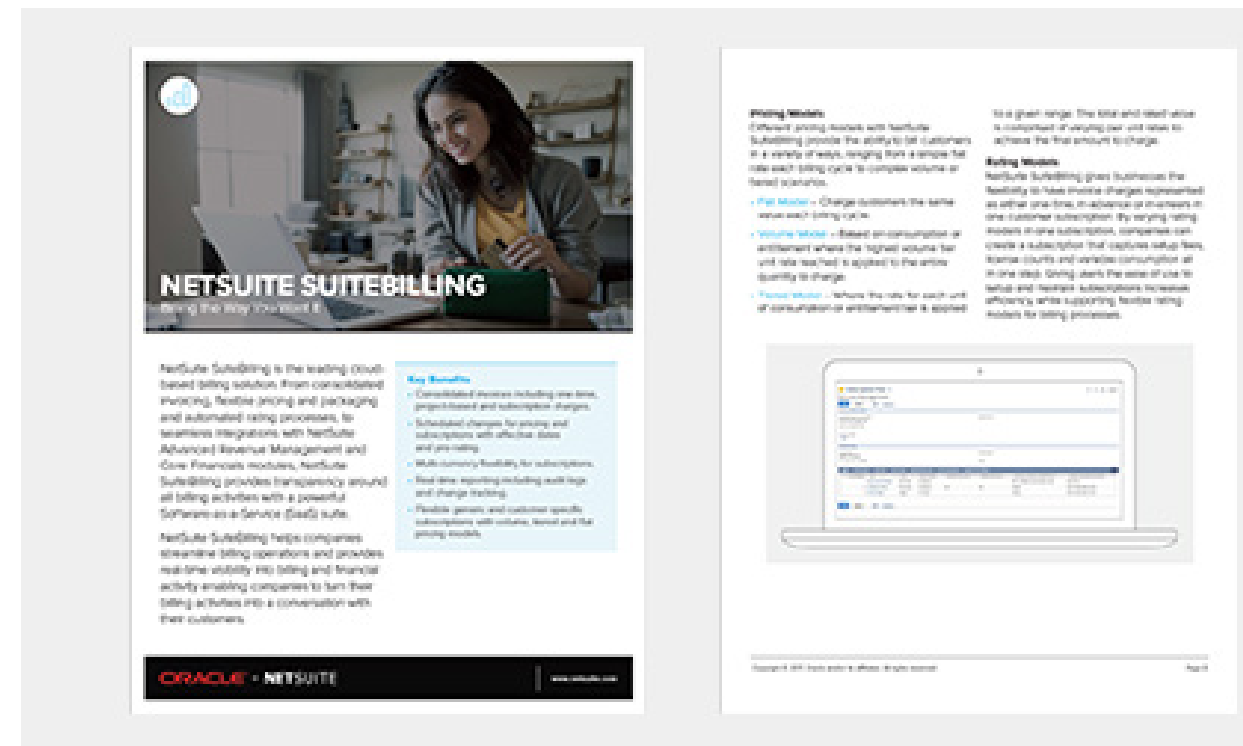


White Paper: Countdown to ASC 606

companies can customize billing schedules and templates to automate the creation of invoices based on license agreements and service contracts. Milestone billing schedules let software companies bill as work is completed according to the service contract. Billing schedules can be applied to an entire sales order or to each specific item in an order and indicate what is to be invoiced and when, providing more granular visibility into cash flow from period to period. Powerful reporting capabilities provide accurate billing forecasts. NetSuite's subscription billing allows for the creation and management of complex, value-based (usage) subscriptions with full integration to advanced revenue management.

Deferred Revenue Management. With NetSuite, companies can recognize deferred payments within regulations and guidelines, all within NetSuite Financials. Deferred revenue reports deliver detailed data on both posted and forecasted revenue. NetSuite provides easy access to detailed historical and future views for more accurate business management and planning.

