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**NUCLEUS  
RESEARCH**

GUIDEBOOK  
**VERTICAL SPECIALIZATION  
WITH NETSUITE PARTNERS**

ANALYST

Andrew MacMillen

**Nucleus Research, Inc.**

100 State Street, Boston, MA, 02109

+1 (617) 720-2000

[www.nucleusresearch.com](http://www.nucleusresearch.com)

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## THE BOTTOM LINE

As enterprise resource planning (ERP) software becomes more sophisticated, vendors and partners face increasing pressure from customers to deliver customized functionalities. In order to consistently provide these capabilities, some partners have chosen to focus on serving a single vertical and standardize industry-specific features that don't have out-of-the-box support. Nucleus interviewed multiple NetSuite partners and found that by specializing in market-specific verticals, organizations were able to shorten their sales cycles and decrease implementation times, which led to higher revenues and improved customer satisfaction. Specialized partners were also able to reduce cost overruns on their implementations by 70 percent, which further improved profit margins.

## THE SITUATION

Oracle NetSuite provides a stable and extendable ERP platform that focuses on small and medium-sized businesses (SMBs) with substantial growth plans and are equipped to scale upwards. Nucleus has observed that NetSuite partners find the platform's ecosystem suitable for their company implementation practice due to its stability, and the vendor's collaborative relationship with its partners (Nucleus Research *s160 – Oracle NetSuite Partner Program Guidebook*, October 2018). However, out-of-the-box functionality support has not been able to keep pace with the proliferation of customized ERP use cases due to the frenetic pace of technological transformations.

NetSuite is a robust product but tailoring each implementation to different market needs is a lengthy and resource-intensive process. The partners who undertake customization efforts must be prepared to support the software changes for a long time into the future, even if they lose the specialized knowledge that made the customization possible. A horizontal approach, in which a partner tries to maximize business opportunities in all industries, further aggravates those resource constraints. Nucleus expects that applying a generalist strategy to ERP implementations will not be sustainable because companies are starting to offer more vertical-specific functionalities and support to customers (Nucleus Research *t149 – Nucleus Top Ten Predictions for 2020*, October 2019). ERP partners will need to prioritize a single industry to

**Implementing a vertical focus increased profit margins by up to 35 percent per year for NetSuite partners.**

stay relevant because diluting their focus across multiple industries will prevent them from developing the stability that customers require from their enterprise software.

## THE VALUE OF VERTICAL SPECIALIZATION

Nucleus has previously identified the market opportunity present for ERP service providers who specialize in specific verticals as “ERP realism”, due to the advantages of being realistic about their strengths and weaknesses (Nucleus Research *t168 – The business value of ERP realism*, November 2019). By focusing on core competencies, ERP vendors and partners can capitalize on the business opportunities that they are best equipped to serve, rather than attempting to be all things to all customers. Transitioning to a single vertical represents a significant change to traditional partner business models, but the shift will enable partners to accumulate expertise that will differentiate them from their horizontal competitors.

Actively withdrawing from potential sales may seem counterintuitive, but the long-term benefits are evident. Organizations that focus on a specific micro-vertical can configure their ERP offerings to a smaller audience and refine their sales and implementation processes to meet otherwise difficult requirements. Instead of building deployments from scratch, ERP partners can learn more about the challenges of their chosen market and adjust their value messages to more precisely align with their customers’ needs.

Partners focusing on a specific micro-vertical will have the opportunity to work on similar implementations multiple times, which will increase their expertise and relative advantages over their horizontal competitors within the space. Nucleus found that the ability to replicate industry-specific work improved the partners’ customer satisfaction rates and lowered their implementation costs across the board. The depth of expertise required to cultivate long-term relationships in niche markets is impossible to attain without an authentic investment from vendors to understand and relate to their customers.

## KEY BENEFITS

Nucleus found that NetSuite partners who had invested in building out specializations for specific verticals were able to realize considerable benefits through three key areas: new business opportunities, eliminated and avoided costs, and increased employee productivity.

## NEW BUSINESS OPPORTUNITIES

NetSuite partners who specialized in a single vertical have discovered new market opportunities among customers who have never received standardized service (i.e. out-of-the-box maintenance and support) due to complex ERP requirements. By using industry-specific knowledge to create new ERP features for their customers, vertical organizations became experts in their respective spaces. Nucleus observed that ERP verticalization enabled NetSuite partners to grow their deployment bases by up to 40 percent, as companies use their expertise to generate leads and drive deals within their target markets.

**Nucleus observed that ERP verticalization enabled NetSuite partners to grow their deployment bases by up to 40 percent.**

Nucleus also saw that partners who switched to a vertical approach were able to expand deployments and improve satisfaction among their existing customer pools. The standardization of customized ERP service offerings provided partners with the necessary background to work more closely with their clients and align their product roadmaps with customer requests. The strong connections have enabled customers to realize more value from their NetSuite deployments and will lead to mature deployments and long-term customer satisfaction.

## ELIMINATED AND AVOIDED COSTS

Partners found that ERP verticalization enabled them to reduce sales and implementation costs because they could streamline their processes to fit the needs of their narrower target market. By focusing on a micro-vertical, partners standardized features that had been previously created with customizations and replicate the service offering to other customers within the market. Specialized industry knowledge has enabled partners to proactively address customer concerns and tailor their sales pitches accordingly. Partners interviewed by Nucleus reported that the length of their sales cycles had been reduced by up to 75 percent.

