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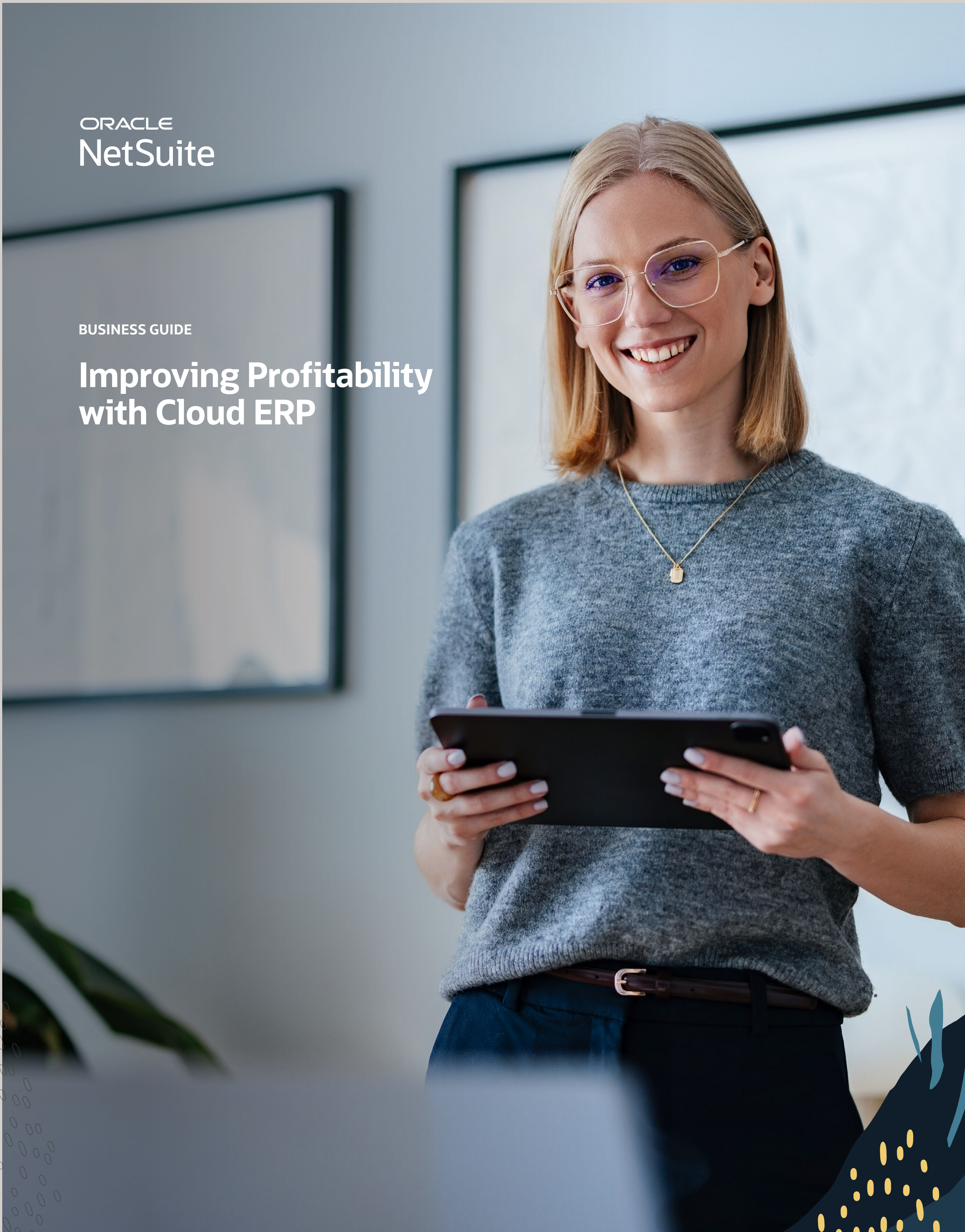

BUSINESS GUIDE

Improving Profitability with Cloud ERP

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Improving Profitability with Cloud ERP

Small-to-midsize businesses continuously look for ways to be more profitable. A cloud-based ERP system provides many features that can help lift their bottom line.

