

NUCLEUS  
RESEARCH

# ULTIMATE SOFTWARE ISLANDS RESTAURANTS

ANALYST

Trevor White

## THE BOTTOM LINE

**Islands Restaurants deployed Ultimate Software to update and integrate its needs in human capital management (HCM) and deliver direct cost savings.** Islands Restaurants was able to reduce costs by going paperless and streamlining its employee processes such as onboarding, job changes, address changes, benefits enrollments, and terminations into an all-in-one solution.

ROI: **106%**

Payback: **1.4 years**

Average annual benefit: **\$684,535**

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## THE COMPANY

Islands Restaurants is a Carlsbad, California restaurant chain which operates more than fifty locations. Called Islands Fine Burgers and Drinks, the restaurants are causal establishments specializing in burgers, fries, and specialty drinks. The company was founded in 1982, privately owns all of its locations, and does not franchise.

## THE CHALLENGE

Prior to using Ultimate, Islands Restaurants was using ADP for its payroll needs. Islands Restaurants was faced with having to undergo a complex and expensive upgrade to its ADP system. Because it was looking for a new payroll system, the company decided to also look at options for consolidation by moving its HCM

operations to a single vendor suite. At the time, Islands Restaurants had all separate systems for recruiting, onboarding, benefits, and payroll processing.

**Cost : Benefit Ratio | 1 : 1.6**

Additionally, Islands Restaurants' old system required a tremendous amount of manual work for restaurant managers as well as the HR/Payroll team every time there was a termination, job change, or transfer. This is something that happens regularly in the restaurant industry. These changes require significant hourly labor for manual entry into the company's systems. The paper-based system also perpetuated an endless cost cycle, including printing costs, weekly courier services, and costs associated with the storage and transportation of archived paper files.

## THE STRATEGY

Islands Restaurants started looking for a complete HCM system at the end of 2012. While several other vendors were considered, Ultimate became the clear front-runner. The HR team at Islands Restaurants created a business case that clearly laid out the associated costs and savings by switching to Ultimate. Particular among the potential savings noted were large savings around Islands Restaurants moving to a paperless process. From this business case, Ultimate was selected as the full-scale HCM solution.

To start with, Islands Restaurants decided to focus on switching over its payroll system. This was done in 2013. From there, the company worked to implement its new, full-scale HCM solution including paperless onboarding, employee self-service, manager self-service, terminations, benefits enrollment, performance management, and hourly recruiting. To make the roll-out successful, the company involved other corporate departments, as well as front-line operations managers from its restaurant locations, to make sure that the changes would go smoothly on all fronts. The roll-out was phased and completed in mid-2015.

## TYPES OF BENEFITS

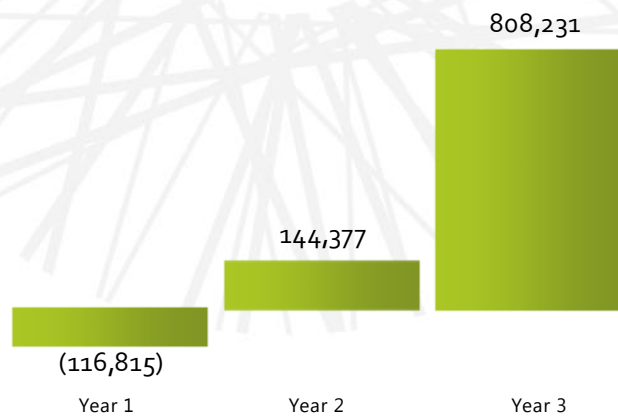


## KEY BENEFIT AREAS

Islands Restaurants was able to achieve a mix of both indirect and direct benefits driven especially by productivity and avoided costs. Key benefits included:

- Increased user productivity. Employee productivity accounted for 16 percent of Islands Restaurants ROI. One of the major productivity gains came from the digitization of records for things like job changes, terminations, and hiring. This was particularly important because as a multi-location restaurant, the company regularly has high levels of employee changes, resulting in large quantities of work. The HR staff as well as operations managers were able to save time in changing personnel information such as address changes, direct deposits, job changes, or other life changing events. There was also a significant amount of manual work involved with the previously separate benefits administration system.
- Optimization of HR and Payroll team. If Islands Restaurants had gone with the ADP upgrade, it would have been required to maintain its current staffing levels as well as hire an additional payroll person at a fully loaded cost of over \$76,000 a year. By deploying UltiPro instead, Islands Restaurants was able to operate more efficiently and avoid this cost.