The specialized partners were also able to accelerate implementation timelines and avoid cost overruns on the deals that they had won. Nucleus found that vertical organizations reduced their implementation costs by up to 30 percent and implementation timeframes by up to 50 percent, when compared to their old horizontal practice. NetSuite partners specialized in a single vertical were also able to refine their implementation processes and build deployments that encountered fewer problems and lower costs after going live.

## INCREASED EMPLOYEE PRODUCTIVITY

By investing in developing industry-specific knowledge, NetSuite partners were able to prioritize value-add work for their target markets. Rather than customizing the NetSuite platform for individual customers, specialized partners were able to codify their expertise into common features, which enabled them to focus on creating new functionalities and generating additional business. Partner employees can now replicate their work amongst a larger client

audience because their support is no longer customized to any single deployment. Partners interviewed by Nucleus estimated that their employees were up to 10 percent more productive because of their single vertical focus.

Partners who specialized in a single vertical also streamlined their training processes because of the similar nature of their customers' implementations. Employees reduced the average training time required for each deployment by up to 70 percent and reduced support costs associated with issues that occurred due to a lack of user comprehension. Partners have subsequently reduced post go-live issues by 60 percent which has enabled employees to spread their time across more implementations and increase their experience within their partner's chosen vertical.

**NetSuite partners decreased their implementation costs by up to 80 percent after they transitioned to serving a specific vertical.**

## PARTNER PROFILES

To better understand how niche market specializations are helping customers, Nucleus conducted in-depth interviews with NetSuite partners who had specialized in different verticals:

### SPECIALTY BEVERAGE PARTNER

The first partner built its NetSuite program out of an accounting practice when it recognized a need for ERP services among specialty beverage providers. The partner has emphasized preparation around company data to make the transition to NetSuite as straightforward as possible and accelerate its deployments' time-to-value. Since specializing in its vertical, the partner has reduced its implementation timeline by 50 percent and simplified its training methods to improve end user adoption rates.



The partner said: *“By specializing for a certain type of customer, we now have more work than ever before because we’re delivering a higher value than our horizontal competitors. We have been able to standardize our deployments and reduce the number of projects that overran their budget by about 60 percent.”*

## PHARMACEUTICAL PARTNER

The second partner supports ERP implementations for pharmaceutical customers and specializes in core financials and supply chain functionalities. The customized software has been converted into a standard format which has enabled the partner to scale its operations to a larger base of pharmaceutical customers. The new features require more extensive support and maintenance, but the partner’s established experience has enabled it to continue supporting and improving its deployment base.

The partner said: *“Our implementations are much more profitable now because we have refined our modules to fit our long-term growth plans. Our vertical focus has been very successful, but we had to narrowly define and deeply understand our target market in order to drive value.”*

## MANUFACTURING PARTNER

The third partner implemented a specialized vertical strategy in early 2018 and has established itself as a leading ERP service provider for manufacturers and distributors. The shift required a large-scale adjustment to its sales and delivery models but resulted in streamlined implementations and 30 percent fewer cost overruns. The partner’s new methods have enabled it to strengthen its client relationships and expand existing deployments, leading to increased customer retention and higher revenues.

The partner said: *“We have doubled in size in less than a year and reduced our implementation costs because the processes are much smoother. Because we’re invested in specialized verticals, we can closely align our service offerings with our customers’ needs and frame the software’s capabilities correctly from the beginning.”*

## GENERAL IMPLEMENTATION PARTNER

The fourth partner has not focused on any one vertical but has been a major proponent of creating industry specializations to better serve its customers. Newer employees can now familiarize themselves with NetSuite much more quickly because of the standardized practices. Senior employees can focus on higher level strategic work because they are 20 to 30 percent more productive on individual projects due to their similarities. The vertical

approach is best suited for mid-market customers that can adjust their internal processes to match the best practices that the partner has already been established.

The partner said: *“The difference between vertical and horizontal approaches is huge. We have reduced our training and now complete 40 percent more implementations without adding headcount. Implementations now take half the time that they previously did because we often already know what the customer needs to succeed.”*

## CONCLUSION

While cloud transitions remain a focus for ERP partners, addressing the challenge of delivering greater value has taken precedence for companies looking to remain competitive for the long run. Partners who undertake a horizontal approach will not be able to address increasingly complex demands from customers who want more specialization from their ERP deployments (Nucleus Research t168 – *The business value of ERP realism*, November 2019). Adjusting ERP software to an individual market’s needs is a significant undertaking and partners must be sure that a business opportunity is present in their chosen space.

Nucleus found that concentrating on a single ERP vertical enabled NetSuite partners to grow their businesses through specialized industry knowledge and unique service offerings. By developing industry-specific functionalities, partners were able to capture the exclusive attention of companies who had never benefitted from standardized ERP systems. Due to their narrow focus, partners now encounter clients with similar challenges, allowing them to streamline their sales pitches and proactively address pain points. The results include shorter sales cycles, more successful implementations, and improved customer retention, all of which contribute to sustained revenue growth for the specialized partners.

Nucleus expects that identifying market opportunities and executing a vertical focus will remain a challenge for traditional horizontal partners, but the potential for expansion is worth consideration. Becoming a leading ERP provider for an underserved market leads to mutually beneficial relationships for the partner and its clients as the accumulated industry knowledge contributes to the strategic roadmaps for both parties. The fundamental role of ERP technology within business processes has presented NetSuite partners with a multitude of opportunities for alignment with customers in niche verticals, both now and in the future.



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