Why do virtually all Fortune 500 companies use an enterprise resource planning (ERP) system?[1] And why are two out of three companies shopping for an ERP solution seeking a SaaS-based system delivered through the cloud?[2]

The answer to both these questions is the same: Follow the money! Effective use of ERP software makes businesses more profitable by supporting their revenue growth, helping them to contain costs and increase profit margins, enhancing their efficiency and productivity, and providing tools for better controlling their risks. And this isn't only true for large enterprises—nearly half of all companies currently use or are actively planning to use at least one ERP application,[3] and 90% of those companies are small businesses.[4] NetSuite ERP, alone, has more than 41,000 customers.

Asia Pacific ERP sales are expected to grow at 8.2% per year through 2033.

The Asia Pacific region has become a hotspot for these fast-growing businesses, with its ERP market projected to grow at an annual average rate of 8.2% through 2033.[5] When an Asia Pacific company seeks to improve its profitability, there are several different strategies it can pursue—and a cloud-based ERP system supports all of them.

Different routes to higher profits

Net profit is arguably the most important indicator of a small or midsize business's health. When a business's net profit margin declines, there is less money to reinvest in the company, starving it of resources and making it difficult to remain competitive. Investors, too, may be disappointed, leading them to put pressure on the management team or withdraw their support entirely. There are times when a company's growth may take precedence over profitability, but, over the long haul, profitability remains at the heart of most business strategies.

Small business owners are keenly aware of this and are constantly on the lookout for ways to increase their companies' net profit. Let's examine four common approaches they can take to increase their margins—and how an ERP system can assist in those efforts.

[1] "Examining the Role of Enterprise Resource Planning in Improving Business Operations," Research Gate
[2] "ERP and SCM—What to Expect in 2024, Part I," Forbes
[3] "ERP Software Facts," Technology Evaluation Centers
[4] "Small and Medium Enterprises Finance," World Bank Group
[5] "Asia-Pacific Market Software Insights, 2033" Allied Market Research

1. Grow the company and increase revenue

For many businesses, increasing revenue is an obvious way to generate greater profits. They want to increase their bottom line by growing their top line with more sales of their products and services. To do this, they can find new customers and/or sell more to existing customers.

To find new customers, smaller companies can:

- Enter new product markets.
- Launch new revenue streams, such as complementary services that add value to their existing products.
- Pursue new sales channels, such as mobile or social ecommerce, online marketplaces, and customer self-service tools.
- Expand into new sales territories, either within their own domestic market or abroad in other countries and regions.

To sell more to existing customers, small and midsize companies can elevate the customer experience and then capitalise on more upselling and cross-selling opportunities. They can lift profits further by focusing their salespeople's efforts on the company's most profitable customers and lines of business. These companies might also adopt discount approval processes to help them protect gross margins.

Challenges to company growth

Startups and other rapidly growing businesses may have numerous opportunities to grow their revenue, but they often run their operations using spreadsheets and basic accounting software. At more established companies, different departments may have more sophisticated financial or operational systems, but these systems are often siloed, making it difficult to share data and obtain a complete picture of overall business performance.

In either case, it's difficult to dig up all the information decision-makers need to make strategic growth choices—and both approaches become more cumbersome as a business grows. Adding new products and customers and breaking into additional markets is a time-consuming, manual process, while reporting is inconsistent and incomplete. Business owners are stymied when they try to drill down and track the KPIs for a specific project, group of customers, or sales region.

How ERP systems help growing businesses increase revenue profitably

An ERP system automates many of the tasks that present challenges for company growth and breaks down departmental or subsidiary silos by storing information in a common database accessible to all key stakeholders. Instead of a fragmented and incomplete view of the business that can lead to mistakes and missed opportunities, business owners and managers now have a single, integrated picture that allows them to uncover opportunities to boost sales. KPIs such as inventory turnover, customer churn rate, and profit margin can all be analysed and viewed side-by-side in the same system.

Another key ERP function that addresses top-line growth is improved customer management. CRM software produces a 360-degree view of each customer, providing the sales, customer service, and support staff with a complete picture of the customer's buying history, current order status, other contacts with the company, and the total monetary value that those engagements represent. Using the information provided by a CRM system, a business can more effectively cross-sell and upsell by targeting individual customers with specific products and services that are expressly suited to their needs. This drives revenue by making the sales process more effective and efficient.

Other ERP modules can help drive improvements across supply chain management, professional services automation (PSA), project management, and human resource management. But the real "magic" of an ERP system for business leaders is that these ERP modules all come together via a common database and user interface to create a truly unified business application suite.

Taken together, ERP systems support profitable revenue growth by:

- Comparing the performance of products, markets, and channels to determine the top performers and those that are most profitable for the company.

