# Cloud ERP Solves Growing SaaS Companies' Biggest Tech Challenges

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*Growing SaaS (and other subscription-based companies) looking to get off of QuickBooks are combining NetSuite with an experienced implementation partner to bring all of their operations onto a single platform.*

Eager to make their businesses more agile and scalable, a growing number of companies are choosing software-as-a-service (SaaS) applications and using them to run their operations. Hosted centrally and sold on a subscription basis, these solutions provide access to cloud-based applications for a monthly fee or another type of subscription arrangement. In the software sector, total annual SaaS revenues increased from $226 billion in 2020 to $272 billion in 2021.[1]

Expanding at a compound annual growth rate (CAGR) of about 21%[1], the global SaaS software sector includes a wide range of offerings, with human capital management (HCM), customer relationship management (CRM) and collaboration software among those boasting the highest public cloud SaaS market penetration rates. Customers don't have to maintain hardware or other resources required by on-premises software when they subscribe to these or other services. Instead, they access the software via a client program or web browser.[2]

Managing a growing SaaS or subscription-based company requires a certain finesse that can't be adequately addressed using basic financial programs and/or spreadsheets. For example, revenue recognition is challenging when customers are paying on different schedules and/or contracting services for different lengths of time. This can lead to inaccurate financial reporting and could impact corporate valuation.

This business guide explores the key challenges that SaaS and subscription companies face when attempting to run their operations on rudimentary technology systems and explains how a unified cloud Enterprise Resource Planning (ERP) system can solve these problems and more.

[1] https://www.prnewswire.com/news-releases/global-software-as-a-service-saas-market-is-expected-reach-272-billion-in-2021-301346678.html

[2] https://www.statista.com/statistics/510333/worldwide-public-cloud-software-as-a-service/

## Their Numbers Are Soaring

As SaaS adoption increases worldwide, this presents significant opportunities for companies looking to help fill the market need. As of 2021, there were about 15,000 SaaS companies in the US serving about 14 billion customers worldwide.[3]

These organizations often start out using basic accounting systems like QuickBooks to run their operations. As they sign up more customers, add new service options and develop different payment/contract arrangements for those services, SaaS companies can't adequately manage revenue recognition, recurring revenues or ASC 606 rules using those basic systems.

According to the Financial Accounting Standards Board® (FASB), ASC 606 establishes the principles to report useful information to users of financial statements about the nature, timing and uncertainty of revenue from contracts with customers.[4] "Revenue recognition is a common challenge for SaaS or subscription companies, which must be ASC 606 compliant," said Anish Duggal, Sales Director, NetSuite at Lirik, Inc., a NetSuite Alliance Partner. "Those advanced features aren't available in QuickBooks Online or other basic applications."

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**Because many SaaS companies serve a global audience, these organizations have to manage multiple subsidiaries and multiple currencies, both of which can be handled using NetSuite OneWorld.**

The platform helps companies improve compliance and productivity with real-time visibility and consolidation across all of their global subsidiaries. "OneWorld maintains a significant edge over other enterprise applications because it automates foreign currency revaluations and manages multiple global accounts," said Duggal.

Like many organizations, subscription-based companies rely on a host of disparate software applications for activities like billing, payroll, CRM and other functions. Because most of these platforms aren't integrated with one another, companies are forced to use spreadsheets, email and other manual means of sharing information.

"QuickBooks doesn't integrate well with other applications," Duggal pointed out, "nor does it allow companies to track customer usage or calculate invoice amounts."

## An Experienced and Trusted Implementation Partner

Due to its extensive experience working with SaaS and subscription-based companies, Lirik provides the technical designs, scripting and customizations to be able to tailor NetSuite to their specific needs. The scripts generally address functional areas like finance or customer relationship management.

Using custom application program interface (API) integrations, the company connects existing applications (e.g. Shopify, Salesforce, Magento, Commerce Tools, third-party logistics applications, etc.) with NetSuite to create a single centralized platform for its customers.

