

Microsoft Dynamics GP vs. NetSuite

Key Reasons Microsoft GP May Be a
Better Fit for Your Business

Executive Overview

Microsoft Dynamics GP routinely makes it onto the “short list” for companies investing in new business management systems. And depending on the customer’s needs, a revolving cast of other solutions will also rise to the short list, meriting serious consideration and evaluation from all aspects before the final decision is made.

Occasionally included on the short list along with Microsoft Dynamics GP is NetSuite, especially for smaller companies with limited IT resources and a substantial e-commerce component to their business model. With heavy discounting and promises of low upfront costs, customers can be tempted to make a short-term economic decision and sign on the dotted line.

But, ultimately, when making a decision of this magnitude and importance, companies must consider the full range of potential issues that may impact their long-term interests. The in-depth review of short-list finalists will help these companies uncover the deeper strengths and weaknesses of each solution, and should lead to the proper selection of the system

that will best fit their current and future needs, and deliver the optimal return on investment (ROI) for their business.

There are certain basic factors that are typically compared and contrasted between contenders to form the basis of your decision. These factors include:

Functionality: Which product does the best job helping you manage your most important business processes? Which product is best suited to meet your current needs, and which product seems best suited to enable future growth into new areas?

Flexibility: Which solution can be easily tailored to your current business practices? Which solution will enable you to make changes as your business continues to grow and change?

Affordability: Which solution can you afford upfront, and more importantly, which solution will deliver the best cost/benefit ratio to your business over time?

Vendor Stability: Which software vendor is headed in the right direction with their product development and support? Are there any companies on your short list who may not be around to support your product in the

future?

The purpose of this paper is to compare and contrast Microsoft and NetSuite across these basic factors to help your organization make a more informed decision. The following findings are based on interviews with current and former NetSuite customers and reselling partners, as well as online research highlighted throughout the paper.

Factor #1: Functionality

Functionality is often a primary consideration point when selecting a business management solution. A thorough needs-analysis process, followed with an in-depth product review, will help to ensure the product you select can perform as promised.

It can be difficult, however, to know in advance exactly which functions within a given business management system are available and which are not. Unfortunately, relying on the marketing literature or sales staff of most software vendors to give you an educated and unbiased review of their competitive strengths and weaknesses is simply not realistic.

To address this need, a detailed comparison tool called “The Accounting Library” has been developed. Developed by an independent company, this tool offers an in-depth product comparison featuring most of the best-known business management solutions on the market today.

Results of a December 2009 Accounting Library report show a marked difference between Microsoft Dynamics GP and NetSuite. In the detailed report, Microsoft Dynamics GP was identified as having significantly greater built-in functionality compared to NetSuite. In fact, according to the Accounting Library report, Microsoft Dynamics GP includes nearly 62% more out of the box functionality when compared to NetSuite.

Of course, no single business needs every feature available in any one product. But the penalty can be severe for companies who choose a solution that is lacking important, substantial features needed to run everyday processes and to enable future business process improvements.

A common complaint among current and/or former NetSuite customers interviewed for this paper is that NetSuite

claimed to have the features the customer needed, but some of those features either didn't work or perhaps even exist. Specific NetSuite functionality weaknesses cited by customers include:

Inventory/Distribution Management: For a product that is intended to help E-commerce and other distribution-focused businesses, NetSuite has specifically been criticized for lacking the sophistication needed to effectively manage more complex inventory and distribution processes. Specific needs vary by industry and among individual businesses, so it's important to make sure your inventory and distribution needs can be easily met by your new system.

Reporting/Business Analytics: While NetSuite offers a "Dashboard" reporting system which can fulfill a variety of basic reporting needs, many customers complained that creating custom reports can be limited and at times is quite slow. Integrating data from NetSuite with other sources is difficult at best, and the inability to easily export data to common tools such as Microsoft Office Excel limits further analysis and sharing of data.

Reselling partners familiar with both Microsoft Dynamics GP and NetSuite report that the Microsoft FRx financial reporting tool offers substantially more functionality and control than NetSuite. Sharing information with Microsoft Office Excel is another area in which Microsoft Dynamics GP shines, enabling you to create Excel reports that include data from multiple sources, then dynamically updating the report with real-time information each time you open the Excel report. For even greater information coordination and collaboration beyond

“ We bought into NetSuite after a lot of what we thought was very careful evaluation and consideration, only to discover that key functionality that we thought was there (but was very difficult to thoroughly test in their 'evaluation' version), wasn't. We believe that we were seriously misled over what NetSuite was actually capable of doing... ”

Microsoft Excel, Microsoft Dynamics GP's interoperability with Microsoft Office SharePoint Server opens a broad range of information sharing possibilities.

