THE BOTTOM LINE
MusclePharm deployed NetSuite to replace an accounting system that wouldn’t support its growth. Nucleus found that NetSuite enabled the company to support its rapid growth and increasingly complex business model while increasing staff productivity, gaining greater control over inventory, and streamlining warehouse operations.

ROI: 1977%
Payback: 1 month
Average annual benefit: $1,864,848

THE COMPANY
MusclePharm is a scientifically driven, performance-lifestyle company that develops, manufactures, markets, and distributes branded nutritional supplements. The company offers a complete range of powders, capsules, tablets and gels. Its portfolio of recognized brands, including MusclePharm Hybrid and Core Series, Arnold Schwarzenegger Series, and FitMiss, are marketed and sold in more than 110 countries and available in more than 35,000 retail outlets globally. Founded in 2008, MusclePharm is headquartered in Denver and reported $110.9 million in revenues in 2013.

THE CHALLENGE
Like many startups, MusclePharm initially began supporting its operations with QuickBooks, but rapidly found that the accounting application lacked the scope and scalability to support its growth goals, and began looking for an alternative.

Cost : Benefit Ratio  1 : 10.7
THE STRATEGY

MusclePharm began its due diligence in 2009 and evaluated a number of solutions including NetSuite, SAP, Microsoft, and Oracle. The company ultimately selected NetSuite for a number of reasons including:

- MusclePharm found that NetSuite had the functionality to support its financials, inventory warehousing, supply chain, CRM, and other requirements in a single integrated application.
- NetSuite’s cloud delivery model would enable MusclePharm to avoid a significant capital investment and long implementation time, and would also give the company the flexibility to grow by adding new offices without significant additional IT investment.
- NetSuite’s pricing could be bundled into the operational budget.

MusclePharm began its implementation of NetSuite in 2011, taking advantage of NetSuite professional services and spending about a month for the initial deployment, which replaced its QuickBooks implementation. Fifteen finance people were trained for approximately 3 days on how to use the application. In 2012, the company expanded access to NetSuite to additional staff in the warehouse and operations as well as the new finance members, with a similar amount of training. In 2012, the company continued to extend its use of NetSuite by bringing all its inventory management functions in house, and trained an additional 60 people on use of the application.

KEY BENEFIT AREAS

Deploying NetSuite has enabled Muscle Pharm to support rapid growth while increasing the complexity and diversity of its business transactions. Key benefits of the project include:

- Increased IT productivity. By deploying a cloud application, MusclePharm was able to avoid the IT staff that would have been needed to support a similar on-premise deployment while being able to extend the use of NetSuite to expanding locations without additional IT investment or support.
- Increased employee productivity. The benefit of NetSuite toward productivity was first recognized in the IT department, then spread to finance, where the company was able to dramatically increase revenues without a commensurate increase in accounting staff. As the application was extended to the warehouse and fulfillment, further productivity benefits were gained by those employees.
- Increased visibility. Having all the data about operations in one place and applying business analytics and reporting to the data enabled management to have better views across all parts of the business.
- Improved inventory management. By bringing inventory management in-house and applying analytics to better understand inventory trends and buying and sourcing.
patterns, MusclePharm was able to further accelerate its growth while improving margins and freeing up working capital.

“NetSuite really puts us in a great position to be able to scale quickly with a great cloud ERP system that integrates with everything.”
- Kyle Gosnell, VP Information Technology, MusclePharm

**KEY COST AREAS**

Costs of the project include software license subscription fees, personnel time to implement and support the application, consulting costs, and employee training time.

**BEST PRACTICES**

Like many NetSuite customers Nucleus has analyzed, MusclePharm was able to take advantage of the cloud ROI multiplier to scale and extend its use of NetSuite over time to
support the growing needs of its business without the cost and disruption associated with upgrading and expanding a traditional on-premise ERP application.

**CALCULATING THE ROI**

Nucleus quantified the initial and ongoing costs of software license subscription fees, personnel time to implement and support the application, employee training time, and consulting over a 3-year period to calculate MusclePharm’s total investment in NetSuite.

Direct benefits quantified included the elimination of QuickBooks license fees, and the avoidance of additional staff in IT, finance and accounting, and additional operational areas that would have been needed to support the same level of business growth without NetSuite. Staff avoidance benefits were quantified based on the average annual fully loaded cost of an employee and conservatively estimated based on the growth in revenue and operations versus a much lower growth rate in overall staff levels.

Not quantified were the additional efficiencies and savings MusclePharm will gain from NetSuite as it completes its deployment of OneWorld this year and further expands its use of the application and applications from NetSuite’s partner ecosystem.
## Financial Analysis

NetSuite

Annual ROI: 1977%
Payback period: 0.1 years

### Annual Benefits

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<tr>
<th></th>
<th>Pre-start</th>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
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<tr>
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<tr>
<td>Indirect</td>
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<tr>
<td>Total per period</td>
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<td>1,285,000</td>
<td>2,175,000</td>
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### Capitalized Assets

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<th>Year 3</th>
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<td>Hardware</td>
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<td>Project consulting and personnel</td>
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### Depreciation Schedule

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<th>Year 3</th>
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<tr>
<td>Hardware</td>
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<td>Project consulting and personnel</td>
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<tr>
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### Expensed Costs

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<td>Other</td>
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<tr>
<td>Total per period</td>
<td>95,962</td>
<td>170,184</td>
<td>192,424</td>
<td>119,385</td>
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### Financial Analysis

Results Year 1 Year 2 Year 3
Net cash flow before taxes (95,962) 1,114,816 1,982,576 2,593,115
Net cash flow after taxes (52,779) 613,149 1,090,417 1,426,213
Annual ROI - direct and indirect benefits 1977%
Annual ROI - direct benefits only 1977%
Net Present Value (NPV) 2,636,884
Payback period 0.1 years
Average Annual Cost of Ownership 192,652
3-Year IRR 1232%

### Financial Assumptions

- All government taxes: 45%
- Cost of capital: 7.0%
By the Numbers
MusclePharm's NetSuite Project

Annual Return on Investment 1977%

1.0 months The total time to value, or payback period, for the project

Cost : Benefit Ratio 1 : 10.7

$1,864,848 Average annual benefit

THE PROJECT
MusclePharm deployed NetSuite to replace an accounting system that wouldn’t support its growth. Nucleus found that NetSuite enabled the company to support its rapid growth and increasingly complex business model while increasing staff productivity, gaining greater control over inventory, and streamlining warehouse operations.

THE RESULTS
Avoided 17.5 accounting and finance FTEs over 3 years
Increased revenues
Avoided incremental IT staff

Number of users: 150

1 Months Total time for the company to deploy NetSuite

“NetSuite really puts us in a great position to be able to scale quickly with a great cloud ERP system that integrates with everything.”

- Kyle Gosnell, VP Information Technology, MusclePharm