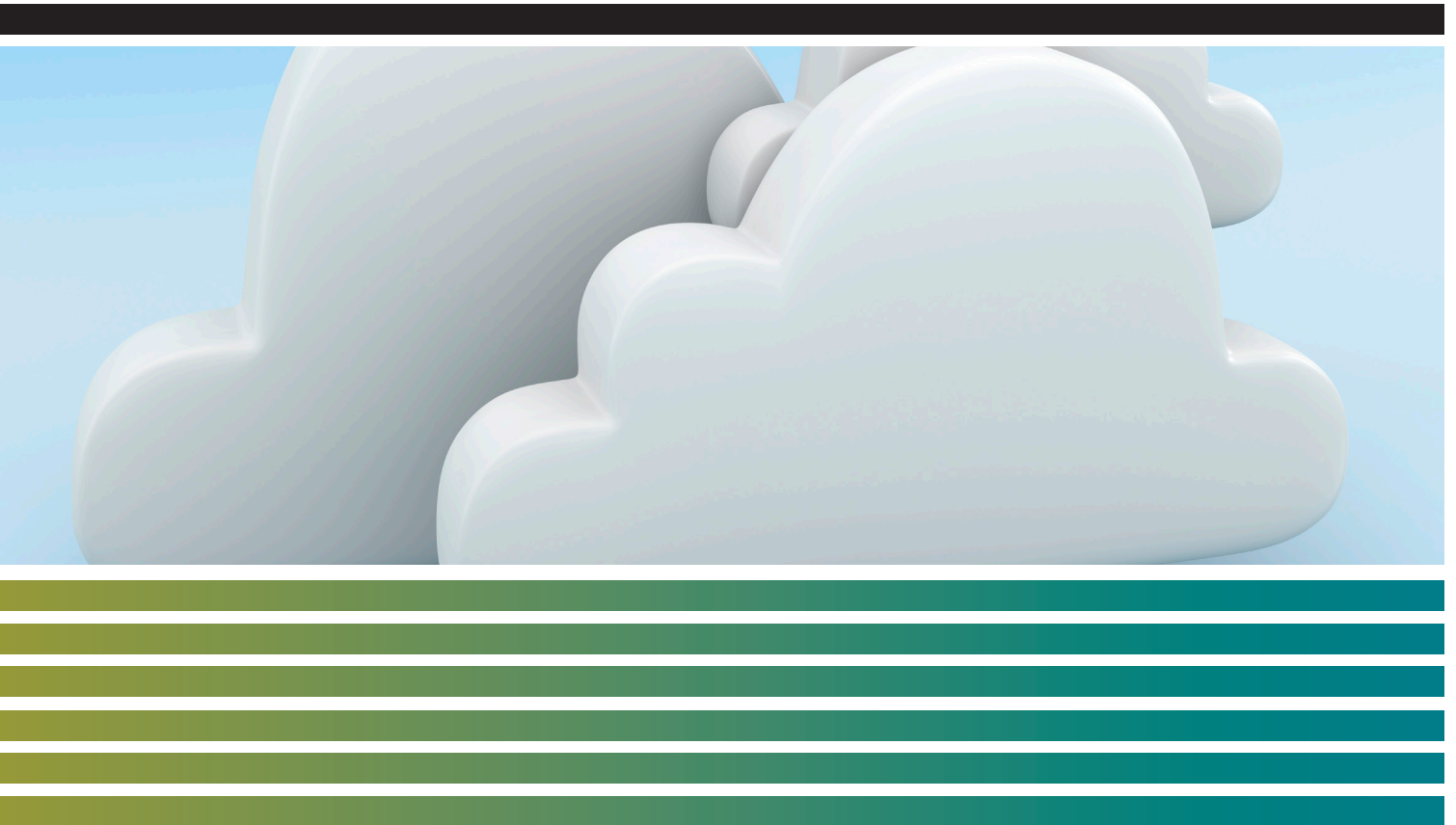


QUICKBOOKS TO CLOUD: Considerations & Case Study

AN ARMANINO WHITE PAPER



QUICKBOOKS TO CLOUD: CONSIDERATIONS AND CASE STUDY

It happens thousands of times every year in this great land of opportunity. Successful businesses outgrow their entry-level accounting systems. More often than not, the system is QuickBooks.

But moving to a new accounting system or more robust financial system is expensive, and time consuming. So when should you start? And when will you recover your costs and see a return on your investment?

