Fast-Growing B2B SaaS Businesses Turn to Cloud ERP

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Using NetSuite's cloud ERP as a foundation, Trivium is helping B2B Software-as-a-Service (SaaS) companies tackle the rigors of running a high-growth organization.

With the SaaS market on pace to exceed $307 billion in annual revenues by 2026, up from $158 billion in 2020, the shift to the cloud is clear.

Business-to-business (B2B) SaaS companies focus on helping organizations automate functions and operate more efficiently and are playing a key role in the overall growth of the SaaS market. By providing the applications, integrations, extensions and add-ons, B2B SaaS organizations help their customers reduce their dependency on manual systems, optimize functions like sales and customer service and grow their revenues.

To help their customers achieve these and other goals, SaaS companies need investments at every stage of growth. Over the last year or so, the sector has become a darling for venture capitalists looking to invest in high-growth entities.

"From imaging software to collaboration tools, SaaS is becoming an extremely profitable route for venture capital companies," GrowthList, a weekly report that covers innovative tech startups, reported. "With SaaS helping to optimize business process, leading to more fluid and automated operations, venture capital firms are diving head-first into the pool to find the best and brightest entrepreneurs to back."

Once those "best and brightest" hit the fast track to growth, the technology systems they implemented to get started usually can't keep up with the quick scale-ups. During the pre-revenue stage, for example, many just quickly cobble together a basic accounting system like QuickBooks, myriad Excel spreadsheets and even paper-based systems to track their business activity. Once they begin raising financing rounds and need to provide more detailed answers—namely to the venture capital firms that are investing in their innovative ideas—companies need more robust, unified systems that provide accurate data, reporting and collaboration tools.

This white paper looks at the growth of B2B SaaS as an industry, highlights the challenges of running a high-growth SaaS company in the current business environment, and explains the benefits that an experienced, multifaceted partner plus NetSuite are providing for this growing sector.

From Early Stage to Revenue Generation

B2B SaaS organizations focus primarily on developing automated solutions that are hosted in the cloud and that speed up the rate at which companies manage an array of different business functions. While in the pre-revenue or startup stage, B2B SaaS companies can often get by with basic business software platforms and even manual, spreadsheet-based processes. As they grow and attract successive rounds of outside funding, however, they need more robust systems to support their operations.

A pre-revenue B2B SaaS company that's just beginning to sign up its first major paying customers, for instance, has to comply with revenue recognition rules. A generally accepted accounting principle (GAAP), revenue recognition identifies the conditions in which revenue is recognized and determines how to account for that revenue.

According to the AICPA, the ASC 606 revenue recognition standard affects all entities—public, private and not-for-profit—that either enter into contracts with customers to transfer goods or services or enters into contracts for the transfer of nonfinancial assets. As they begin to receive revenue from their customers, public B2B SaaS companies must adhere to the standard or risk fines and penalties, while private companies risk funding. "This is one of many accounting requirements that become critical as companies sign on their early customers," said Scott Williams, VP of Corporate Development and Customer Success at Trivium, an Oracle NetSuite Partner.

Other key considerations include invoicing, collections and cash flow management, all of which will be new requirements for a SaaS company that's graduating from the pre-revenue stage and taking on new outside investors. "Up until this point, it was all just 'expenses' for these companies; there was no

income," Williams explained. "Almost overnight, these organizations have to start thinking about cash flow, projections, profitability and budgeting—all the things that coincide with the receipt of actual revenue."

$500 Million Invested Over 12 Months

As they raise rounds of funding, most SaaS companies start with a seed round and then go through the subsequent Series A, B, C and D rounds of outside investment. Trivium typically gets involved during the seed or Series A round, when B2B SaaS companies need to move on from basic software to a unified, cloud-based enterprise resource planning (ERP) system. With an average implementation time of about three months, Trivium provides the strategy, guidance and back-office solution that its B2B SaaS clients need to get up and running quickly.

Because it's also a NetSuite cloud ERP user itself, the company has hands-on experience using, implementing and tweaking the system to meet its needs. Trivium focuses on all aspects of the early-stage B2B SaaS sector, helping companies fully leverage the automation, integrations with outside applications and operational capabilities that cloud ERP provides. "We help our clients think through processes and make good decisions about their technology and their operational approaches," said Williams. "We also handle much of the financial due diligence for them, including how to get the best deal, the best terms and other key considerations."

This multipronged, consultative approach works well for Trivium's clients, who have raised about $500 million in outside funding over the last 12 months. And, over the last eight years, the NetSuite Partner has assisted about 30 of its clients through the exit/acquisition process. "At times, we even sit next to them during negotiations and for six months after the acquisition," said Williams, "just crossing T's and dotting I's."

That level of guidance extends far beyond basic accounting and helps B2B SaaS companies throughout their entire lifecycle. Williams said the company's deep expertise in mergers and acquisitions (M&A) also positions it to serve as much more than a software implementation partner. Right now, for example, Trivium has a handful of client that are preparing for an initial public offering (IPO) sometime during the next 12-24 months.

A Partner for Life

With Trivium in their corner and NetSuite up and running, B2B SaaS companies start to see benefits like time savings, cost savings, operational streamlining and better risk management. According to Williams, the time savings translates directly into cost savings for these organizations, whose time is compounded in value. "Our clients save a ton of time, not just a little," he added. Having accurate data at their avail also translates into more accurate reporting, less double-checking of numbers and fewer overall data errors.

"As our clients grow, we're with them the whole way through. Using NetSuite as the unified ERP, we help clients establish robust, back-office solutions to manage finance, taxes, human resources and other requirements. This multifaceted approach addresses everything that a growing SaaS company could need to run its operations efficiently and profitably."

Scott Williams, VP of Corporate Development and Customer Success, Trivium

And because they have a unified view of their growing operations, B2B SaaS companies no longer have to "piece together" information from different systems to get those enterprise-wide insights. Finally, with Trivium working in their corners for the long haul, these organizations also get a partner for life.

"We don't just implement and walk away; we're also using the software on behalf of our clients," said Williams. As investor interest in B2B SaaS companies continues to grow, and as these organizations work to become revenue-generating entities, expect more of them to shed their inefficient technology systems and replace them with robust, unified solutions they can use to run their end-to-end operations.

"In most cases, the trigger for our customers is the seed or Series A round, where issues like inventory management, expansion management, adding subsidiaries and dealing with more stringent accounting requirements begin to come into play," said Williams. "These are all milestones that should make a SaaS company seriously consider moving to an ERP."

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