- Supporting more upselling and cross-selling by arming salespeople with more insights into their customers' buying patterns and needs. This includes identifying the most profitable customers—those who should be receiving the lion's share of the sales force's attention.
- Providing detailed information that lets managers set sales prices that account for the full cost of each item—including shipping, import charges, and warehousing costs.
- Protecting gross margins from excessive discounting by automating the enforcement of rules and approval processes.
- Monitoring all of the company's KPIs so managers can quickly spot and react to any potential issues or missed opportunities.
- Helping business leaders accurately forecast product demand, allowing for better inventory control and more accurate financial planning.

Greater visibility across the business is helping companies such as NetSuite customer Belgian Delights grow both their top and bottom lines.

Since trading MYOB for NetSuite ERP, the chocolatier, which has supplied premium hotel brands for more than 30 years, doubled the number of products it sells through its new direct-to-consumer channel.

Belgian Delights increased its number of D2C products by 100%. Its financial close fell from two weeks to three days—a 79% improvement.

"We couldn't have achieved such high levels of growth and efficiencies without the reporting and up-to-date, real-time data we now have available to us," says Christophe Verstreken, general manager of the Australian Gold Coast maker of fine chocolates. At the same time, NetSuite enabled Belgian Delights to shorten its end-of-month financial close from two weeks to only three days.

The bottom line: The great advantage of a cloud-based ERP system is that it supports all the ways in which small and midsize businesses can seek to raise revenue. Thus, ERP systems help businesses pursue multiple paths to increased profitability. And their ability to consolidate business information and then produce reports—fast—leaves senior managers more time for strategic tasks such as improving customer experiences or finding new products and markets.

Case Study: Ramler grows top-line with NetSuite

Ramler is an Australian company that supplies custom commercial furniture worldwide, including to top hospitality brands including Marriott, Sheraton, and Westin. But the complexity of Ramler's multinational business and the disparate systems it used posed challenges to revenue growth. Its manual processes were time-consuming, particularly when it came to transaction processing and financial consolidation across multiple currencies.

To support its rapid expansion and streamline operations, Ramler implemented NetSuite OneWorld in 2019. The cloud-based ERP system has enabled the company to efficiently manage transactions in multiple currencies across its subsidiaries, automate key processes, and gain real-time visibility into its global supply chain.

Ramler raised revenue 300%.

"NetSuite allows us to transact in multiple currencies across multiple subsidiaries, much simpler than any other system can offer," Ramler CFO Ramana Akula says. "We can do reporting in foreign currency, reporting in our base currency—which is Australian dollars—and also ensure that all the other supporting reconciliations are completed on time."

Since implementing NetSuite, Ramler has achieved impressive results, including quadrupling revenue and reducing month-end close time from 10 days to two. "NetSuite has been able to support us through the growth and also deliver simplicity for us in terms of managing our transactions and the business," Akula says.

2. Contain costs and increase profit margins

Not every company can easily expand sales. Some businesses serve mature markets that are largely saturated with established competitors or have a limited potential customer base. Instead of revenue growth, they need another route to greater profitability—and that usually means reducing overhead or production costs.

Challenges to reducing costs

Many small and midsize businesses—even those that are growing rapidly—haven't yet established the systems and processes that would give them a comprehensive view of their expenses and cash flow. Without such detailed financial data and analytics, they are in danger of cutting costs that turn out to be essential for growth rather than those that are truly unnecessary.

For example, some organisations target marketing budgets first when considering cost cutting. But a lower marketing investment could slow customer acquisition and, in turn, revenue growth. Similarly, cutting employee benefits might diminish morale, retention, and productivity. Reducing finished inventory or incoming raw materials too aggressively may lead to stockouts, which means lost sales.

While budgeting and forecasting are key to any cost-containment effort, organisations that still run on spreadsheets don't have the tools to do this effectively. A manual budgeting process makes it difficult to keep up with updates to the company's product mix, price adjustments, and other day-to-day changes. Without comprehensive financial data, managers often don't know what an acceptable gross margin on an inventory item should be, or even whether a particular project is running in the black.

How ERP solutions help growing businesses reduce costs

An ERP system provides greater control and visibility into the creation and delivery of a product or service by managing a company's general ledger and all its financial data. ERP software tracks every transaction—whether for inventory purchases, manufacturing expenses, marketing investments, or product sales. It manages accounts payable and accounts receivable and can automate reconciliations and financial reporting. Furthermore, integrated modules for inventory management and manufacturing, among others, add operational insights to the financial view.