One SaaS company was using its own proprietary software to track software usage across all of its customers. Because the application was built to support APIs, Lirik was able to integrate it directly into NetSuite. "It doesn't really matter what the application is," said Digvijay "VJ" Singh Rathore, Director, Business Development at Lirik, "we can usually handle it."

[3] https://www.statista.com/statistics/1239046/top-saas-countries-list/

[4] https://www.fasb.org/jsp/FASB/FASBContent_C/CompletedProjectPage&cid=1175805486538

Lirik has also worked with many SaaS companies that are preparing for their initial public offerings (IPOs), taking on outside investments or getting ready for a merger or acquisition. As their financials come under greater scrutiny ahead of such deals, Lirik helps companies make full use of NetSuite's native capabilities while also augmenting the ERP with industry-focused enhancements.

## The Biggest Wins

By combining the SuiteSuccess average implementation timeline of 100 days with its customized service bundles, Lirik typically gets new customers fully up and running on NetSuite within three to five months. Once live on platform, SaaS companies immediately begin to see results.

In Rathore's experience, some of the biggest wins include reduced operational complexity, fewer errors and less reliance on manual processes. "NetSuite saves finance departments a lot of time," he said. It eases the burden on sales operations teams, which serve as a conduit between a SaaS organization's finance and sales teams, and takes away the time, headaches and errors associated with manual billing processes. This is a crucial benefit for companies that may have hundreds of thousands of global customers using their services.

For these organizations, Lirik develops scripts that enable the processing of 5,000-10,000 invoices to be automatically generated on a set schedule. For one SaaS company in the health care field, for example, NetSuite orchestrates this process monthly across hospitals, biotech, pharmaceutical and other customers.

The ERP system also provides accurate, in-depth reporting that companies need to make informed decisions. The customized reports capture all information related to different product and customer types, subscription models and other metrics. It then combines that data into a single report that can be easily accessed, assessed and used in the course of business. This is far more efficient than the company's previous approach, which required the generation of lengthy Excel spreadsheets on a monthly basis.

"NetSuite allows staff to strategize and focus on continuous improvement, versus having to manually extinguish daily fires," said Duggal. "In an industry where time translates into money, being able to use automation to maximize resources is a critical win for companies moving onto NetSuite."

> "NetSuite includes many features to support multiple subsidiaries, including both multi-book accounting and standard accounting, where companies share a common chart of accounts. Whatever the company's multi-subsidiary requirements are, NetSuite handles them well."

Anish Duggal, NetSuite Sales Director, Lirik, Inc.

NetSuite helps SaaS and subscription companies manage intercompany accounting, which is essential for accurate reporting, compliance with local tax codes, regulations, accounting rules and overall good governance. It also improves financial controls and reduces the manual effort required to settle intercompany accounts.[5] Intercompany elimination, or the process of removing transactions between subsidiary companies in a group, for example, is handled automatically by NetSuite at month-end close.

SaaS companies can also use the system to easily manage intercompany journal entries and intercompany transactions that are linked.

## Adding Extreme Value

The SaaS sector has seen extreme growth with 94% of enterprises already using a cloud service and 30% of all IT budgets allocated to cloud computing.[6] The subscription service sector is also on a growth track, with the average consumer now spending $273 per month on subscription services (up from $237 in 2018).[7]

As they scale up to meet customer demands and seek out ways to run more efficiently, SaaS and subscription companies will increasingly turn to technology to help them achieve this balance in a profitable manner.

By combining a leading cloud ERP system with deep industry expertise and constant communication through the entire implementation process, Lirik helps its customers leverage all of NetSuite's benefits while preparing them for future growth, outside investment, an IPO or an upcoming merger or acquisition. "We manage the end-to-end process," said Duggal, "from the initial consultation to post go-live and all steps in between."

[5] https://www.netsuite.com/blog/3-steps-to-taming-intercompany-accounting

[6] https://www.hostingtribunal.com/blog/cloud-adoption-statistics/#gref

[7] https://www.zdnet.com/article/average-consumer-spending-273-per-month-on-subscription-services-report/