### CUMULATIVE NET BENEFIT

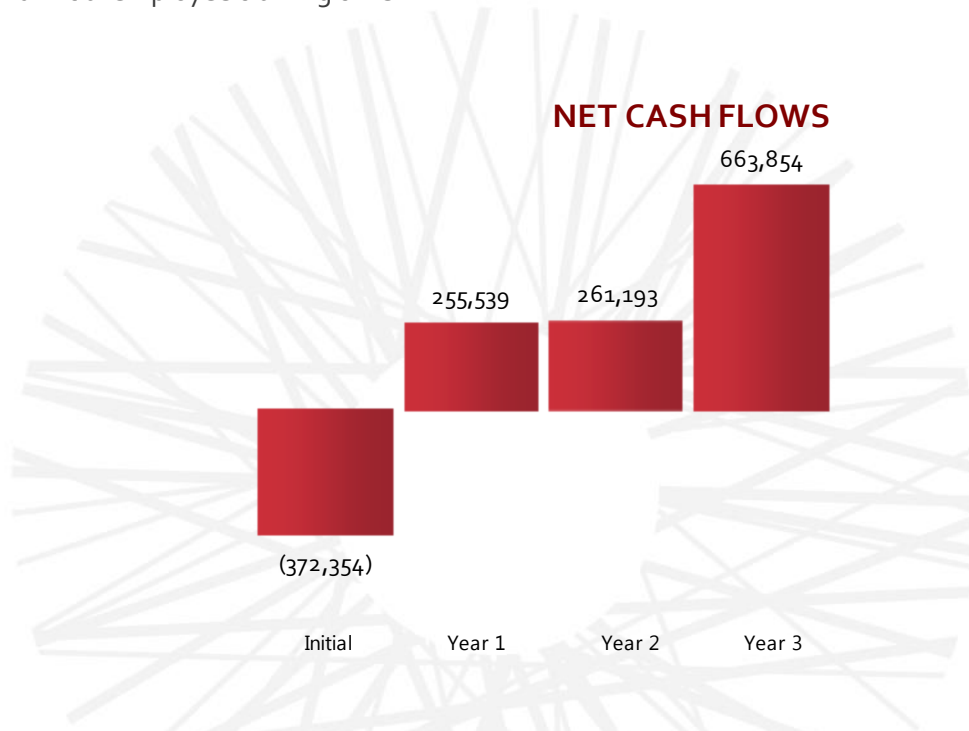


- Avoided Upgrade Costs. The company was able to avoid an expensive upgrade cost related to moving to ADP's full HCM suite.

- **Avoided Annual Cost.** Because of the switch to ADP and Ultimate’s paperless onboarding, Islands Restaurants was able to save printing, shipping, storage, and courier costs.

## KEY COST AREAS

Costs of the project included annual software subscription fees, initial implementation costs for the first three years, initial and ongoing internal staffing, and initial employee training time.



## BEST PRACTICES

Because the company was going through a complete consolidation of the HCM system, it was important to have the appropriate staffing and consulting to manage the project; the HR staff were still doing their day jobs at same time. Islands Restaurants also recommended developing a roll-out strategy and creating tools for educating employees about the changes they would experience resulting from the switch-over. For this, it was important to get stakeholders such as operations and training departments as well as general managers involved in the development. Islands Restaurants was able to incorporate this feedback to develop a clear set of rules and guidelines so that the process was uniform for employees its locations. Following the roll-out, it proved to be useful to continue to gather feedback on the new procedures and processes as well as training tools in order to continually improve them.

## CALCULATING THE ROI

Nucleus quantified the initial and ongoing costs of software subscription fees, consulting costs, employee training, and internal staff costs.

Direct benefits quantified included the avoided hiring of additional payroll staff, avoided upgrade costs, courier savings, as well as savings as a result of going paperless. Going paperless included savings on printing, paper, related banking, as well as storage. The indirect benefits quantified included productivity increases for admin and HR staff, driven by the deployment. These productivity savings were quantified based on the average annual fully loaded cost of an employee using a correction factor to account for the inefficient transfer between time saved and additional time worked. The main factor that contributed to the boost in productivity was a simplified and paperless document process around life changes, and payroll processes.

# FINANCIAL ANALYSIS

Project Name Here

Annual ROI: 106%

Payback period: 1.4 years

| BENEFITS                | Pre-start | Year 1  | Year 2  | Year 3  |
|-------------------------|-----------|---------|---------|---------|
| Direct                  | 10,000    | 561,186 | 581,186 | 581,186 |
| Indirect                | 0         | 106,682 | 106,682 | 106,682 |
| <b>Total per period</b> | 10,000    | 667,868 | 687,868 | 687,868 |

| COSTS - CAPITALIZED ASSETS       | Pre-start | Year 1 | Year 2 | Year 3 |
|----------------------------------|-----------|--------|--------|--------|
| 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      |

| COSTS - DEPRECIATION SCHEDULE    | Pre-start | Year 1 | Year 2 | Year 3 |
|----------------------------------|-----------|--------|--------|--------|
| 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      |

| COSTS - EXPENSED        | Pre-start | Year 1  | Year 2  | Year 3 |
|-------------------------|-----------|---------|---------|--------|
| Software                | 306,516   | 388,315 | 402,661 | 0      |
| Hardware                | 0         | 0       | 0       | 0      |
| Consulting              | 66,000    | 0       | 0       | 0      |
| Personnel               | 1,233     | 24,014  | 24,014  | 24,014 |
| Training                | 8,605     | 0       | 0       | 0      |
| Other                   | 0         | 0       | 0       | 0      |
| <b>Total per period</b> | 382,354   | 412,329 | 426,675 | 24,014 |

| FINANCIAL ANALYSIS                               | Results   | Year 1  | Year 2  | Year 3           |
|--|-----------|---------|---------|------------------|
| All government taxes                             | 45%       |         |         |                  |
| Cost of capital                                  | 7.0%      |         |         |                  |
| Net cash flow before taxes                       | (372,354) | 255,539 | 261,193 | 663,854          |
| Net cash flow after taxes                        | (204,795) | 140,546 | 143,656 | 365,119          |
| <b>Annual ROI - direct and indirect benefits</b> |           |         |         | <b>106%</b>      |
| Annual ROI - direct benefits only                |           |         |         | 77%              |
| Net Present Value (NPV)                          |           |         |         | 350,078          |
| <b>Payback period</b>                            |           |         |         | <b>1.4 years</b> |
| Average Annual Cost of Ownership                 |           |         |         | 415,124          |
| 3-Year IRR                                       |           |         |         | 71%              |

All calculations are based on Nucleus Research's independent analysis of the expected costs and benefits associated with the solution.