For example, a manufacturer, wholesaler, or retailer can use an ERP system to better optimise inventory levels so that they don't have too much or too little stock on hand, improve inbound logistics, make the most of available warehouse space, and fulfil orders in the most efficient way possible. A services business can use an ERP system to ensure that the appropriate number of consultants with the required skills have been assigned to each project, and then allocate project costs and manage budgets to help control project spend. An ERP also helps monitor and control overhead spending. For example, stronger controls can be applied to expense accounts and other employee spending with established limits and automated, rules-based approval processes. All of this can yield significant cost savings that directly increase profitability.

With a comprehensive and consistent budgeting process in place, business leaders can use an ERP to track KPIs throughout the operation, quickly spotting any overspending or excess inventory. Tighter inventory controls mean less warehouse space is needed—another potential source of cost savings. Better controls also lead to a faster inventory turn rate, so less of the company's cash is tied up in stock.

Lost inventory fell by 98% at Headland Technology after it implemented NetSuite ERP.

Those ERP capabilities were what helped significantly lower inventory costs for Vanrooy Machinery, a Victoria, Australia-based distributor of commercial baking and food processing equipment. "With NetSuite, we have real-time visibility into our inventory levels, allowing us to optimise our stock and reduce carrying costs," CEO David Van Rooy says. "The system's automated replenishment features ensure we always have the right products on hand without overstocking." And for Headland Technology, a Burwood, Australia-based provider of advanced manufacturing technology, the same inventory control capabilities helped the company reduce lost inventory by 98%.

The bottom line: ERP systems can help growing businesses reduce costs by providing comprehensive financial data and analytics, supporting more informed decision-making and better cost control. By automating processes, optimising inventory levels, and improving operational efficiency, an ERP solution helps businesses increase the efficiency of their operations and minimise unnecessary expenses. With real-time visibility into spending, inventory, and project costs, business leaders can quickly identify areas of overspending and make data-driven decisions to contain costs and increase profitability.

Case Study: Sunon reduces costs, streamlines global operations

Sunon, a leading office furniture manufacturer based in Hangzhou, China, had ambitious plans to expand globally and become one of the top five office furniture service providers worldwide. But its existing systems were unable to keep pace with its growth. It was difficult to manage overseas entities, comply with local tax regulations, and gain clear visibility into its supply chain—or its financial performance.

Sunon deployed NetSuite OneWorld in just 100 days to manage its global operations. The system has helped Sunon automate key processes, improve compliance, and reduce costs across its international subsidiaries.

> Automation helped Sunon increase the cost efficiency of its order management process by 40%.

"Oracle NetSuite helps Sunon automate auditing and posting, significantly saving our financial and business reconciliation time," says Zhao Xiujiang, vice president and CIO. "In addition, multilanguage and multicurrency support improves our global management efficiency."

With NetSuite OneWorld, Sunon has achieved significant cost savings and operational improvements, including:

- 40% increase in order management efficiency by eliminating manual processes and reducing errors.
- 25% improvement in overall financial efficiency through automated procurement processes and real-time data connectivity.
- Automated tax calculations in compliance with Mexican and US regulations.
- Real-time visibility into financial data across global subsidiaries.

By integrating its global operations and reducing costs with NetSuite, Sunon is now well-equipped to expand its production capabilities and add new product lines.

3. Improve efficiencies and increase productivity

Cutting costs isn't the only way a smaller business can increase its margins. It can also find ways to operate more efficiently and boost its workforce's productivity. Two of the most effective ways to do this are by automating manual processes and centralising the company's business data so that it's readily accessible by any authorised manager.

Challenges to improving efficiency and productivity

When each business function manages its own data in a separate spreadsheet or system, employees across sales, operations, project management, and warehousing waste a lot of time asking each other questions or comparing conflicting sources of data instead of focusing on what they were hired to do. But some employees will resist automation because of the amount of change it brings to their roles. Other challenges include the initial upfront investment in automation technology and the inherent difficulty of measuring and quantifying productivity improvements.

How ERP solutions help growing businesses become more efficient

Once again, an ERP system can be a huge help in realising efficiency and productivity goals—and a cloud-based ERP system cuts down the size of a company's initial investment.

ERP can automate many aspects of core business processes, such as accounting and inventory management. For instance, a cloud-based ERP system can automate routine tasks such as invoice processing, financial reporting, and account reconciliations. This helps small businesses do more with less, speeding up payment cycles, reducing errors, and freeing up finance staffers to focus on analysing business results and other activities that can add value to the company.

