Happy Valley Discovers True Cost of Growing and Selling Cannabis After Deploying Acumatica Manufacturing

OVERVIEW

Happy Valley, a vertically integrated cannabis startup in Massachusetts, began operating with QuickBooks but quickly outgrew the basic financial package. Happy Valley deployed Acumatica Manufacturing Edition with help from QuantumLeaf Solutions, which allowed the cannabis company to gain a unified business platform with real-time financial visibility, streamlined inventory and manufacturing operations, and actionable data.

KEY RESULTS

- Implemented a single, connected, modern ERP platform tailored to cannabis growing and manufacturing operations
- Gained real-time connection with METRC, and other state-mandated compliance and reporting systems for cannabis
- Improved inventory management and gained time-phased MRP
- Implemented an efficient inventory tracking system designed for the unique needs of cannabis businesses
- Improved insights into costs across departments
- Simplified workflows and configured functionality for comprehensive traceability
- Connected third-party applications like Tableau and retail applications eliminating custom programming for business intelligence and dispensary sales
- Maintained quality and brand reputation while improving product availability
- Automated manual processes, increasing employee productivity and customer satisfaction
- Improved reporting while eliminating unnecessary data entry for faster access to critical business insights

CHALLENGES

When Massachusetts legalized recreational cannabis in 2016, a group of investors obtained a license and built a 45,000-square-foot facility in Gloucester where they cultivate and extract cannabinoids and manufacture, distribute, and sell cannabis-based consumer packaged goods under the Happy Valley brand.

The team had ambitious plans to become a vertically integrated company that grows its own products and sells them through its own and other local dispensaries. Once they've honed the state-based business, they plan to expand into other states. Since cannabis can't be sold across state lines, they may strike licensing deals for the brand, products and/or formulas.

"For a long time, we weren't viewed as a legal industry," says Sean Corrigan, Vice President of Operations. "There are ton of challenges operating in the cannabis industry. The supply chain has been a huge challenge for us, and so is tracking our inventory and our labor. I don't think many have a true understanding of what their costs are."

With more states legalizing cannabis and more companies entering the industry, cannabis prices are falling, which makes it that much harder to make a profit. Thus, executives are driving as much efficiency throughout operations as possible. "Anything that we can do to make our products more efficiently to being organized with everything we do, is going to drive our costs down, and we want to be able to pass that savings along to the consumer," Corrigan says.

In 2020, Happy Valley opened a retail dispensary on site in Gloucester. A second dispensary opened the following year in East Boston. During those first years, the company began wholesaling products to other Massachusetts cannabis retailers. "We started generating revenue in the first quarter of 2020 through wholesale sales, and then followed with the launch of our retail store, and just fought our way through the craziness of that Covid year," says Kai Earthsong, VP of Supply Chain Management.

Company
Happy Valley
www.happyvalley.org

Industry
Manufacturing: Vertically integrated cannabis breeder, product developer, manufacturer, wholesaler, and retailer of medicinal and recreational consumer products

Number of Employees
Approx. 200 full time employees

Location
Headquarters in Newburyport, MA; manufacturing, distribution, and retail in Gloucester, MA, retail in Boston, MA

Products
Acumatica Advanced Manufacturing Edition with:

- Financials
- Multiple Currencies
- Consolidation
- Intercompany Accounting
- Inventory Control
- Order Management
- CRM
- MRP
- Tableau
- QuantumLeaf Cannabis Software

Customer Social Sharing Details

- www.facebook.com/happyvalleyma
- www.instagram.com/unlockyourexperience
- www.twitter.com/HappyValleyMA
- www.youtube.com/@happyvalley8927
- www.linkedin.com/company/happy-valley-ventures
- www.pinterest.com/happyvalleyma

Partner Details

Quantumleaf

QuantumLeaf
https://quantumleafsolutions.com

Basic Financial System

Happy Valley began on QuickBooks, an entry-level financial-only package. As it built out its processes, executives created spreadsheets for inventory management, production planning, management and tracking of consumables, procurement, and cataloging test data from independent third-party labs, among other operations.

"You name it. We had a big complicated workbook for it," says Earthsong. Adds Corrigan, "We had 50 different Excel spreadsheets that we used to operate this business. The challenge was that none of them talked to each other."

Peter DeRoche, director of finance and one of two people operating in QuickBooks, tried to reconcile siloed spreadsheets with financial data. "Visibility and tracking transactions were very difficult and very manual," he says. So was reconciling invoices to what Happy Valley actually received. They tried to track costs of goods sold, manage inventory, and track purchasing on separate spreadsheets.

"We didn't have a receipt system before to prove anything," he says. "When we got an invoice, it was approved, and we paid it." Only later when they ran out of something did they learn they didn't receive the full amount. DeRoche wasted a lot of time signing in and out of QuickBooks to manage various organizational branches, which was frustrating at month's end, he says.

