

How to Grow a Payroll Business



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Apex Industry Research:

This white paper is a result of Apex HCM's commitment to providing research and thought leadership to the communities we serve. Apex HCM publishes weekly, monthly and quarterly content through our research programs, with support from our Apex Industry Leadership Council. We are dedicated to serving our customers' needs through technology, services and engaging research studies with thought-provoking content, that will keep you at the fore-front of our industry to help you grow your payroll business.

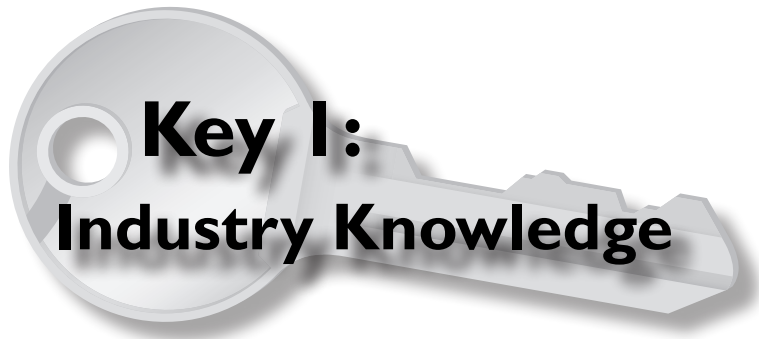
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Introduction:

The payroll services industry has grown significantly over the last several years due to the growth of cloud-based technology platforms, the expansion of human capital management services, and the outsourcing trend from in-house payroll to third-party payroll vendors. In our Fall 2017 white paper entitled “*Why Now is the Best Time to be in the Payroll Industry,*” we outlined the numerous trends and data points that support our optimism. This paper explores how to actually realize that optimism and manage a business in this industry to not only survive, but thrive. The recommendations and conclusions presented in this white paper derive from two sources: published industry research and interviews with actual Payroll Service Bureau business owners. Each of the PSB owners interviewed for this paper successfully grew their payroll business and are members of the Apex Industry Leadership Council. A common theme among their successful payroll business operations was their switch from antiquated and limiting payroll software to a more broad, cloud-based payroll and HCM platform.



Key I: Industry Knowledge

It has been said that all you need to make it big in the business world is a little true grit and some elbow grease. While that may be true, breaking into the payroll industry takes a bit more than that. Beyond wage calculations, operating a successful payroll service business requires knowledge in a range of critical professional duties including tax payment, data analysis, regulatory compliance, technology skills, HR operations, and more. “Jobs in payroll require a talent not only for math, accountancy, and administration, but also for customer service, creative thinking, problem solving, and leadership” writes Sandra Sommerville of Recruiter.com.

“I really think having that industry knowledge early on is key”

- Rebecca Yinko

“Honestly, I started straight out of college,” states Jackson Platt of Tribute Payroll located in Cumming, GA. He continues, “My degree was in Accounting and the first job I took was probably the best place I could have started out, at Paychex.” Jackson goes on to explain how the high level of detail in their internal employee training led to such an easy learning curve for breaking into the industry as a business owner. “I really think having that industry knowledge early on is key,” adds Rebecca Yinko, owner of Payroll Solutions, LLC in Baraboo, WI. “Personally, I started in Recruiting at Robert Half with a very high-level knowledge of payroll. It wasn’t until I went to ADP, and stayed for 11 years, that I was really able to learn all those great skillsets needed to be in this business, and grow my industry knowledge.”

“The lack of consistency and control that results from not having robust payroll industry knowledge should be of concern to organizations ... as this leads to errors and increases risk of non-compliance.”

- Deborah Williams

The latest survey from TMF Group and the Global Payroll Association, shows a 6% increase from last year in the number of payroll professionals struggling due to knowledge gaps in local legislation and requirements, and inadequate internal systems. Deborah Williams, Global Head of Service Lines at TMF Group said, “The lack of consistency and control that results from not having a robust knowledge of payroll policies and processes in place should be of concern to organizations operating in multiple jurisdictions as this leads to errors in payroll processing and increases risk of non-compliance.” Every county, not to mention each state and even each city, has specific tax requirements. Staying up on all the regulations, local, state and federal tax laws is crucial to maintain the credibility and the legality of your business.

