



Primed for Payroll

How CPAs can Successfully
Add and Grow Payroll Services

PAYROLL

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In its latest annual poll revealing America's most and least trusted professions, rated according to public perceptions of honesty and ethical standards, Gallup ranked accountants sixth highest, topped only by medical professionals, teachers and police officers. Nowhere is such trust more critical than in the handling of payroll - a field that, directly or indirectly, affects literally everyone nationwide.

Traditionally, payroll is either handled in-house (particularly in small businesses) or outsourced to dedicated payroll service bureaus. But with the constant effort toward streamlining business operations to save time, cut costs and minimize risk, employers increasingly are requesting payroll services from the CPAs and other financial professionals that they already know and trust. Those pros are listening.

A recent survey by business and tax consultancy, L. Harris Partners, showed that one in three employers use multiple CPA firms to handle various financial aspects simply because none offer all-inclusive services. And an "Accounting Today" study revealed that far more than half of U.S. CPA firms polled offer payroll and many plan to add the service within the year.

For an increasing number of accounting firms, adding payroll to their service menu is a no-brainer as it offers a deep pool of prospective clients and a high ROI. Investment is minimal, technology and support are abundant and revenue potential is limitless. The North American payroll and HCM market recently hit \$7 billion and is growing at a rapid pace, according to a study by Transparency Market Research, a global market research, analysis and intelligence firm with offices in India and the U.S.

Intrigued? This paper lists the many benefits of adding payroll to your accountancy services, outlines just how to launch and grow your payroll business and shares case studies from peers enjoying substantial success.

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The Challenge



The financial meltdown of the late 2000s hit CPA firms of all sizes. Having enjoyed double-digit growth rates throughout much of the decade prior, many saw growth flatten throughout the period known as the "Great Recession", when estimates of the amount of U.S. wealth lost reached upward of \$14 trillion.

"EMPLOYMENT OF ACCOUNTANTS AND AUDITORS IS PROJECTED TO GROW 10 PERCENT FROM 2016 TO 2026, FASTER THAN THE AVERAGE FOR ALL OCCUPATIONS"

Those that best weathered the financial storm were firms that offered the most services, and thus, the most value to clients both individual and corporate. As for the others, it quickly became clear that tax preparation and planning alone - traditionally the bread-and-butter of CPAs - were no longer sufficient to secure a firm's longevity, overall profitability and ability to survive, let alone grow, in tough economic times.

Today, CPA firms and accountants are enjoying relative security. Employment of accountants and auditors is projected to grow 10 percent from 2016 to 2026, faster than the average for all occupations, according to the U.S. Bureau of Labor Statistics' latest occupational outlook report. But some firms, particularly smaller ones, report seeing revenue drop in certain areas. The ever-growing plethora of online, DIY tax preparation software services are siphoning away individual and small business tax prep business. Plus, state and federal legislation potentially affecting the CPA industry is a constant concern.

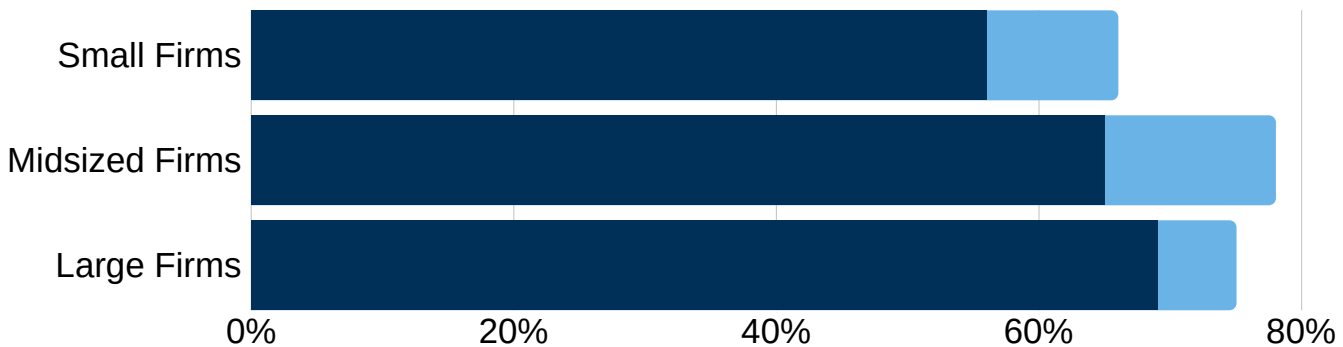
The Solution

Successful CPA firms increasingly are boosting non-seasonal revenue by adding payroll to their service offerings. A 2018 survey by "Accounting Today" showed that more than half – 56 percent – of small accounting firms nationwide offer payroll services and another 10 percent plan to add them. Some 65 percent of medium-sized firms and 69 percent of large firms also do payroll, with 13 percent and six percent, respectively, planning to add those services. And with good reason.