Renewal Management. NetSuite provides the critical end-to-end functionality that software companies require



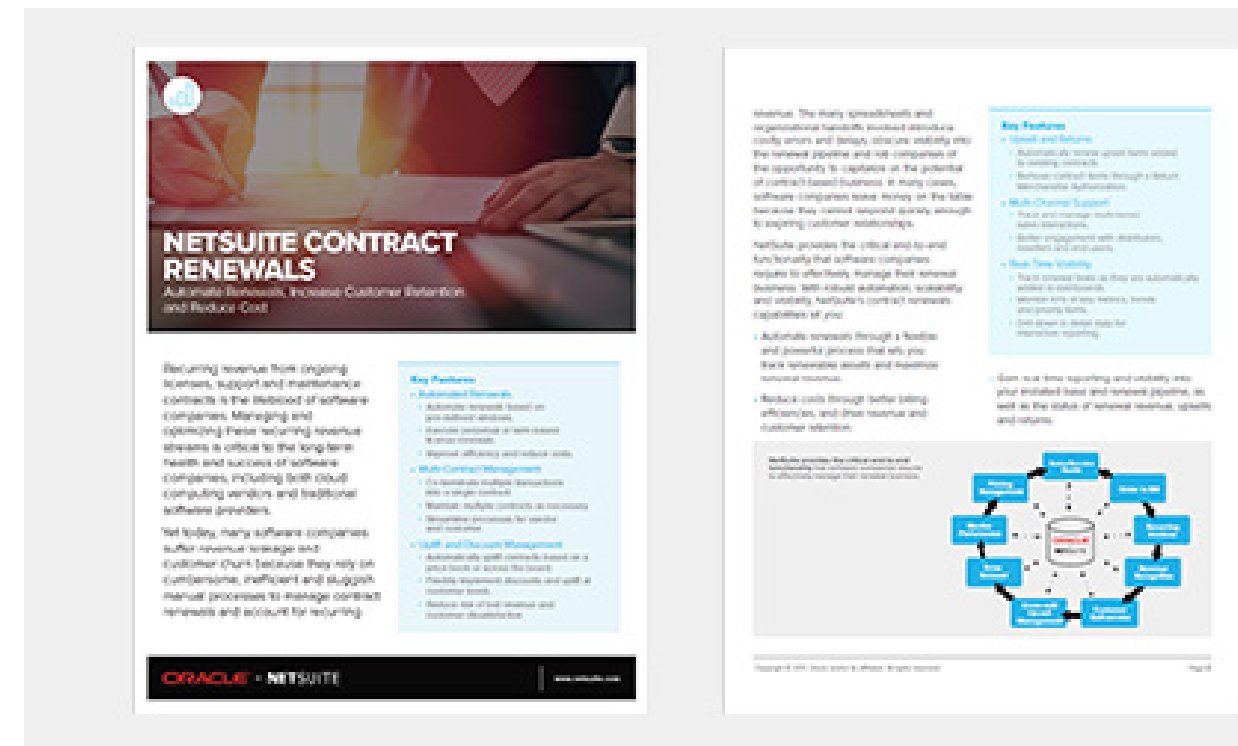
Data Sheet: NetSuite SuiteBilling

to manage their renewal businesses. NetSuite uses a single repository for customer management, which facilitates the tracking and renewal of contracts, including subscription licenses as well as maintenance and support. Additionally, NetSuite automates renewals through a flexible and powerful process to track renewable assets and maximize revenue. Software companies can reduce costs through better billing efficiencies and gain real-time visibility into the installed base, pipeline and status of renewal revenue, upsells and returns.

Pricing Management. NetSuite makes it easy to manage sophisticated pricing models and supports a variety of pricing mechanisms, including standard, volume, promotional, customer, industry-specific pricing and more—all in an easy-to-manage matrix.

Financial Reporting. NetSuite not only improves visibility into the organization, but also reduces the time it takes to gather and analyze the information needed to make critical decisions. By taking advantage of a centralized data store, pre-built reports and dashboards and the ability to build custom reports, many customers can analyze their businesses more comprehensively and efficiently than ever before. Automation and streamlining of many routine steps helps reduce the time of certain reporting tasks from days to minutes.

Revenue Forecasting. NetSuite takes the guesswork out of revenue forecasting. With all aspects of revenue managed in NetSuite, instead of in offline spreadsheets and third-party systems, revenue forecasts based on consolidated, real-time data promote more accurate and confident forecasting.