Pat McTamney, owner of Premier Payroll operating out of Birmingham, AL contributed to this white paper and recalls his beginnings into the industry:

“I left a corporate job overseeing accounting activities after 8 years to manage my own business. I felt between my tenure at that company, and starting off with my Accounting degree years prior, had given me enough insight into the Payroll industry to start my own business. I researched it quite a bit before making the move however, and in the end, I thought ‘this is a stable business model, almost recession-proof.’ So why wouldn’t I invest in it?”

While the pillars of numerical calculation and process administration still represent the foundation, today modern payroll is mobile, digital and expansive. Without the base industry knowledge that comes from the every day practice of payroll calculations and processing, along with understanding and constantly keeping abreast of the local tax regulations, expanding into the new and diverse digital payroll sector is going to be quite the uphill challenge for any business owner.





It's a fairly common trend that people in this industry who have the domain knowledge most often lack sales knowledge and training. "It's all about the relationship," says McTamney. He goes on, "you have to be willing to leave your brick and mortar and actually meet the community you're trying to serve. That's how you build your client base. None of us are salesmen by trade. Payroll, that is our skill."

AccountingWeb, a leading resource for accounting industry news and research, cites that a big challenge faced by many small business PSB owners, is their ability to successfully connect with local prospects. Getting the word out about your business can be as easy as offering a ten-minute presentation at a local event sponsored by your company. Connect with your local Chamber of Commerce and offer a presentation about something members could easily relate to and value. Michael Alter, former co-founder and CEO of SurePayroll and contributor to AccountingWeb suggests offering promotions as a way to interact with local businesses.

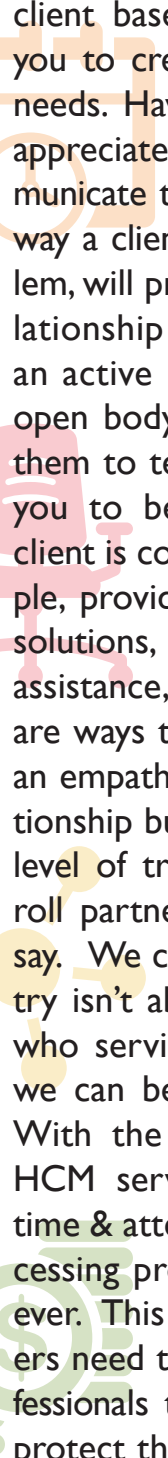
"Promotions are intended to extend the level of services offered to existing customers and to attract new prospects that may bring additional accounting, bookkeeping, or other service needs to your business."

McTamney on building your client base:

Getting those first clients was definitely difficult. You have to balance your time in and out of the office. Join local networking events, attend that Rotary club meeting, hit the streets and just introduce yourself and your business, and really put yourself out there. You want to be involved in everything and are usually driven to work 24/7. However, you need to learn to work **ON your business, not **IN** your business.**

As Pat grew his client base, he was able to hire a dedicated team of individuals to maintain the day-to-day business, while he could be out connecting with the community.





Another key sales skill to help build your client base, is empathy. Empathy allows you to creatively identify and solve client needs. Having the capability to appreciate, understand and communicate that you feel the same way a client feels about a problem, will promote a stronger relationship with the client. Being an active listener, using positive open body language, and asking them to tell you more will help you to better see where the client is coming from. For example, providing creative payment solutions, on-time deliverables, technical assistance, and in-depth training programs are ways to support client needs through an empathetic approach. “Payroll is a relationship business. You have to have a high level of trust from your clients and payroll partners. Trust and integrity, I would say. We can all cut checks, but this industry isn’t about that. It’s about the people who service their communities and how we can better serve them” states Platt. With the growing expansion of add-on HCM services like onboarding, benefits, time & attendance, etc., selling payroll processing products has become easier than ever. This is a no-brainer. Business owners need to outsource this task to the professionals to save them time and, also, to protect them against mistakes in tax filing that could cost thousands of dollars down the road or even potentially put them out of business.