Likewise, an ERP manufacturing module will automate processes such as order routing, material requirements planning (MRP), and production scheduling. This reduces the number of people needed to perform routine business functions, keeping headcount low and freeing employees to spend more time on other, more profitable endeavours.

And by centralising data in a common database, an ERP helps all employees and departments work together more efficiently and collaboratively.

Embrava saves AU$300,000 annually after dramatically reducing time spent updating and analysing spreadsheets.

NetSuite customers such as Embrava, a Sydney, Australia-based provider of workplace productivity and availability technology, attest to this. “We implemented NetSuite when we saw huge demand coming. We’ve grown 10x since and are confident we can continue to scale rapidly with the same system,” says Tim Sone, CEO. Amid all that growth, Embrava saved an estimated AU$300,000 per annum in time that employees previously spent updating and analysing spreadsheets.

The bottom line: ERP systems can help growing businesses improve efficiency and productivity by streamlining core business functions such as accounting, inventory management, and manufacturing, reducing the time and resources required to perform basic but essential tasks. That allows employees to focus on more valuable activities. An ERP’s centralised database fosters collaboration and efficient data sharing across departments, further enhancing productivity and enabling businesses to scale their operations without significant increases in headcount.

Case Study: Selling services more efficiently

Several years ago, Tim Murton, CFO of Australian systems integrator SYPAQ, saw that the company’s sales pipeline included a series of projects with the potential to significantly expand its business. But the inefficient manual processes it relied on in terms of both finance and customer project management would have been very costly and difficult to scale to keep pace with the new demands.

Murton did two things: He deployed NetSuite OneWorld to consolidate SYPAQ’s business functions into a single, integrated view of the entire company’s financials and added NetSuite’s PSA solution, SuiteProjects Pro, to centralise project management.

With SuiteProjects Pro, SYPAQ was able to meet the increased demand for its services by growing its consulting team by around 25%, but without adding headcount to its finance team or administrative staff. And since the company implemented the system, its revenue has increased around 30% and its customer base by 20%.

SYPAQ grew its consulting team by 25% without increasing its finance or administrative staff.

And because it integrates seamlessly with OneWorld, the resulting automated approval and billing process helps SYPAQ get paid seven days faster, on average. And with all its processes managed by the same system, employees across SYPAQ can operate more efficiently and with a better understanding of how their work affects the company’s financials.

Looking back on that period, SYPAQ CFO Tim Murton acknowledges that, “If you’re not ready for it, growth can almost kill you. If you don’t have your systems and processes and procedures ready ahead of time, you’ll be in a world of trouble.”

Today, NetSuite OneWorld and NetSuite SuiteProjects Pro "helps us manage our financials and everything related to that, from our people to billing, invoices, customers, vendors, and opportunities," says Murton.

4. Improve profitability by controlling risk

Business risk is any exposure an organisation has to issues that could impact its profit, and it generally comes in one of three forms: financial risk, operational risk, and regulatory risk. When a company can't track its financials accurately, it can often be overcome by indecision because it lacks a strong grasp of potential financial risks to the business. Operational risk can occur when the company's production or distribution operations are not aligned or capable of executing to the desired capacity of the business. Regulatory risk originates from requirements stipulated by governments, industry bodies, stock exchanges, and the like. Failing to comply with these requirements could result in penalties and severe reputational damage.

Challenges to controlling risk

When a business relies on multiple applications, bespoke integrations, spreadsheets, or old, unsupported software, it can be difficult to get the visibility into your financials and operations required to mitigate risk—you can't prepare for risks you never see coming. Underlying technology that may be prone to failures and outages only makes matters worse. Leaders will struggle to make informed decisions around, for instance, the cash flow impact of launching a new product or service, increasing manufacturing or distribution capacity to support expanded offerings, or how to comply with specific laws in a country where you just opened a new office. Moreover, poor quality data and data loss will make it even more difficult to stay on top of an ever-growing list of requirements and raise red flags with government and industry regulators.

How ERP solutions help growing businesses manage their risks

To mitigate these risks and make decisions with confidence, businesses need the visibility into accurate, trustworthy, and real-time financial and operational data and reports that an ERP system provides. Most of all, they need the reassurance that comes with an easy-to-understand and up-to-date view of financial performance, particularly cash flow. The integrated supply chain management functionality that some ERPs include helps businesses monitor inventory levels, supplier performance, and potential disruptions, allowing them to proactively address operational risk. Similarly, a PSA module can help you spread available resources properly and spot projects showing early signs of trouble.