Data Sheet: NetSuite Contract Renewals

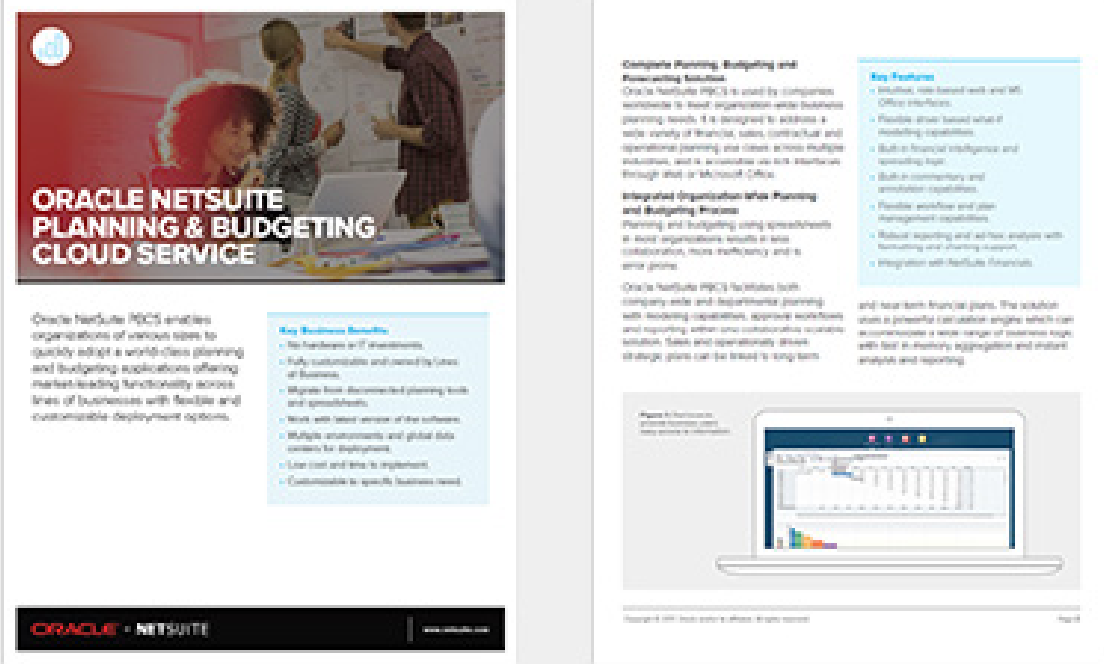
NetSuite's end-to-end contract renewal functionality allows software companies to effectively manage their renewal businesses in the cloud.

Global Financial Consolidation. As companies become global enterprises, they face new challenges. Preserving the culture of innovation and managing/unlocking subsidiary growth—all while focusing on minimizing risk—is one of these challenges.

NetSuite OneWorld provides seamless global business management in multiple currencies, tax rules and reporting requirements, including real-time data access, a configurable tax engine and comprehensive language support. With OneWorld, all subsidiaries can live on one GL and one chart of accounts. The entire company uses the same system with the same processes, and has one consolidated view of the organization.

Over 1,500 software companies, from startup to enterprise, use NetSuite, making it the leading cloud ERP for the software industry. NetSuite has more than 300 pre-built reports and dashboards targeted specifically for software and internet-based companies, with 15 pre-defined roles.

Startups that use NetSuite for unified financials are better positioned to easily turn on other capabilities in the NetSuite platform, including CRM, inventory and order management, procurement, ecommerce, partner relationship management and much more.



ORACLE NETSUITE PLANNING & BUDGETING CLOUD SERVICE

Oracle NetSuite PBCS enables organizations of various sizes to quickly adopt a world-class planning and budgeting application offering market-leading functionality across lines of businesses with flexible and customizable deployment options.

Key Business Benefits:

- No hardware or IT investments
- Fully customizable and owned by lines of business
- Migrate from disconnected planning tools and spreadsheets
- Work with latest version of the software
- Multiple environments and global data centers for deployment
- Low cost and time to implement
- Customizable to specific business needs

Complete Planning, Budgeting and Forecasting Solution
Oracle NetSuite PBCS is used by companies worldwide to meet organization-wide business planning needs. It is designed to address a wide variety of financial, sales, contractual and operational planning and control across multiple subsidiaries, and is accessible via web interfaces through Web or Microsoft Office.

Integrated Organization-Wide Planning and Budgeting Process
Planning and budgeting using spreadsheets at most organizations results in less collaboration, more inefficiency and is error prone.