“We can all cut checks, but this industry isn’t about that. It’s about the people who service their communities and how we can better serve them”

- Jackson Platt

The payroll services industry has grown significantly over the last several years, due in part to the growth of cloud-based technology platforms, the expansion of human capital management services, and the outsourcing trend from in-house payroll to third-party payroll vendors. This growth will no doubt open great opportunities for many payroll providers to grow their client base and revenue, but with industry growth comes competitive growth as well. Yinko adds, “This is an aggressive market, and it’s no secret those ‘big box’ companies have a lot of great resources to pull from, including deeper pockets. But you know, they will always be competing against the one-on-one service us ‘little guys’ can provide. **We can offer a level of attention that those bigger companies just cannot compete with.**”





Modern payroll processing requires technology that is scalable and integrates with other timekeeping and HCM applications. The advent of cloud technology dramatically reduced costs for small payroll firms to access powerful systems. Having an efficient cloud-based software platform provides an obvious advantage to leverage against the competition in your prospective sales pitch. Also promoting the ability to utilize your platform in other areas of your client's business, like HCM services, only ensures a higher recurring revenue for your company and greater success at retaining current clients.

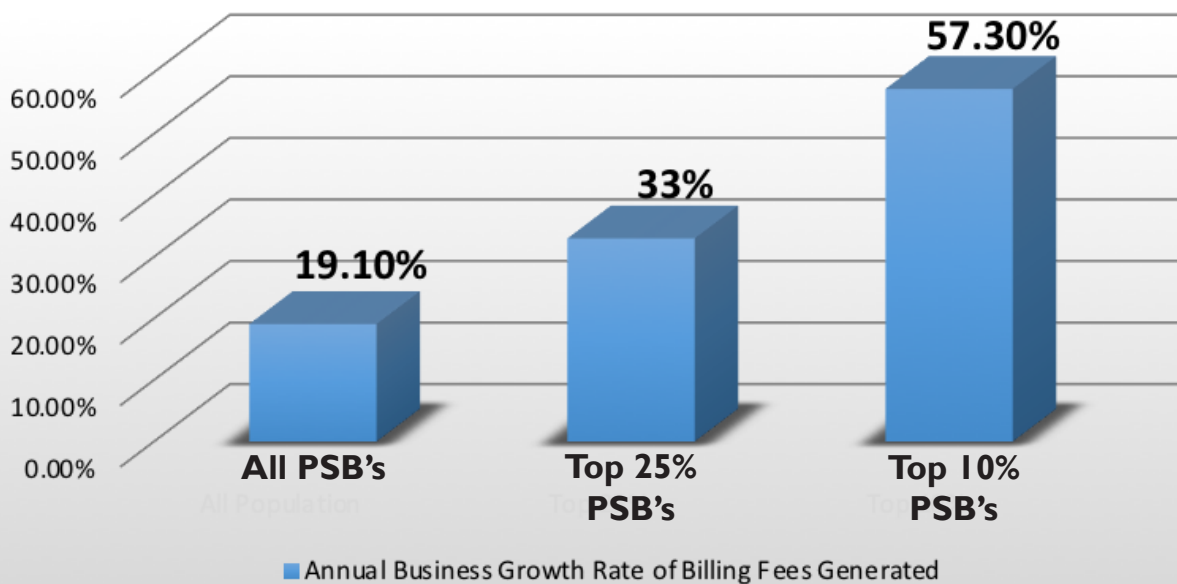
Contributor Rebecca Yinko likened the whole sales process to a high-level equation with two parts, the software platform being the first part. “It’s all about being ‘sticky,’ right? The industry is changing, and for our benefit! Payroll processing will always be the core of what we do, but now more than ever, it’s about delivering a whole solution. You need to have the technology to support that sale.” To compete and win, feature-for-feature, against the larger established payroll and HCM firms, having an all-in-one, single source platform is absolutely necessary. Switching to an HCM provider that has this type of payroll technology will provide your clients with a consistent user experience across the entire platform. Using a highly customizable platform allows you to adapt to the needs of your clients, large and small, across various industries and will not only have you “keeping up with the Joneses,” but outselling and out-serving them.

