



May 2013

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## **ROI CASE STUDY**

### **ACUMATICA**

### **P'KOLINO**

#### **THE BOTTOM LINE**

P'Kolino deployed Acumatica to automate its business processes, improve inventory planning, and improve customer service efficiency. Nucleus found the key benefits of the project included avoided returned costs and the ability to support rapid growth without a similar growth in staff.

**ROI: 142%**

**Payback: 8 months**

**Average annual benefit: \$60,290**

#### **THE COMPANY**

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Founded in 2004, P'kolino designs and creates toys, furnishings, and art supplies, with a focus on smart play products for children. P'Kolino is distinguished by its versatile designs, smart functionality, and educational value. Headquartered in Fort Lauderdale, Florida, P'Kolino is a private company with 16 employees.

#### **THE CHALLENGE**

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After the 2011 holiday season, P'Kolino recognized that it needed a better solution to manage its entire product value chain, from tracking customer leads to managing inventory to customer orders. QuickBooks, the accounting software it had been relying on could not match the rate of P'Kolino's 30 percent yearly growth rate. In particular, during the peak season, the gaps in QuickBooks's capabilities cracked wide open. The lack of integration between QuickBooks to other third-party software applications meant that P'Kolino staff had to manually copy and re-enter sales order data and inventory information from one platform to another. In addition, QuickBooks was installed on individual machines, making software upgrades a major pain point because it required each machine to be updated separately.

*"When orders flooded in for children's gifts during Christmas, we almost collapsed. The amount of work that we had was incredible, and we thought we would have to hire additional people the following year to cope with orders."*

-Francisco Pardo, Operations Manager, P'Kolino

## THE STRATEGY

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P'Kolino's operations manager began looking for a robust application that could scale and support the company's growing business. P'Kolino wanted a web-based application that could consolidate multiple applications (QuickBooks and third-party warehouse databases) onto a single platform. Being a small business, cost was also a factor to the final decision. After narrowing it down to three vendors: Microsoft Dynamics, Sage and Acumatica, P'Kolino decided on Acumatica.

In mid-2012, P'Kolino switched from Quickbooks to Acumatica. The implementation required one IT staff member to spend 11 hours a week for one year collaborating with a team of consultants in defining the requirements of the system, transferring the information, and deploying the system. The IT administrator then trained 13 users on the capabilities of Acumatica.

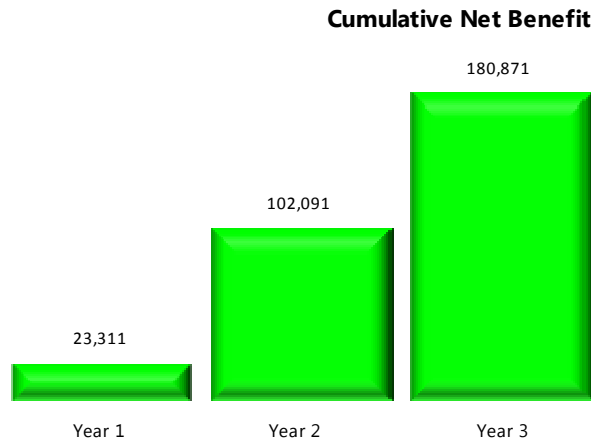
**Cost : Benefit  
Ratio | 1 : 3.2**

## KEY BENEFIT AREAS

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Deploying Acumatica enabled P'Kolino to manage its growth while solving its data consolidation and integration challenges. The main benefits of the project included:

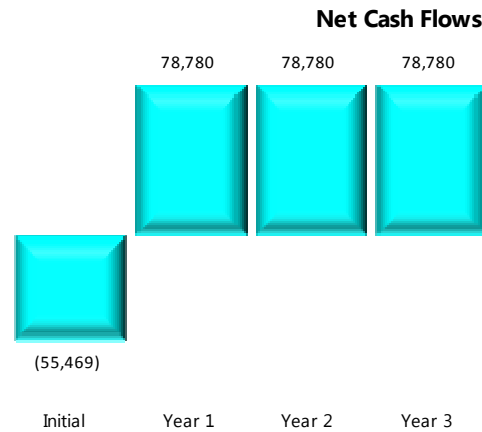
- **Avoided headcount.** Through the automation of sales orders and integration of Acumatica to third-party software, P'Kolino avoided hiring three additional workers, a direct savings of \$76,000 a year. In fact, P'Kolino was able to double the work capacity of the team since they no longer had to manually key in information from one system to another, enabling them to process 200 orders a day compared to 50 orders a day.
- **Avoided return costs.** The project enabled seamless synchronization between Acumatica's own system and third-party warehouse databases, resulting in a 75 percent reduction in data errors. This enabled more accurate visibility into sales inventory and a savings of \$5,000 annually from avoided returned orders.
- **Savings from hardware and software.** By migrating onto a single standardized system, P'Kolino has been able to reduce the hardware and software costs associated with managing multiple disparate systems, resulting in an annual avoided cost of \$4,180.