Oracle NetSuite PBCS facilitates both company-wide and departmental planning with modeling capabilities, scenario execution and reporting, within one collaborative secure solution. Sales and operationally driven strategic plans can be turned to strong bottom line results from the plans. The solution uses a powerful calculation engine which can accommodate a wide range of business logic with built-in modeling, aggregation and instant analysis and reporting.

Key Features:

- Intuitive, easy-to-use web and self-serve interfaces
- Flexible, granular-based what-if modeling capabilities
- Built-in financial intelligence and reporting logic
- Built-in commentary and annotation capabilities
- Flexible workflow and plan management capabilities
- Robust reporting and ad-hoc analysis with forecasting and planning insights
- Integration with NetSuite Financials

Figure 1: NetSuite PBCS Cloud Service Architecture

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Data Sheet: Oracle NetSuite Planning & Budgeting Cloud Service

All NetSuite features, modules and components leverage the same source of data for an end-to-end view of business. As such, the organization can focus on what it needs to do to sustain growth (hiring the right people, ensuring optimized cash flow, keeping track of the big picture, etc.) and to increase customer engagement with the company and with the brand at large.

THE NETSUITE STORY: FROM STARTUP TO GLOBAL ENTERPRISE

NetSuite uniquely understands the challenges that fast-growing software companies face because NetSuite, itself, had to overcome them. When NetSuite (then NetLedger) was founded in 1998, it was in just the same position as any other software startup. Since its founding, NetSuite has evolved from a 10-person startup into what is now the world's most deployed cloud ERP solution, serving over 40,000 organizations around the globe.

NetSuite is—and always has been—a NetSuite customer. The company runs on its own software solution and always, which lends credence to its commitment to customer success.

CUSTOMER EXPERIENCES

DOCUSIGN

DocuSign, a quintessential software industry unicorn, was founded in 2003 in the San Francisco Bay Area. DocuSign is quickly becoming the de facto standard for



Customer Spotlight: DocuSign

its wildly popular bread-and-butter offering (electronic signatures software). In achieving and sustaining this rapid growth, however, the company has encountered its fair share of challenges.

Like many startups, DocuSign used QuickBooks and Excel spreadsheets to run its business during its startup phase. Around 2010, DocuSign hit the 100,000-customer mark and started experiencing the negative side effects of its existing systems. The

finance team found itself spending too much time reconciling numbers in spreadsheets and not enough time analyzing the numbers to generate meaningful insight. It needed to automate and streamline financial processes, and redirect its focus on value-adding processes and activities. With that, it needed a global, 360-degree view of projects, resources and revenue. DocuSign implemented NetSuite OneWorld to achieve just that.

DocuSign quickly realized ROI from NetSuite OneWorld. World-class financials could be managed by DocuSign's small finance team, while still delivering unprecedented value. Running on NetSuite:

- Rev rec processes decreased from nine days to a few hours.
- Month-end close process (which previously took weeks) are completed in just days.
- Multi-currency business is conducted with ease.
- Unified, cloud-based financials ensure end-to-end visibility when the company begins leveraging additional NetSuite capabilities such as CRM.

- Sales can easily provide quota builds with multiple quarter-based reporting, empowering them to beat and exceed forecasts.

DocuSign's transition to cloud ERP reinforces its reputation as a cloud-committed company, which lends even more credibility to DocuSign's own cloud-based product offering. [The multi-billion company is now eyeing a potential IPO in early 2018.](#)

While there are many lessons to be learned from DocuSign, software companies don't have to experience similar problems in order to reap the benefits of cloud financials. Tiny startups can build their businesses on the same technology foundation that larger companies like DocuSign use to run global, multi-billion dollar organizations and seamlessly ensure scalable and sustainable growth. In fact, implementing cloud financials early on protects companies from ever getting to painful places by cementing a foundation that can scale easily and gracefully with businesses.

MYTHICS

Since its founding in 2000, Mythics has grown from a five-person startup into the leading reseller and integrator of Oracle technology. Amid rapid growth, the limitations of QuickBooks and Saleslogix CRM compelled Mythics to upgrade to a more unified and agile financials system in the cloud.

Mythics implemented NetSuite OneWorld and NetSuite OpenAir to optimize its business, end-to-end. NetSuite's unified platform streamlined client experience and provided new visibility and collaboration across the lead-to-cash cycle.