Highlighted in an earlier research study, contributor Paul St. Martin attributed part of his client growth from 350 to over 1,400 to switching to a robust HCM software platform, which provided a scalable system that also provides full HCM capabilities. “I wanted to offer add-on services like HR back-office and benefits, because payroll is more than just processing and printing checks,” states Paul. This platform enabled his business to deliver more value to their clients, supporting new client additions, and helping to retain and expand the existing client base. “It allowed us to compete with the bigger guys. About 75% of our new clients converted over from ADP or Paychex, and we can service those clients’ needs now, thanks to the feature-rich platform design.”



Research conducted by Apex HCM on payroll service bureaus that switched their payroll software platform in 2015 - 2016 to a more robust cloud-based payroll plus HCM system show significant business growth.

Annual Business Growth Rate Q4-2017 vs. Q4-2016

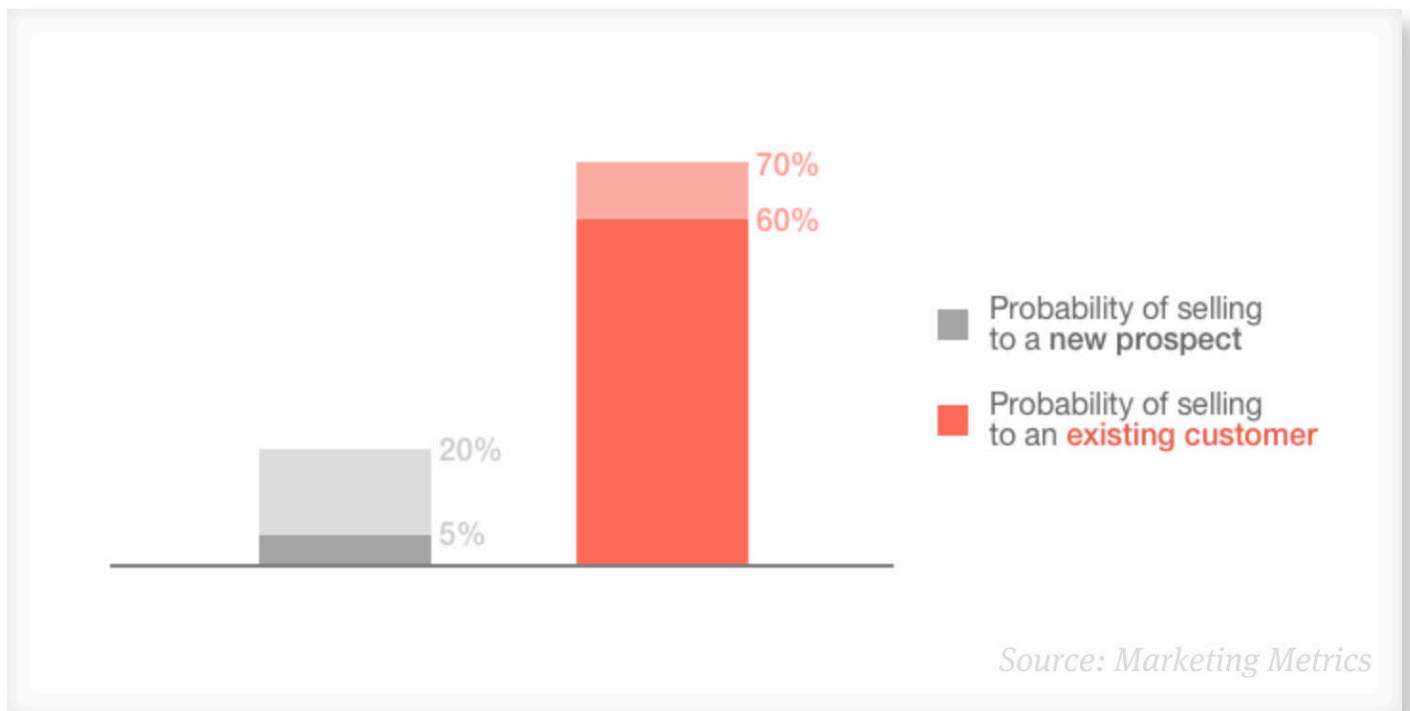


A robust cloud-based payroll and HCM platform enables payroll service bureaus to compete with the “bigger guys.” Coupled with personalized service, this creates a winning formula to grow a payroll business.



Key 4: People Skills

Growing your business means gaining new customers and retaining the current ones, which isn't always easy. The probability of selling to an existing happy customer is up to 14x higher than the probability of selling to a new customer, according to Marketing Metrics. Building and maintaining these relationships is the key to running a successful business. This means building trust, giving and receiving feedback, and developing empathy for your customers.



“

If you make customers unhappy in the physical world, they might each tell six friends. If you make customers unhappy on the Internet, they can each tell 6,000.”

- Jeff Bezos

Having great people skills also means listening to that inner instinct for customer service. With expanding technology and the emergence of social networking, business owners must now invest in maintaining their reputation and positive interactions with cus-

tomers in online reviews and other social media outlets. To quote Jeff Bezos, CEO of Amazon, in an excerpt from his 2013 annual customer service summit, “If you make customers unhappy in the physical world, they might each tell six friends. If you make customers unhappy on the Internet, they can each tell 6,000.” In research published in the Harvard Business Review, based on customer transactions from thousands of customers across multiple industries, customers who had the

best past experiences spend 140% more compared to those who had the poorest past experience.

CUSTOMER EXPERIENCE DRIVES SALES