This whitepaper addresses these important questions by identifying some of the pain points you run into that indicate it's time for a change. We will illustrate how to envision what a more robust and flexible accounting system can bring. Next, we'll detail how to consider and compare total cost of ownership (TCO) and return on investment (ROI) of the two financial system upgrade alternatives: on-premise and cloud. Finally, a real-life case study will demonstrate how a high-profile business, GrubHub, graduated from QuickBooks to Cloud Accounting.

QUICKBOOKS TO CLOUD: STOP THE PAIN

When your business has outgrown the entry-level accounting system QuickBooks, you will be experiencing one or more points of pain that might include: excessive use of Excel spreadsheets, lack of required reports, manual duplication of data into other business systems, and the need for constant proofing. Each of these issues requires time, sometimes overtime, and possibly additional staffing.

Excel is a Headache

One of the surest signs that you are ready to graduate from QuickBooks is that you have to dump everything into Excel to see what is going on in your company. When you were just starting out, it was enough to see the balance in the checkbook-style ledger. That told you whether you could pay your bills for the month. Time goes by, there's money in the bank, your business is expanding. Congratulations! Now you need to roll up and consolidate financials from multiple divisions or entities to see how you are doing. Maybe there are multiple currencies involved or complex revenue recognition schemes to manage—tasks that QuickBooks was not designed for.

Reporting and Audit-ability

Now you may have to work late pulling reports together manually for board meetings, building or updating spreadsheets because QuickBooks does not have the reports you need. The Directors want to see the relationship between cash flow and operations. Profitability comparisons across divisions. What-if analyses of the options before the Board. In short, visibility into the business. You pray that QuickBooks doesn't crash as you export the data. Problems with reporting and audit-ability (they go hand in

hand) are the two most common trouble spots for small to mid-size businesses that have outgrown their initial system. The more you have to do in Excel outside your core accounting system (QuickBooks or any other), the more common they are.

Proofing Overload

Spreadsheets are silos of information. The data they contain is static as soon as you export it from QuickBooks. Every time you touch the data – to refresh the inputs, to modify a formula, to add a row – it may introduce an error. The chances of error increase if there are multiple touch-points in your organization for processing or reporting the data.

All of these pain points cost you time that could be better spent elsewhere. Maintaining a spreadsheet farm may even mean that you have to hire additional staff. Still, the greatest danger associated with spreadsheets is that there come to be multiple versions of “the truth.” The report you create tonight may circulate through the organization and become a template that different departments or divisions modify for their own purposes. Everyone is creating one-off versions of reports that don't tie off, but everyone believes his own version of the truth and acts accordingly. Some refresh their data regularly; some don't get the memo.

The pain points that develop where QuickBooks no longer fits your organization are also pointers to the way out. We'll return to that idea as we envision a new way of working.

Let's go back to the boardroom. This time, imagine that instead of pulling data manually from QuickBooks and dumping it into Excel, you are using a cloud accounting application.

QUICKBOOKS TO CLOUD: ENVISION A NEW WAY OF WORKING

Real-Time Visibility

The General Ledger view is open in front of you. All divisions and offices in your company access the application over the Internet, as do you, and all transactions are written to the same database. So you – the CFO of your company – are looking at your company's finances in real time. With a single mouse-click, you select Sales Budget vs. Actual by Location, and print it. A job that used to take hours is done in under a minute.

The Expense Management view is open in front of you. As the controller of a professional services firm, you can improve your company's cash position through timely billing and charge-backs. You want to see whether the staff at remote client sites are entering their time and expenses at the end of the day, as required by company policy. You are pleased to see that compliance is way up because the staff can now just key in the data and scan in their receipts before leaving the job site. They are more motivated to do it because they get reimbursed faster, thanks to an automated approval workflow. You are happy because approved expenses are immediately available for invoicing.

All the executives and senior managers have a customized dashboard open in front of them, showing the key performance indicators they need to do their jobs. Operations staff have secure access to the exact, real time financial information they need to do their job. They can see more clearly how their decisions and activities impact upon the company as a whole, so a virtuous cycle is established that enables them to improve performance. The executive team can monitor the function they are responsible for, drilling down to the most granular level or pulling back for a global view, comparative analyses, and what-if scenarios.