More and more, a common service...

% of accounting firms offering or adding payroll services

● Already offered ● Added in 2018



SOURCE: "ACCOUNTING TODAY" 2018 "YEAR AHEAD" SURVEY

But don't take it from us. Hear it from peers who are doing it themselves...



Twilla Walton, CPA, JD Principal at Walton CPA PC

Twilla Walton has been a CPA since 1985 and launched her accounting practice in 1996. After much consternation, she added payroll to her firm's services in 2015. She hasn't regretted it.

"Payroll wasn't something I wanted to do. I fought it for a long time. It was a love-hate thing and I think there's a perception in the industry that it's beneath us - a low-level service and a bit of a headache. But the demand was undeniable. I had so many clients coming in who expected or needed it. I began to see payroll as a product line that has a lot of opportunity to bring in a whole new level of cash flow not tied to tax season - a sustainable practice that doesn't require accounting and tax work."

Like many CPA firms that venture into payroll, Walton's opted to separately brand the payroll and accounting businesses.

"There are always going to be people looking for payroll, but not necessarily thinking of a CPA firm. Ultimately, when they discover there's an accounting firm involved, too, they come onboard as a client for all of our services. So, we do a lot of cross-selling of the two business lines. Offering payroll has opened up the door for new opportunities across all of our product segments."



Joe Sharpe, CPA Sharp Payroll, Inc.

Joe Sharpe became a CPA and joined his father's firm in 2010. The next year, the firm added payroll to their offerings, branding the new service under Sharp Payroll, Inc.

"We're always a little concerned that the government will make some new rule that could impact our business negatively. Plus, a lot of people are filing their taxes themselves with online software that we didn't have to compete with 15 years ago. So, we saw a need to add an additional revenue stream to hedge against those possibilities. We saw the highest growth potential in payroll."

Sharp Payroll targets business with five to 50 employees and became profitable in its first 18 months.

"We became profitable at around 50 clients and we have 765 now. We run between 13,000 and 14,000 transactions a month, which involve either paper checks or direct deposits initiated by our payroll staff, and look to add steady growth of five to 10 percent a year. Today, we are a much more stable company that's not just dependent upon that tax and accounting work now that we've added that third leg to our revenue stream."



Chet Burge, CPA, Managing Partner Burge & Associates DBA Ponce Payroll Solutions

Chet Burge has worked in accounting since 1987. In 2008, he purchased an existing small firm, renaming it Burge & Associates. Today, the firm's annual revenues are seven times greater, thanks in part to adding a payroll service branded as Ponce Payroll Solutions.

"When I bought the firm, we were doing after-the-fact payroll for S Corp owners using a simple after-the-fact software and forms that cost a few hundred dollars a year. Our clients were rushing around, doing quarterly payroll filings. We'd mail them to the client and the client would have to mail the check. We wondered, 'Is there a more efficient way to do this?' We began to see opportunities to do much more for clients."

Burge's initial foray into payroll was as a reseller of a popular online payroll system.

"We were able to tell clients, 'Instead of sending filings in quarterly, we'll run your payroll once a month and have it drafted from your account. No signing any checks. We'll make it happen automatically.' The more services we could offer, the more of a trusted provider we became to our clients."

Burge opted to brand payroll services separately from his accounting firm.

"We kept growing the payroll part of our business so much that I had this crazy idea - Since we were doing so much payroll and doing so well at it, why not set up a separate payroll company to service our own tax and accounting clients and market to others? We began to look for new software platforms, focusing on functionality and price and found Apex HCM, which made it easier for us to do payroll withholdings for clients - 401k plans, insurance, taxes, etc. Clients loved it. Now, we've got a successful, independent payroll company that is profitable. That was my goal. Before launching Ponce Payroll Solutions, I had two people on my Burge & Associates payroll that were servicing all of our payroll clients. Now, they're in a separate business, serving Burge & Associates clients, plus their own clients. They're making money, have opportunities to grow and are excited. Offering payroll has become integral to our overall business."