ERP Consideration

"In 2020 and 2021, we didn't have insights," Earthsong says. "We were just trying to keep the ship running, track essentials, and make sure that our books were reconciled. More sophisticated and ambitious aspects of information tracking and analysis—like tracking cost actuals or doing runway analysis—were all just kind of sparkles in our eyes."

With information in silos, Happy Valley found it challenging to understand what its inventory levels were or what was on order, he says. Adds Corrigan, "We had an idea, some back-of-the-napkin kind of math on our costs, but to really understand and to record our labor and get down to the penny on everything that we do is really what's going to help us drive our business into the future."

Happy Valley first considered deploying an ERP in mid-2020. "We had ambitions to have thorough data capturing and an aggregation engine. We wanted to leverage the power of data that would come from scaling the brand and manufacturing base," says Earthsong. "We also recognized that data, if collected and maintained properly, was value additive to the organization."

SOLUTION

Acumatica Flexibility, Customization Key

There were few ERP solutions geared for cannabis cultivators, manufacturers, wholesalers and retailers. Larger firms were building custom ERP applications, which Earthsong knew would be expensive and too time consuming for them. Happy Valley evaluated several cannabis-specific applications including MJ Freeway and Trellis. "But what we found as we looked under the hood was that nothing was a true 360-degree ERP system that had the ability to be customized," Earthsong says.

Happy Valley needed robust financial reporting, highly automated workflows, a flexible platform that could handle the company's unique operating processes, and cradle-to-grave product traceability. The state requires they use METRC, the dominant track and trace compliance software application for cannabis businesses that is also required by several other states. But METRC is a standalone application requiring data to be manually entered, imported, or synchronized from external applications.

The company's CPA firm continued its research and discovered QuantumLeaf, an Acumatica Cloud ERP value-added reseller and independent software vendor (ISV) with an extended and connected cannabis solution.

> " The Acumatica/QuantumLeaf solution is now a part of our DNA. We rely on it day in and day out for information access, production order planning, procurement and tracking what we produce, inventory control, spot counts, cycle counts, inventory awareness—you name it. "
>
> – Kai Earthsong,
> VP of Supply Chain Management,
> Happy Valley

Cloud-based with Consumption Pricing

"Acumatica's cloud-based operations were very attractive, and its manufacturing module and inventory control functions have a lot of customization features and optionality," Earthsong says. The business platform was flexible, and with QuantumLeaf's specialized cannabis platform, provided the nuances of tracking cannabis lots, he added.

Earthsong liked Acumatica's unique consumption-based licensing model, which saves the company money since they don't have to worry about escalating per-user licensing costs as they grow and add new employees. The company employs more than 200.

"Charging by the user would have been a deal breaker for us," Earthsong says. "On any given day, we have a few dozen hands in the system. Not everybody is using the system to the same degree, but we would be very turned off by a user-based licensing model." He also liked that Acumatica had multiple partners developing cannabis applications.

Implementation

After getting its accounting firm's blessing and hiring QuantumLeaf, Happy Valley deployed Acumatica Manufacturing. The toughest part of the implementation was translating what Earthsong says was its messy matrix of Excel files into standardized ERP processes. Each department had unstructured processes that needed to be replicated in Acumatica.

Some employees had never used an ERP before. "Our director of finance had previous ERP experience in other industries, but for the most part, we were ERP Green," Earthsong says. Processes had to be redesigned for the industry's unique characteristics. "There were a lot of different elements to this organization within our manufacturing departments," he explains. "There are many different sub departments."

Because Happy Valley has national aspirations, starting with a flexible platform was critical. "Our ultimate goal is to have a system that has interoperability with other markets, and it has to accommodate market-specific guardrails in each instance," Earthsong says. "Each state has different methodologies for inventory control, manufacturing processes, compliance labeling, testing, and the list goes on and on," Earthsong says.

BENEFITS

Everything in One System

Once Acumatica was deployed, Happy Valley executives gained new business insights because all its data was connected seamlessly in a single database and platform, says Earthsong. Team members no longer waste time entering data into spreadsheets and other applications, which has saved them an immense amount of time. Executives make better decisions by using extensive analytics for a complete view of the entire operation.

"We went live department by department, and started with finance and wholesale," Earthsong says. "The benefit in those departments was immediate because we transitioned from finance running QuickBooks and wholesale running on Excel. Now we have interconnectivity with our ledgers, sales orders, shipments, and invoicing, all in the same system."

"Our sales team got more accurate inventory awareness, and they got a much better environment for tracking their sales and staying on top of accounts and financials," he adds.

Understanding True Costs

Most importantly, Happy Valley now has data executives only dreamt of previously. With real-time access to KPIs, the company understands its true cost of doing business across the entire operation, from cultivation to inventory availability to manufacturing status, and through testing and sale. Understanding true costs is a challenge many cannabis companies face.