Customer Relationship Management (CRM):

Compared to other top-tier CRM solutions including Microsoft Dynamics CRM, NetSuite lacks both breadth and depth in CRM functionality such as integrated marketing, sales and service capabilities, campaign management and much more. For customers who demand more comprehensive CRM capabilities, NetSuite suggests adding and integrating Salesforce.com to their system, but customers need to be aware of the additional subscription, customization and integration costs associated with this solution. While a Server License of Microsoft Dynamics CRM is included for free with any purchase of Microsoft Dynamics GP, each Microsoft CRM user must be licensed separately. However, the integration between Microsoft Dynamics GP and Microsoft CRM is available at no additional charge.

Factor #2: Flexibility

Business management solutions

often succeed or fail based upon their ability to help individual businesses accomplish these situational needs. Accomplishing this requires more than a broad and deep set of built-in functionality. It also requires the flexibility to be able to easily change to fit the new requirements of the business.

While NetSuite may have various attractive and desirable qualities, it is not well known for its flexibility, with customization options that can be both limited and expensive. Specific areas worth considering include:

One Option, No Exceptions: One of NetSuite's prime selling points is its on-demand, hosted architecture, which promises to simplify deployment and reduce IT expenditures. While process simplification is a worthy goal, one must also consider the possibility that your needs and requirements can change over time. With NetSuite, once you commit to their hosted solution, you immediately lose the option to change in the future to an on-premises based system, or a hosted/on-premises hybrid solution. Situations in which companies may wish to change their deployment environment include:

- Increased business size, complexity, or scope of operations, requiring more intense data entry or increased integration with other systems.
- Mergers, acquisitions, or a change in management, resulting in a wish to have more onsite control of critical business applications.

And, unfortunately for many customers, NetSuite's architecture makes it extremely difficult to migrate data and otherwise salvage any value from the investments customers have made over the years. Since NetSuite essentially "owns" your data retrieving and migrating that data after the relationship between you and NetSuite is over can be tricky.

Microsoft Dynamics GP offers both hosted and onsite deployment options, giving customers the freedom to retain and exercise as much control over their applications and data as they see fit. With Microsoft Dynamics GP, you have great control over basic customization scenarios such as modifying process flows, integrating with other applications you use, or creating custom reports that specifically match your business needs.

Most importantly, with Microsoft Dynamics GP, you control your deployment options, and can choose to run your system in a hosted environment, on-premises, or some combination of the two. And you can change your deployment choice at any time taking your data with you, whenever it makes sense for your business.

In-House Customizations: Aside from some superficial personalization capabilities (changing field names, adding or removing fields from forms), customers have noted that NetSuite doesn't offer much in the way of process modification. Because NetSuite is purely a hosted solution, the customer does not control either the program or their data, which can make it difficult and expensive to handle certain customizations, such as changing the way a process flow works or creating a report that joins information together from multiple sources. NetSuite's network of partners is also quite small by comparison to the Microsoft Dynamics partner channel, which means that many customers may lack the ability to call on a local partner with extensive NetSuite experience to perform more in-depth

customization work. Industry-specific applications are minimal, and NetSuite has some significant limitations when it comes to integration with third-party applications.

Microsoft Dynamics GP offers a full spectrum of customization options, from end user customization tools to more in-depth integration and customization capabilities. And with more than 2,000 skilled and certified Microsoft Dynamics Partners worldwide, customers have a broad and deep channel of professional development and customization experts available to them if needed.

Factor #3: Affordability

Without question, companies need to take a hard look at the costs involved in implementing a high-functioning business management solution. Understanding the true costs of owning and operating a system like this can be one of the trickier aspects of the selection process, and you need to make sure your partner fully understands your requirements and expectations to get the system you need without capsizing your

budget. NetSuite makes a big effort to convince prospects that its systems are more affordable than Microsoft Dynamics GP and other alternatives. And on the surface, especially in the first year, in some cases they have a right to claim this. However, several customers interviewed indicated that, while NetSuite seemed to be a “bargain” at the outset, costs quickly escalated after the discount period expired, or as needs for additional features, users and data storage became necessary.

Common areas of dissatisfaction with NetSuite pricing include:

Heavy Discounting to “Seal the Deal:” Many customers reported first-year discounts of up to 60%, making the upfront cost comparison to other systems almost irresistibly attractive. Problems arise when the discount period expires however. For example, several customers complained that features which were included during the discount period suddenly became “extra” costs later on.

No “Light” User Licenses: Most businesses have a core group of heavy users for their business management system, while another group of “light users” primarily need access

only to the information captured in the system. With NetSuite, any user who needs even partial access to any part of their system needs to have a comparatively expensive full-user license. NetSuite relies on a “named user” licensing system compared to Microsoft Dynamics GP’s “concurrent user” licensing system, which means NetSuite customers pay for every single user (even if they only use the system 10 minutes a day), instead of the number of users in the system at any given time. This drives up subscription costs and reduces a company’s ability to share information from its system with the larger group of department managers, executives and decision makers throughout the business.