## KEY COST AREAS

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Costs of the project included software, hardware, consulting, and training. During the deployment, the system administrator spent approximately 11 hours a week for a year working with consultants on the deployment, and maintenance of the system required 5 hours a week. Training costs consisted of the two hours it required employees to get trained on the new system.



## BEST PRACTICES

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Moving from a desktop-bound application to a web-based system facilitated easier access by users and lowered overall burden for the IT department. P’Kolino initially had multiple machines to maintain, but now only needs one server. This enabled P’Kolino to scale the solution as the business grew, without hiring additional employees. Acumatica helped improve all of the processes within P’Kolino’s business and integrate all pieces of the puzzle from customer orders and warehousing to sales inventory and orders. In particular,

P'Kolino has a consolidated view of customer purchase history, enabling it to create targeted marketing campaigns and promotions based on the success of certain product lines in customer demographics. Rather than hiring additional workforce as the business expanded, P'Kolino understood the opportunity that existed if they consolidated its disparate systems, driving greater consistency into how P'Kolino conducted business.

## **CALCULATING THE ROI**

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Nucleus calculated the costs of software, hardware, consulting, personnel, and training over a 3-year period to quantify P'Kolino's investment in its deployment of Acumatica.

The direct benefits quantified included the cost of avoidance of additional team members that would be needed to support operations if Acumatica had not been implemented, eliminated cost of managing QuickBooks and eliminated cost of returned orders.

## FINANCIAL ANALYSIS

### Acumatica - P'Kolino

Annual ROI: 142%

Payback period: 0.7 years

<b>ANNUAL BENEFITS</b>	<b>Pre-start</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>
Direct	0	87,180	87,180	87,180
Indirect	0	0	0	0
<b>Total per period</b>	0	87,180	87,180	87,180

<b>CAPITALIZED ASSETS</b>	<b>Pre-start</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>
Software	0	0	0	0
Hardware	0	0	0	0
Project consulting and personnel	0	0	0	0
<b>Total per period</b>	0	0	0	0

<b>DEPRECIATION SCHEDULE</b>	<b>Pre-start</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>
Software	0	0	0	0
Hardware	0	0	0	0
Project consulting and personnel	0	0	0	0
<b>Total per period</b>	0	0	0	0

<b>EXPENSED COSTS</b>	<b>Pre-start</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>
Software	19,000	3,400	3,400	3,400
Hardware	3,200	0	0	0
Consulting	21,000	0	0	0
Personnel	11,000	5,000	5,000	5,000
Training	1,269	0	0	0
Other	0	0	0	0
<b>Total per period</b>	55,469	8,400	8,400	8,400

<b>FINANCIAL ANALYSIS</b>	<b>Results</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>
Net cash flow before taxes	(55,469)	78,780	78,780	78,780
Net cash flow after taxes	(30,508)	43,329	43,329	43,329
<b>Annual ROI - direct and indirect benefits</b>				<b>142%</b>
Annual ROI - direct benefits only				142%
Net Present Value (NPV)				83,201
<b>Payback period</b>				<b>0.7 years</b>
Average Annual Cost of Ownership				26,890
3-Year IRR				130%

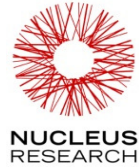
### FINANCIAL ASSUMPTIONS

All government taxes	45%
Cost of capital	7.0%



# By the Numbers

P'Kolino's Acumatica project



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Annual Return  
on Investment **142%**

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

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Cost : Benefit  
Ratio **1 : 3.2**

**\$60,290**  
Average annual benefit

## THE PROJECT

P'Kolino deployed Acumatica to automate its business processes, improve inventory planning, and improve customer service efficiency. Nucleus found the key benefits of the project included avoided returned costs and the ability to support rapid growth without a similar growth in staff.

## THE RESULTS

Avoided hiring 3 additional workers, saving \$76,000 a year  
Saved \$5000 annually from avoided return costs  
Process 200 orders a day compared to 50 orders a day

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Number of **users: 13**

**8** Months  
Total time for P'Kolino to deploy  
Acumatica

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