NetSuite Goes Natural

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Table of Contents

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The food industry has seen explosive growth in organics and nutraceuticals (food and herbal supplements used as an alternative to allopathic medicines). Entrepreneurial visionaries may put people's health first, but they also have to have a healthy business to continue to provide those products to the market. Emerging businesses often falter because they do not have the infrastructure—processes and technologies—to enable growth.

One beneficial action we see small businesses taking is moving from running their business on spreadsheet-type or "lite" ERP solutions (such as QuickBooks) to implementing an enterprise ERP solution. Although spreadsheet-type solutions seem to be an easy and low-cost choice, as the business grows the spreadsheet approach quickly encounters problems. Financial reporting and managing day-to-day activities such as planning, manufacturing, or basic distribution functions are often not part of these lite ERPs.

SMEs (small and mid-sized enterprises) are embracing ERP. This is a fairly new phenomenon catalyzed by the availability of robust cloud solutions. Fortunately, ERP providers for the SMEs have been investing to meet the depth in functionality required to support a growing business. This is especially true for the food and healthcare sectors that are experiencing rapid growth at the same time that regulatory and industry reporting requirements are increasing the pressure to automate key processes.

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Super Growth for Super Food

Navitas Naturals, the Superfood Company, a distributor of premium, organic, non-gmo superfoods[1] (www.navitasnaturals.com), has had super growth rates, experiencing a fifty percent revenue increase in 2013. They expect more double-digit growth in 2014 and beyond.

That's a lot to keep up with—a growing catalogue of products, growing shipment volume and velocity, and more than 5,000 retailers all placing demands on the business. And not just any retailers, but the big brands such as Whole Foods and Wegmans that have exacting vendor compliance requirements. Navitas Naturals also sells direct to the consumer from their website. The organic category is among the fastest growing food sectors in developed nations, so retailers, manufacturers, and growers are expanding to meet this challenge.

Meeting concurrent challenges is difficult for any size business. In fact, today's SMEs can be just as complex as large firms. Says Ira Haber, Navitas Naturals COO, "Thinking about how we would support continued expansion of customers and products, we took into account the requirements of the industry and our experiences with other systems. We knew QuickBooks could not provide us a path forward for continued growth."

The intense "requirements of the food industry were a real driver of our decision to move to NetSuite. Although we kept our initial implementation of NetSuite features somewhat narrowly focused, we did implement lot tracking from day one to address this need," said Haber. On a day-to-day basis "we have experienced a real difference. With the old system, users had to wait two to three minutes for a screen to refresh—a negative impact on productivity. Now we have the speed and responsiveness to manage the over forty thousand units we produce and ship each day to our customers.

"With the cloud, during the implementation we were free to have people focused on what is the right way to do things" rather than be distracted with systems and technology issues. Users quickly adapted to the new systems. "Today they just accept this is the way things should be," Haber said.

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[1] Superfood refers to a category of foods that can have health-promoting properties.

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Evolving and Growing the Business

Another rapidly growing enterprise is Evolving Nutrition (www.evolvingnutrition.com), a family-owned distributor of pharmaceutical-grade nutraceuticals[2] to licensed healthcare practitioners. They have grown to nearly 2,000 customers in just two years after launching their business on NetSuite.

"Early days we knew we needed a system and through the evaluation we rapidly saw NetSuite was compatible with our business model," said Amanda Abbinanti, Director of Business Development at Evolving Nutrition.

And what is that compatibility? Evolving Nutrition, like any food manufacturer and distributor, has both legal and industry requirements which need to be managed at each stage, from procurement, manufacturing, and packaging to distribution. That alone is a huge burden for any size business that "cannot afford to have any issues across the entire chain of custody," Abbinanti told us. "We have to be transparent across our entire chain of custody." As with Navitas, lot tracking capabilities were a big selling point for going with NetSuite. "This provides us detailed information on inventory, shipments, and expiration dates to help ensure FDA compliance and efficiently run operations."