"We're leveraging business intelligence and finding efficiencies we didn't know before," Earthsong says. "The Acumatica/QuantumLeaf solution is now a part of our DNA," he adds. "We rely on it day in and day out for information access, production order planning, procurement and tracking of what we produce, inventory control, spot counts, cycle counts, inventory awareness—you name it."

> **"** *Acumatica is the first platform we feel actually encompasses our whole business. It gives us the tools that we really need to drive our business forward.* **"**
>
> – Sean Corrigan,
> Vice President of Operations,
> Happy Valley

Happy Valley departments now capture overhead costs and track labor and materials they couldn't fully identify previously. "Being able to create individualized dashboards that include everything that they need to know, including what they're working on today, and what they're working on tomorrow, the order priority order of each of those things has become a lot easier and more visible for everybody in the organization," says Corrigan.

As a result, "every department is really dialing in those costs in a much better way than ever before, which is helping them understand what their real margins are," adds Earthsong.

Efficiently Tracking Strains & Batches

Happy Valley operates much more efficiently, Earthsong says. The company can better track cannabis batches and strains through the manufacturing process with improved state regulatory compliance. Cannabis companies must assign unique lot numbers to every strain and batch. In addition, each batch has attributes that need to be recorded and managed throughout inventory, testing, and tracking, and each one has to conform to compliance mandates for applications like METRC.

Thanks to the specialized QuantumLeaf solution built on top of Acumatica, cannabis companies can track and trace regulated materials from raw material sources through production processes, such as extraction, distillation, edibles, packaging, and delivery. "What QuantumLeaf did was build out functionality to layer those additional attributes on top of Acumatica's inventory and lot tracing functions," Earthsong says.

Connected Compliance

QuantumLeaf also automates required transaction reporting for BioTrack, METRC, Health Canada, and other compliance systems. "The regulatory data capture is pretty extreme," Earthsong says. "The compliance demands can be onerous, but we now have the tools available to track the needed information."

"Being able to analyze every aspect of our production process and create efficiencies and drive efficiency through that data has helped us immensely," says Corrigan. "Because it's a living plant, every time we grow a strain, it can yield differently. It can test differently, and it can grow differently."

At any one time, the company grows about 50 cultivars, all which require unique lifecycle and post-harvest care. "All of those things were impossible to track," he says. But with Acumatica, they are able enter any number of variables into the platform. "That allows us to make decisions that are going to help drive our business," Corrigan says.

Streamlined Supply Chain

Happy Valley manages a complex supply chain, Earthsong says. Growing an agricultural product governed by various state laws adds significant complexity for testing and traceability, and for packaging, for example. "I honestly don't know how I would do it without a 360-degree ERP. Before we implemented the inventory and procurement side of Acumatica, I was doing it all with Excel. The company was much smaller then, but I was still going insane trying to keep everything in sync."

"Today, it's absolutely critical to have the procurement data that we have with Acumatica with works dates, promised-on dates, purchase receipts, and our MRP functionality. It's the backbone of what my department does."

Unlimited Possibilities

Having the deep level of granular data provided by Acumatica and QuantumLeaf is giving Happy Valley a competitive edge, one that will help the company grow, he says.

"Acumatica helps us grow by delivering granular, batch-specific cost awareness for our work in process, raw materials, and finished good inventory," he says. "The lion's share of industry competitors are not mature enough to have that level of cost awareness." With Acumatica, the company has the tools to manage materials, resource utilization, and requests for proposals with scalable supply chain management that can take the company well into the future.

"What we are most excited for is just really being able to drive efficiency," Corrigan says. "Every minute counts. Every dollar counts, and every cent counts. We made over 1.2 million, $1,000 pre-rolls last year, and so when you're taking into account a few seconds or a few cents on every single one, it really truly adds up. Being able to understand our costs, and being able to really integrate our supply chain management into operations has been huge. We're not running out of packaging materials; we're not running out of products."

"We see ourselves going from a brand that's producing 2 to 3 million units annually to tens of millions of units across multiple markets," Earthsong says. In another year or two, Happy Valley plans to open a third retail dispensary, the limit allowed in Massachusetts, and a manufacturing facility in Newburyport. In the meantime, executives will be closely monitoring its new data to make the best decisions possible.

"I've tried a lot of different systems," Corrigan says. "Acumatica is the first one we feel actually encompasses our whole business. It gives us the tools that we really need to drive our business forward, and in a market and industry that is compressing. There's a lot of operators going out of business. They don't truly understand what their costs are. The biggest thing that I could recommend is that you truly understand all of your data. Understand how your business is being run. It might be a little bit scary to change things, but (deploying Acumatica) is one of the better decisions that we've made as a company."