This software can also help growing companies mitigate risks related to regulatory noncompliance. NetSuite includes built-in, customisable access controls, and automatically receives regular updates that help businesses meet evolving regulatory requirements, such as GAAP and SOX in the US, GDPR in the European Union, and industry-specific regulations. This helps to reduce the risk of costly penalties or reputational damage.

Data in NetSuite's cloud-based ERP updates in real time and offers functionality for numerous business functions, minimising the risk of integration issues that often plague businesses relying on multiple, disconnected technologies. NetSuite also runs on industry-leading Oracle infrastructure, lowering risk of system failures and providing robust disaster recovery and business continuity features.

Few organisations understand the benefits of transitioning from "guesswork" to confident decision-making better than GLC, one of the fastest-growing telecommunications businesses in the Philippines. The company used different systems for accounting and CRM—and managed inventory with spreadsheets—before adopting NetSuite for all those functions and more. With its financial and operational risks thus managed, GLC has increased its customer base by 30%, doubled recurring revenue, and tripled sales overall.

Since deploying NetSuite, GLC has grown its customer base by 30% and tripled sales.

"To equip your people with the right information to make decisions confidently, you need to give them a system that is complete—from customer-facing to accounting, inventory, all the way to ticketing," says GLC President Erwin Co. "That's why we are very happy with NetSuite."

The bottom line: ERP systems like NetSuite provide businesses with the visibility, control, and risk management capabilities they need to make informed decisions and seize growth opportunities with confidence. By integrating financial, operational, and compliance functions into a single platform, an ERP solution helps companies mitigate risks associated with disparate systems, data inaccuracies, and regulatory noncompliance, freeing them up to focus on strategic initiatives that drive growth and profitability.

Case Study: Cigniti Technologies enhances risk management

Experienced project managers know that understanding a project's biggest and most impactful risks, devising mitigation plans before those risks occur, always keeping an eye open for them, and then acting fast when a risk does emerge are critical to project success. Cigniti Technologies, a global leader in digital assurance and software quality engineering, faced increasing risk management challenges as it expanded its services across international markets with seven subsidiaries operating in nine countries.

As the company expanded to over 3,300 employees, its manual financial and project management systems posed significant risks to business operations. The spreadsheet-based systems used for processing approximately 700 monthly invoices created exposure to data errors and compliance risks across multiple currencies and jurisdictions. Moreover, the lengthy 25-day billing cycle and two-week financial consolidation process hindered visibility into projects, impacting cash flow and operational efficiency.

To address its growth and risk challenges, Cigniti implemented NetSuite, including SuteProjects Pro (formerly OpenAir)—a modern, cloud-based project management suite that allows teams to track all projects in one place and provides complete visibility into risk factors across its global operations. The system delivers insights that support risk-based planning and resource allocation, helping Cigniti proactively manage potential issues across its diverse portfolio of services including intelligent automation, big data analytics, and cloud migration assurance.

Furthermore, SuiteProjects Pro has enabled leaders to have real-time visibility into financial and business operations, allowing teams to identify and address issues before they impact project delivery. This proactive risk management approach has helped reduce the billing cycle from 25 days to five days and cut the quarterly audit process in half, significantly decreasing operational risks.

Conclusion

NetSuite is the leader in cloud-based ERP software for small-to-midsize businesses throughout Asia Pacific and worldwide. Its ERP system gives companies the tools they need to increase their profitability and improve their competitive posture with flexible, commerce-ready applications, automation, and data analytics that rival those used by the world's largest enterprises.

Christophe Verstreken, the general manager of Belgian Delights, sums up the value of NetSuite succinctly.

"NetSuite has given us a level of visibility into our business that simply wasn't possible before," Verstreken says. "We now have real-time insights into our inventory, sales, and financials, which has allowed us to make better-informed decisions and drive profitability."

About Project Salsa

Project Salsa is a dedicated Oracle NetSuite Solution Provider based in New Zealand. We help growing manufacturers modernise and scale with cloud ERP. Whether you're replacing spreadsheets or legacy tools, we deliver people-first ERP solutions that drive real-world outcomes.

Contact Us

www.projectsalsa.co.nz
sales@projectsalsa.co.nz
+64 9 551 8437

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