Multi-dimensional Reporting

Underneath the various dashboards, reports, and analytics is the same thing: dimensionality. You tag transactions with codes for various dimensions of your business – customer, vendor, employee, project, spend, profit or payroll, for example. These codes index entries for analysis and reporting purposes. Some dimensions are common to all companies, but you can define others that are especially relevant to your business (coupons, for instance, if they drive business for you).

As mentioned before, problems with reporting and auditability are the two most common trouble spots for small to mid-size businesses that have outgrown QuickBooks. The point is that you don't need spreadsheets to provide flexible reporting and analysis when you have a dimensional cloud accounting solution. It is much easier to make sound business decisions when you have real-time visibility into your company, and you can't get real-time reporting from spreadsheets.

Stop the Bleeding

Last but not least, when you move from QuickBooks to the cloud, you get out of the IT business and into your own business. Imagine writing a check to the cloud vendor for turnkey service instead of to Dell for servers, Microsoft for licenses, and your IT support for managing it all. Imagine never having to install another version of the software, never having to restore a computer that has crashed and never worrying about losing your data. Forget all the other pains of IT ownership. All you need is access to the Internet, at any time, from any location, 24/7/365. The cloud vendor does the rest.

Make it easy on yourself. Stop visualizing a better way of working. Start realizing it.

QUICKBOOKS TO CLOUD: COMPARE THE TCO AND ROI

Outgrowing QuickBooks is a gradual process. Unless there is a compelling reason to migrate, such as an acquisition, organizational inertia tends to take hold and delay the process of selecting a replacement. Just staying put seems like a safe option, but is it?

The only way to find out is to calculate the total cost of ownership (TCO) of your current QuickBooks set-up and compare that to your options for replacing it. Contact the Armanino Financial Advisory team today for help developing this analysis (contact@armaninoLLP.com).

Direct Costs and Hidden Costs

Let's net this out. The direct costs for your current set-up are obvious. You simply add up license costs for the number of QuickBooks instances you have (and Excel, if you are using that for reporting), the costs of the servers they run on, and the portion of your IT costs attributable to QuickBooks.

The challenge is to properly quantify the hidden costs of lower productivity and poor data quality. There is a very good webinar from Intacct called [Advice from the Trenches](#) that helps you identify the hidden costs of QuickBooks as well as potential revenue gains and cost savings from moving to the cloud.

QuickBooks replacements fall into two categories – software installed on-premises and cloud financials, available

as Software as a Service. Each category has its own cost structure which is accounted for differently in your company's financial reporting. See a comparison of these cost structures and their impact in our [blog posting](#). Of course, this is only an issue if you are making a three-way comparison of QuickBooks, on-premises, and cloud alternatives.

Software TCO is like an iceberg. The part you see above water – the software license fee – represents only a portion of the total cost of ownership. Comparing only the license fees for on-premises software and Software as a Service (SaaS) will give you a misleading result; you must identify and compare ALL costs, above and below the waterline.

Drowning in Fees

According to The Yankee Group, the license fee for on-premises software accounts for only 9% of the total cost of the installation. All the other things you have to buy and pay for to run the software successfully make up 91% of the dollar cost. By contrast, the tip of the SaaS iceberg, the subscription fee, represents the bulk of the TCO – 68%. The remaining 32% of the total costs cover implementation, configuration, and training. These are costs that you would incur no matter what solution you chose; in the on-premises example that the Yankee Group used as a benchmark, these expenses represented 44% of the total cost.

Rapid ROI

When you upgrade from QuickBooks to the cloud, your ROI comes mainly from three different areas: the revenue component, cost savings, and increased productivity.

First, a robust cloud accounting application can eliminate revenue leakage from sources such as improper posting of invoices and lengthy billing cycles so that you get paid sooner. In addition, it enables you to pinpoint factors that affect revenue – for example, reporting of billable hours – and target them for improvement.

Second, you can better control costs. The obvious savings come from eliminating the usual hardware, software, infrastructure, and labor costs associated with installed software. Additionally, you save by reducing G&A costs as a percentage of revenue and putting controls and limits in place.

Third, a substantial portion of your ROI comes from measurable productivity increases. For example, automating manual processes can significantly shorten monthly clos-

ings and consolidations. QuickBooks graduates frequently report saving 30-40 hours a month in this area alone. Reducing transaction time to 5-10 minutes instead of 15-20 minutes per transaction will save 2,000 to 3,000 hours over the course of a year. For comparison, a full-time employee works 2,000 hours a year.