Since implementing NetSuite, Mythics has roughly doubled its workforce while growing revenue 63 percent. Mythics now handles complex client billing models with ease and uses NetSuite OneWorld to simplify financial consolidation with its emergent subsidiary. NetSuite's scalability and built-in analytics/business intelligence continues to provide a solid foundation for Mythics' continued growth.



Customer Spotlight: Mythics

“The biggest benefit of NetSuite is the ability to forecast where our business is driving, and the reporting is crucial to making informed decisions across the business.” **Mel Sawyer** Consulting Controller, Mythics

VENAFI

As a cybersecurity software company that was founded in 2005 and continues to thrive today, Venafi understands the value in adopting a scalable and secure system for growth. With its Immune System for the Internet, Venafi empowers organizations to protect the vital digital keys and certificates that are at the center of internet security. Its ability to do so, however, requires flexibility.

Prior to implementing NetSuite, Venafi ran financials on QuickBooks and Excel applications. As the business grew, so did the need for a more sophisticated business management platform. In 2013, Venafi turned to NetSuite OneWorld to streamline end-to-end financial processes, simplify complex revenue streams, slash IT costs and continue its rapid growth curve.



Customer Spotlight: Venafi

“NetSuite has been invaluable in helping us scale. Strategically NetSuite is essential to our operations and its adaptability and flexibility are both refreshing and valuable.” Venafi

SHIFTGIG

Originally founded as a job board for service workers, Shiftgig saw rapid growth when it shifted its focus to a mobile app for people seeking flexible work opportunities. As the company grew, its QuickBooks accounting solution couldn't provide financial consolidation across three subsidiaries and was unable to meet sophisticated invoicing demands from larger clients.

After a comprehensive evaluation process that included Intacct, Shiftgig selected NetSuite OneWorld as a solution that would allow the company to grow and deliver on its vision of providing financial opportunities for the hourly workforce.

Customized billing and real-time visibility reduced Shiftgig's sophisticated client reporting from three hours per client to 30 minutes, while financial consolidation can be done in just minutes. Shiftgig has also contracted with NetSuite to build an integration into its proprietary scheduling and timesheet technology for clients, reducing revenue leakage and errors. OneWorld's support for multiple currencies and languages positions Shiftgig for potential international growth down the line.



Customer Spotlight: Shiftgig

“With NetSuite, we have better financial data right at our fingertips to measure KPIs across balances, sales rep performance and transaction monitoring, all posted right within the application.”

Avigail Schlosser Controller, Shiftgig

THE BOTTOM LINE

Software companies follow a predictable lifecycle, with different challenges at each stage. Every startup reaches a point—usually during the startup-to-midmarket phase—where it needs to figure out how to scale the business to ensure profitable and sustainable growth. NetSuite enables businesses to transform themselves through this stage of growth by offering a flexible and scalable business management platform.

CHANGE TO:

1. Automated and streamlined financial close processes.
2. Real-time visibility into company performance.
3. Synchronized complex order, billing and revenue recognition processes.
4. Global business management, scalability.
5. Precise and accurate financial controls and reporting.
6. Rigorous auditing capabilities.

	Competitive Advantage	NetSuite Cloud	On-premise ERP
1	Realign towards innovation focused IT spend.	Yes	No
2	Reduce risk and resources through continuous regulatory alignment.	Yes	No
3	Enable business velocity without scaling cost structure.	Yes	No
4	Empower the mobile workforce.	Yes	No
5	Create a distributed, decentralized business.	Yes	No
6	Close the “analytic gap”.	Yes	No
7	Drive the “connected” business with suppliers, channels and customers.	Yes	No
8	Equip your employees for self-service.	Yes	No

ABOUT ORACLE NETSUITE

Oracle NetSuite pioneered the Cloud Computing revolution in 1998, establishing the world's first company dedicated to delivering business applications over the internet. Today, Oracle NetSuite provides a suite of cloud-based financials/Enterprise Resource Planning (ERP), HR and omnichannel commerce software that runs the business of companies in more than 100 countries. For more information, please visit www.netsuite.com.sg.

MORE CUSTOMERS



ADDITIONAL RESOURCES



White Paper: Preparing for the New Rev Rec Standard with NetSuite



White Paper: Revenue Recognition: Complexity Simplified