Costly Customizations Needed to Add

Core Functionality: The need for core functionality not included in the base NetSuite solution may not immediately be apparent, and modifications needed to add that functionality can add substantially to total cost of ownership (TCO).

Factor #4: Vendor Stability

Does size matter? On the one hand, smaller software companies can be nimble, and often they live and die by focusing on a much smaller line of business than a large company can. Clearly it would be wrong to believe that just because a company has a comparatively small revenue stream and low customer count, this automatically disqualifies them as a serious contender for your business. But at the same time, you should not underestimate the importance of a vendor’s financial stability when making such a far-reaching decision for your business.

A few concerns regarding NetSuite’s overall stability include:

Lack of profitability: On February 4, 2010, NetSuite released its most recent quarterly earnings statement reporting a net loss of U.S. \$23.3 million for the year ended December 31, 2009, compared to a net loss of \$15.9 million in 2008. While this lack of profitability is not unheard of for young, small companies in their growth phase, it may give pause for concern when considering a vendor with which you will have a multi-year relationship.

Lack of customer additions: NetSuite's public communications about their customer add rates are confusing at best. In 2003 they claimed over 6,000 customers, but over the next five years that number had fallen to around 5,600. According to numerous online reports, NetSuite currently counts 6,600 active customers, barely above their count from seven years ago. Also, NetSuite's third-quarter 2009 10Q filing identifies a loss of \$9.2 million over the first nine months of 2009, due to nonrenewal of customer subscription and support services. At the very least, customers should consider why NetSuite seems to be losing their existing customers almost as fast as they are adding new ones.

“Implementation support. This is probably the most important thing to consider - If you are 5 to 75 employees, be prepared to spend 30k to 50k per year in consulting fees to a reputable NetSuite consulting firm. Otherwise, you will kill yourself trying to make the software do what you expect it to do.”

Small Business Focus: According to a Microsoft research project completed in September of 2009*, approximately 76% of current NetSuite customers interviewed for the research project had 100 employees or fewer, and 59% had less than \$10 million in annual revenue. Microsoft Dynamics GP is a recognized mid-market solution with the ability to scale as your business grows.

* Based on blind 2009 telephone and online survey of NetSuite U.S. customers and past customers (within the last 2 years).

Underdeveloped partner channel: Without a robust partner channel selling and supporting an application, you may have difficulty finding someone local who actually cares about your business success, with the bandwidth to deal with the issues you raise and with the real-world business experience necessary to deliver the solution support your business needs.

Microsoft Dynamics GP: The Right Solution For Your Business

More than forty thousand customers

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worldwide have chosen Microsoft Dynamics GP because it is a comprehensive ERP solution that goes beyond basic business management and reporting to help their people work faster and smarter. Microsoft Dynamics GP offers a unique combination of factors that matter most to your business, including:

Broad and Deep Functionality: Microsoft Dynamics GP has the built-in functionality businesses need to streamline and automate a wide variety of business processes. As noted in the 2009 Accounting Library report, Microsoft Dynamics GP helps businesses master a broad array of business functions, substantially more than most competitors including NetSuite. And, we continue to increase the power, flexibility, and innovation of Microsoft Dynamics GP with each release.

Flexibility by Design: Businesses can take advantage of a full spectrum of customization and integration tools to fine-tune their systems and gain maximum productivity and return on investment. Our network of more than 2,000 certified partners stands ready to help your business get the most from your ERP investment. And Microsoft Dynamics GP can easily be

deployed as a hosted solution, or implemented on-premises—when business needs and deployment requirements change, Microsoft Dynamics GP is ready.

“Our stores connect seamlessly to Microsoft Dynamics GP to manage our warehouse, wholesale, Web business, purchasing, payables, banking, and financial reporting. We haven’t found anything this system can’t handle.”

- Rex Bratton, Vice President of Finance, Peekay

Affordability, Upfront and Over Time:

Thousands of customers every year choose Microsoft Dynamics GP, testimony to the high value these customers receive from our solution. And Microsoft Dynamics GP offers attractive financing through Microsoft Finance, enabling customers to purchase licenses upfront or through a monthly subscription-based licensing.

Vendor Stability: Microsoft spent more than \$8 Billion on R&D in its fiscal year 2009, and continues to invest heavily in all of the Dynamics products and solutions



to incorporate the latest technology and current thinking in the realm of application design, usability, and connectivity.

To learn about Microsoft Dynamics and our solutions, please visit www.smbsuite.com

“ Microsoft Dynamics in a hosted setup makes great sense for a growing or midmarket company looking to acquire a top-notch business system. It offers a low cost of entry with predictable IT costs. Microsoft Dynamics offers us the ability to bring the solution in-house if we experience aggressive growth in the future. ”

- Bill Brown CFO, Gregory Greenfield & Associates