Managing growth through a sales distribution model is a critical component of Evolving Nutrition's business success. Having the enterprise in the cloud enables direct sales, as well as distributors to manage the whole process. At any time, the executive team can tap into the systems and query on any status of the business. That "translucence," as Abbinanti calls it, ensures that from sales through customer service, everyone has access to the business in real time. "It is not unusual for a customer to call me and ask about their order," Abbinanti said, "or a salesperson on the road with a customer needs to look up inventory, provide order status, and quickly get issues resolved."

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[2] Nutraceutical is a term applied to products that include isolated nutrients, dietary supplements and herbal products. Internationally, regulations vary on the classification and reporting requirements. Although pharmaceuticals have the strictest requirements, recent FDA legislation has multiple requirements on the manufacture, labeling, distribution, and traceability requirements for food and herbal products.

Taking the Leap, Reaping the Benefits

Implementing ERP is a major decision in any size business, but particularly for young businesses that also are consumed with dozens of other major decisions. So why would a company do this? Three major reasons were mentioned by these companies: meeting industry requirements; having the foundation to grow; and managing business performance. Let's look at these more closely.

1. Meeting industry requirements:

Traceability and Product Recalls—Food, Nutraceuticals, and Healthcare products are subject to intense and growing regulatory requirements, as well as scrutiny by the marketplace. From raw materials to manufacturing, labeling, packing, and handling the product through distribution, things can—and do—go wrong. A mark of a strong and responsible company is how they handle a recall. Customers notice.

In fact, Abbinanti, of Evolving Nutrition, mentioned, "We can track right through our order management system and which customers received which products, notify them and provide a substitute product." This capacity not only protects the consumer and the company, but reduces the financial impact of having to conduct a recall. In one particular instance Abbinanti said, "We got the notification from the manufacturer that a recall was being initiated and within 24 hours we had the whole thing handled."

A proactive response to that situation is not easy unless you can track materials and finished product to the customer. Without a proactive response, companies can damage their brand or even go out of business. Many of the ERPs that serve the SMEs don't have this functionality—thus NetSuite.

Inventory Management—Specific to perishables is the need to manage the physical inventory and fulfillment based on inventory policies that ensure freshness, reduce loss, and result in perfect orders. As Haber, of Navitas, mentioned, "Hundreds of products come in from our suppliers, with many combinations of end-product SKUs; this has to be processed quickly to ensure freshness. Velocity of the systems to support the growing order rate avoids spoilage and enhances the brand."

2. Growing the business:

Visibility across the enterprise—Core operations, with the supporting workflow, from order management and sales to accounts receivable need to be visible.

Labeling and compliant data management—Using a cloud ERP to manage the data requirements from supplier through to customer reduces errors as compared with manual error-prone data entry.

Distribution and channel management—A cloud system allows many parties access to relevant information, productively supporting all partners' needs.

Remote management of the business—SMEs are not office-bound, but constantly visiting customers and suppliers. Many times they cannot afford to hire additional backup resources, so seamless access to the enterprise through mobile enables control and responsiveness.

Ultimately, they have the data and the time to actually grow the business. As Ira Haber said, "We can now focus on what we do best," by having more time to create and evaluate new products for the market.

3. Managing Performance:

Working capital—Cloud solutions reduce upfront expense, preserving cash; they reduce investment in staffing and hardware and other data center expenses, providing an overall lower Total Cost of Ownership.

Growing and scaling without disruption—Keeping up with software changes can be a huge disruption. Many cloud providers have a continuous or frequent deployment model which keeps the software up to date while maintaining configurations specific to a single company.

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Conclusions

So what are some of the lessons we can learn from these successful players?

> *They build for growth.* They implemented a scalable, foundational system early on to avoid disruption to growth later on.

> *They see IT as a strategic investment.* Today's executives are deeply involved in technology decisions rather than having a hands-off approach or little understanding of how technologies work and what capabilities may enable operations and growth.

> *They focus their investments on what differentiates their company.* Cloud allows growth companies to focus on what they do best. They have the needed capital to make strategic investments in their business, rather than tying up cash in expensive data centers, hardware, and staffing to manage information technology.

The lingering misperception about small businesses is that they don't invest. But these companies challenge that misperception. As these stories demonstrate, successful SMEs are major implementers of technology. In fact, IT is central to their success.

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