In a transaction-based business, sales are driven by good customer experience

ANNUAL REVENUE INCREASE PER CUSTOMER



SOURCE: MEDALLIA ANALYSIS

Being able to recognize that inner instinct for customer service is also a necessary skill when hiring. Your employees represent you and your company!

So how do you make the best hire possible? First, understand that successful hiring requires far more than simply pinpointing a candidate with the knowledge, skills and experience to match the job description. Jake Arnold, Director of Operations at Genesis PPG in Clarence, NY knows this from personal experience. “Having grown the payroll services division of my business from just one employee to eight in less than three years, I’ve learned that the most important aspects to look for in a candidate aren’t the obvious ones.” Arnold goes on to outline his four C’s of identifying a good candidate: character, competence, capacity and culture. Second, remember that employees take their direction from you as a business owner and learn how to articulate your product, customer interactions and resolutions based on your interactions. To ensure your new hire gets the best example of the kind of employee they should be, you need to show them how it’s done!

“I’ve learned that the most important aspects to look for in a candidate aren’t the obvious ones.”

- Jake Arnold

Empathy is another important factor in developing good people skills. So why do we talk so much about empathy? About being human in your business growth plan? It's not just because it sounds nice. It's because it counts. Exhibiting a caring attitude and showing compassion for your clients will go a long way when developing relationships with prospects and maintaining current ones with active clients. A survey by Genesys asked more than 9,000 customers about what mattered to them most when it came to interacting with companies, 40% of them — more than double the responses that the second place answer received — said “better human service”. Although you're running a business, you need to remember that the success of it depends on your ability to communicate with people. Rebecca Yinko knows the significance of these skills, as she recalls why she got into, and stayed in this industry. “Because I like what I do. Building relationships, providing a service to my community ... **you don't have to be super extroverted to do this job, but you do need to be passionate about what you're selling and willing to talk about the why.**”

People skills should be continuously polished and/or improved upon by any business owner or leader. The success or failure of a business in today's world is more about service than it's ever been! And smart business owners know: if you take care of customers, they'll take care of you.