Move Fast to Avoid Missed Opportunities

To sum up, the direct and indirect costs of running QuickBooks are so specific to every user's organization that we hesitate to generalize about them. Except for this: they are higher than you think. Settling for lower productivity and questionable data quality don't just cost you money and time. They are like driving with your handbrake on. Business moves fast in the world around you. You are missing opportunities if you slow yourself down.

If you move to a cloud accounting application, you will probably also be surprised at how short the payback period is. It is possible to achieve 100% ROI in 4 to 18 months, depending on your situation.



TAKING THE NEXT STEP: GRADUATING TO CLOUD ACCOUNTING

Now. Was that as scary as you thought it would be?

Do you now feel more comfortable visualizing the graduation process for your own company? It's true that in the long run you will save both time and money upgrading from QuickBooks to the Cloud.

Still not convinced? Read further on a case study of one of our clients, GrubHub.

GrubHub is an online restaurant search engine that allows you to search and order from restaurants in your area.

Using GrubHub, one can find out which restaurants offer delivery, pick-up, or both.

GrubHub was founded in 2004. In 2011, it raised \$50 million in venture capital and acquired Dotmenu, an additional online food delivery search network.

grubHub.com
eating made easy

The screenshot shows the GrubHub website interface. At the top, there's a navigation bar with "Restaurants SERVING YOU", "Browse BY CITY", and "Your GrubHub PAST ORDERS, FAVORITES...". A search bar is set to "WHERE ARE YOU?" with the address "337 Cottonwood Rd, Buffalo Grove, IL". Below the search bar, it displays "33 restaurants serving 337 Cottonwood Rd, Buffalo Grove, IL". There are filters for "All Cuisines", "Standard sort", "Delivery & Pickup", and "PICKUP RADIUS" (set to "Within 1 mile"). A list of restaurants is shown, including Rosati's Pizza, Pizanoz Pizza, and Yummy Gourmet Restaurant. A green callout box on the right says "GrubHub is 100% free to use. Restaurants may charge for delivery, but we never will. We promise." and "You have 33 restaurants you can order from. Use the filters above to help find a restaurant."

Challenges Faced:


- Quick Growth, Less Quick Response: The nation's largest restaurant search engine was experiencing double digit growth – monthly.
- Integration Issues: They lacked integration between their company financials in their QuickBooks G/L and their restaurant financial data, which had been manually entered into a separate internal database.
- Manual Entry: An average of 3,000 checks per month were being entered manually into QuickBooks.
- No Detailed Visibility: GrubHub could not see details of their market, for example, orders by cuisine by zip code.
- IPO Preparation: The company needed to prepare to comply with regulatory and audit standards for public companies.

The Cloud Accounting Solution:

- Replaced QuickBooks with Intacct financials
- Integrated financials with Salesforce via supplied API
- Linked cloud-based general ledger to GrubHub's internal database via API
- Armanino implemented the solution and managed the data migration

Results:

- Provides real-time visibility into operations and markets
- Salesforce data on new restaurant sign-ups automatically populates G/L
- Eliminated manual journaling processes, saving 30 hours per month
- Bank reconciliations now take 15 minutes instead of 2 days
- Solution saves ~\$50,000 per year and eliminates the need to add servers
- Provides software support for public company internal controls, greatly improved auditability, and access to SAS-70 data centers for disaster recovery



“We had outgrown QuickBooks and needed to improve process efficiency to keep pace with rapid growth and prepare for an eventual IPO. Converting to Intacct achieved those objectives and more: it saved us time and money.”

– Brandt Kucharski
Corporate Controller
GrubHub.com



ABOUT ARMANINO^{LLP}

Armanino^{LLP} provides an integrated set of accounting services—audit, tax, consulting and technology solutions—to a wide range of organizations operating both in the US and globally.

You can count on Armanino to think strategically, to provide the sound insights that lead to positive action. We address not just your immediate issues, but your underlying business challenges, as well — assessing opportunities, weighing risks, and exploring the practical implications of both your short- and long-term decisions.

When you work with us, we give you options that are fully aligned with your business strategy. If you need to do more with less, we will implement the technology to automate your business processes. If it's financial, we can show you proven benchmarks and best practices that can add value company-wide. If the issue is operational, we'll consult with your people about workflow efficiencies. If it's compliance, we'll ensure you meet the requirements and proactively plan to take full advantage of the changes at hand. At every stage in your company's lifecycle, we'll help you find the right balance of people, processes, and technology.

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