
Launchways Provides Strategic All-in-One Alternative to PEO to Fuel Spice House's Growth

Overview

Spice house is the fastest-growing craft spice merchant in the Midwest thanks to a booming ecommerce business. When Charlie Mayer became the CEO of the company, which was purchased by a Private Equity Fund in 2017, he was presented with several HR and benefits challenges that he had to overcome in order to continue to grow the business. He considered opting for a PEO but ultimately partnered with Launchways to provide comprehensive HR, benefits, and payroll solutions that could scale as the company expanded. As a result, he was able to offer his employees better benefits at a significantly reduced cost.

Changing Ownership, Changing Systems

In 2017, a Private Equity Fund initiated the process of buying Spice House from its original owners and placed Charlie Mayer as the company's new CEO. The company had recently experienced rapid growth and Charlie hoped to accelerate this growth further under his leadership. But this would require him to drastically restructure the company's HR and benefits systems as Spice House had already outgrown its existing solutions. Charlie had to find the right solution to meet employees' current needs and support the company's continued growth.

The booming ecommerce model meant that Spice House had grown rapidly and was only going to continue to grow. But its people processes had not scaled to support this growth. The company lacked a centralized HRMS platform, payroll systems that could manage the expanding workforce, and benefits packages for the entire team. The Spice House team was divided into two employee groups, one which had one health plan and one which did not receive health insurance at all. One of Charlie's top priorities was to merge these two groups and provide a tiered benefits structure that allowed employees to opt into the plans that best meet their needs.

An additional challenge was that the company's previous insurance broker declined to renew the company's policy because of its recent expansion and change of ownership. Charlie had to find a new business insurance provider to maintain compliance and protect his investment.

While the company had outgrown its people-management systems, it had not grown enough to handle HR, benefits, and payroll in-house. That meant that Charlie was going to have to outsource at least some of these functions. The question that remained was which approach to outsourced HR and payroll would best meet Spice House's rapidly changing needs.

Case Study Highlights

Challenges

- Change in leadership
- No comprehensive, thoughtful benefits package available to all employees
- Current business insurance provider could not provide appropriate coverage, needed immediate comprehensive risk coverage
- No clear processes around payroll, time and attendance, or employee record keeping
- Several employee discipline and HR compliance issues
- PEO offered all-in-one solution to HR, benefits, and payroll but was costly, inefficient, and would not leverage benefits strategically to attract and retain talent

Solutions

- Leveraged HR Best Practices Assessment to identify critical issues areas
- Assessed current insurance coverage and built a custom policy package
- Created a cost-effective comprehensive benefits package
- Implemented recommended all-in-one HR technology platform (HRIS)
- Began administrating payroll
- Provided support and ensured compliance adherence when addressing employee discipline issues

Results

- Single-choice health plan replaced with a custom-tailored, comprehensive benefits package
- Annual cost savings of 16% on employee benefits
- Automated payroll, time and attendance, employee record keeping, and new-hire onboarding
- Ensured compliance with all state and federal laws and regulations



PEO or Piecemeal? Launchways Offered a Third Option

Because he had to meet these new HR, payroll, and benefits needs at the same time as he took over the Spice House business, Charlie considered bringing on a PEO solution. By hiring the Spice House employees through a Professional Employer Organization, Charlie could outsource most of his people-functions. The PEO would handle hiring, payroll and tax compliance paperwork, compliance, healthcare administration, and payroll processing. This would allow Charlie to focus all of his energy on developing the business strategy that would guide Spice House through its next phase of growth.

However, there were many downsides to working with a PEO. Not only could he risk his employees' benefits as the health insurance costs of PEOs continue to rise, but also the ease of implementation came at a significantly high mark-up cost. A PEO would manage most of the employer responsibilities, including providing healthcare and managing payroll, but only through a one-size-fits-all approach that gave him no control over the company's benefits package and could not meet employees' unique needs as well as a more tailored approach. At its current state, Spice House was already close to outgrowing such an inefficient solution.

The costs of paying for unnecessary benefits or sub-optimal payroll systems might not be significant for a company with a handful of employees, but Charlie knew they could add up quickly as Spice House grew. And opting for a PEO would mean giving up the opportunity to develop a more strategic approach to people-management that could help fuel the company's growth.