Conclusion:

The payroll industry remains a great small business opportunity, supported by a strong recurring revenue business model and very positive market trends. Based on industry research and in-depth interviews with successful payroll service bureau operators, the data indicates that growing a PSB requires four key elements:

- ✓ Having a solid foundation of **Industry Knowledge**
- ✓ Strong **Salesmanship** to grow your client base
- ✓ A robust **Software Platform** to support your clients' needs
- ✓ The **People Skills** to bring it all together

The Payroll Service Bureaus interviewed indicated that successfully growing a payroll business demands possessing competence in all four of these key areas.

About Us:

Apex HCM provides a state-of-the-art software platform allowing our clients to take full advantage of the benefits of cloud computing technology. We help organizations escape the bindings of traditional software, including the hidden costs of protracted implementations, disaster recovery, data security, software upgrades, and everyday IT needs.

Apex HCM is a market leader in licensing cloud-based payroll, benefits and HR technology. Over 300 payroll service firms nationally use Apex's technology as the core of their business foundation. Our highly customizable and comprehensive suite of products and services include payroll & tax, time & attendance, benefits enrollment, ACA, human resources, mobile apps, reports & analytics, employee onboarding, applicant tracking, and other business management tools normally reserved for large enterprises. Apex HCM's cutting-edge cloud-based software allows its customers to effectively compete feature-for-feature with larger established firms while dramatically improving their workforce productivity. For more information, please visit www.apexhcm.com or call 877-750-APEX (2739).



Our Contributors:



**Paul St. Martin, Owner of One Check Inc. in Taunton, Massachusetts
Apex Industry Leadership Council Member**

One Check has been processing payroll in southeastern MA/RI for 19 years, we currently provide Payroll services, benefits management, HR support and time and attendance for over 1400 companies.

To contact Paul, or anyone at One Check, visit their website at www.onecheck.com or call them at 508-822-8080



**Jackson Platt, Co-Founder of Tribute Payroll in Cumming, Georgia
Apex Industry Leadership Council Member**

Jackson started his payroll career at Paychex in 1992. After starting a payroll service bureau for a local community bank, Jackson was co-founder of Ovation Payroll in December of 2001. Jackson and his partner, Kendra Stanley, branched out and started Tribute Payroll in June of 2016.

To contact Jackson, or anyone at Tribute Payroll, visit their website at www.tributepayroll.com or call them at 866-787-4288



**Jake Arnold, VP Operations of Genesis PPG in Clarence, New York
Apex Industry Leadership Council Member**

Born and raised in Buffalo NY, Jake spent the last 4 years growing a start-up payroll business and a young family simultaneously. Also of noteworthy recognition, Jake is a serious beer league hockey player.

To contact Jake, or anyone at Genesis PPG, visit their website at www.genesisppg.com or call them at 716-407-3213



**Rebecca Yinko, Managing Partner of Payroll Solutions LLC. in Baraboo, Wisconsin
Apex Industry Leadership Council Member**

Rebecca helps drive Payroll Solutions to the next level by implementing a solid payroll application backed by a stellar payroll team and lofty sales goals. In her second full-time job, Rebecca can be found running around after her two busy boys.

To contact Rebecca, or anyone at Payroll Solutions, visit their website at www.solutionsforpayroll.com or call them at 608-837-2590



**Pat McTamney, Owner of Premier Payroll Services in Birmingham, Alabama
Apex Industry Leadership Council Member**

Owner of Premier Payroll Services for over 12 years, Pat provides payroll, timekeeping and HR services to business clients of all sizes, but specializes in small to medium size organizations.

To contact Pat, or anyone at Premier Payroll Services, visit their website at www.payrollservicesofbirmingham.com or call them at 205-661-1185