The alternative, as he saw it, was to outsource each component of his people-processes to different vendors. He could choose the benefits that mattered most to his employees and would best attract and retain the talent he needed to support his plans for growing Spice House. This would require much more effort on his part, which would distract from the business side of the company. And he was not guaranteed to end up with a better optimized solution without bringing on an HR consultant who could guide the HR and benefits strategy.

Luckily, Launchways offered Charlie a third option for overhauling Spice House's HR, benefits, payroll, and business insurance. He decided to partner with Launchways so that he could outsource his people-functions in a strategic way that helped fuel Spice House's growth while realizing significant savings. Charlie had this to say about why he chose to work with Launchways rather than going with a PEO:

"I knew I needed a solution that could unify Spice House's disjointed operations. I didn't even know where to start, but Launchways provided a comprehensive solution with a clear roadmap to success. For us, it was a natural fit."

Launchways Provides Strategic Alternative to PEOs

When Charlie first approached Launchways, the team knew that we had to come up with a comprehensive solution that was also tailored to Spice House's specific needs. We wanted Charlie to be able to focus on running the business, confident that we were handling the people side of the company.

The first step was to assess Spice House's needs and which systems needed to be replaced. Launchways expert consultants conducted a best practices assessment to identify the key areas to address in order for Spice House to maintain compliance. Once the insurance carrier announced that it would not renew Spice House's coverage, finding new business insurance became the top priority. As Charlie attests, the Launchways team quickly put together a plan that was tailored to the needs of a fast-growing startup in the food sector,

"Launchways' insurance experts did an audit of the business, assessed which coverages we actually needed, and put together a comprehensive package at a great price. The entire process was so simple."



Next, the team started putting together the multi-pronged solution that would optimize Spice House's people-function without outsourcing them to a PEO. The best practices audit had made it clear that the company needed a centralized approach to payroll and human capital management. The Launchways team determined that an all-in-one HRIS platform would yield the greatest cost savings, streamline the HR-function, and provide the best experience for the Spice House team members. Launchways led the implementation of the new platform, ensuring all employee records were up-to-date and that compliant payroll processes were in place by the time that Charlie officially took over the role of CEO at Spice House.

"If it weren't for Launchways' guidance, I have no idea what solution we would have put in place for payroll, time-keeping, and employee paperwork" Charlie added.

Once the proper HR and payroll systems were in place, the Launchways team developed a tailored benefits program that would provide more comprehensive benefits for the entire Spice House team while reducing costs compared to the previous coverage and to the PEO alternative. Charlie was impressed that the team was able to deliver better benefits with a total savings of 16% annually,

"Since Spice House previously offered only health, I wanted to increase our benefits offerings to include health, dental, vision, life, and a 401k. I figured that because we'd be offering more, it would result in cost increases. Not only was the Launchways team able to put together a plan that included everything I wanted and more, they also saved us tens of thousands of dollars annually."

Easing the Transition and Delivering Ongoing Support as Spice House Grows

Once Launchways had established the HR, benefits, and payroll systems that would help ensure a smooth transition of leadership and support Spice House's continued growth, the Launchways team provided on-call support to further ease the transition. Now, Charlie relies on Launchways' experts as a sounding board for his HR strategy and on-demand help addressing any issues as they come up. This continuous support has been invaluable to Charlie,

"In terms of what ended up mattering the most, it was so important to have Launchways by our side to tackle ongoing HR challenges. The Launchways team is extremely responsive. Throughout the entire process and all the challenges they've helped me tackle, I've never been frustrated once. They work with me through all the complications every step of the way. The solutions they build consistently exceed my expectations."

Launchways has not only helped Charlie save thousands of dollars, provide better benefits for his employees, and ensure compliance. We have also delivered the kind of peace-of-mind and all-in-one solutions that he had hoped to get from a PEO. That means that he can spend his time growing his company instead of worrying about compliance, payroll, or benefits.

"As a business owner, I'm incredibly busy managing my company and getting everything on track. The systems Launchways uses to get us where we need to go are simple and effective, so the entire process is quick and painless."