So where does a CPA firm start?



When considering adding payroll to their services, CPAs and other financial professionals have questions about three primary factors:

- Technology - What hardware or software installations - if any - will we have to add and what will it cost?
- Personnel - Will we need to invest in a significant number of new hires or in extensive training?
- Branding and Marketing - How big is the demand for payroll services and how do we best market our firm?

Technology

Topping concerns, particularly for those CPAs lacking direct experience with payroll, is the technology required to add and process new services. New hardware? New software? How long will installation take and how disruptive will it be to our day-to-day operations in the meantime? Most of all, what will it cost and how do we choose a tech provider?

In the evolution of modern payroll technology, rooms of manually operated adding machines gave way to site-installed software and servers that had to be configured and integrated into your office environment. Though a vast improvement, even this proved a time-consuming, space-limiting and costly undertaking.



NO MORE...

Technology Cont.

Cloud-based payroll technology is the latest evolution in state-of-the-art technology. And with good reason. The premier cloud-based payroll software platforms offer a number of benefits, as outlined in a prior Apex HCM white paper, ["5 Key Considerations When Purchasing Payroll Software"](#):

1. **Flexibility:** With an internet connection and simple, dedicated logins, your clients, their employees and your staff can access information anytime from any device without being restricted to a static workstation.
2. **Real Time Processing:** Allows your clients to pre-process and process payroll in real-time without relying on your own staff to be involved with each customer's payroll.
3. **Security:** You'll have complete control over types and levels of access by your payroll staff users and client users by associating them with unique roles and further broadening or limiting access according to company, division, location, department and reports. Plus, because storage is in the cloud, automatic back-up and disaster recovery is the job of your payroll software provider, rather than your own IT department, removing a significant time and risk burden.
4. **Compliance:** In addition to federal tax requirements, every state, county and city has its own tax-related mandates. And the rules regarding taxes and other payroll, benefits and HR regulations are constantly subject to change. "We are very legislative-happy in our country," said Wes Muschara, Apex HCM Vice President of Product Management. "That impacts employers all the time and they don't want to deal with compliance." He notes a new Equal Employment Opportunity Commission mandate requiring many employers to track and report salary, race, ethnicity and gender information on its employees annually. Apex HCM is one of few cloud-based payroll software providers that takes on responsibility for tracking all legislation impacting payroll service bureaus and updating software accordingly.
5. **Integration:** For clients still sold on their current timekeeping, HCM and other HR-related platforms, the best cloud-based payroll software easily integrates with the most frequently used platforms. This affords your new payroll sales staff significant leverage over the competition - even far larger competitors.

Plus, well-designed, cloud-based software, like that developed and offered by Apex HCM, allows you to seamlessly scale your system as your business grows. There is no need to purchase new hardware or expensive software programs with each interval of expansion.

Technology Cont.

Twillla Walton, Principal at Walton CPA PC, loves the fact that today's payroll software and technology means nearly every aspect of payroll is cloud-based with no new hardware to purchase or even software to install.

"The first thing that really mattered to me is looking at it from my clients' perspective. I wanted a web-based platform that made it easy for my clients to access, submit their hours and run their reports. And it needed to be robust, able to handle deductions, employee benefits, garnishments and anything else that typically comes up. When we have clients who are uncertain about going this direction, we simply show them a demo of the software. Seeing that it's a graphically pleasing, user-friendly application has helped clients move forward to saying, 'yes'. And there's nothing we've had to invest in terms of technology. All I see is money coming in the door. I love that."

A close-up photograph of a computer keyboard. The central focus is a large, rectangular, bright green key with the words "Make Money" printed in bold, white, sans-serif capital letters. The key is slightly raised and has a glossy finish. Surrounding this key are several other standard white keyboard keys, including a "Enter" key to the right and a "Shift" key below. The background is a soft-focus view of the rest of the keyboard, emphasizing the green key as the primary subject.

Personnel Resourcing

CPA firms making their first foray into payroll often are surprised to learn that the necessary personnel investment is minimal.

"A firm with fewer than 50 clients will be fine with one person running payroll," advises Greg Javins, Apex HCM Vice President of Operations. "For firms that have greater than 50 employees and feel they have good cross-sell opportunity, it's optimal to start with two individuals that have prior payroll experience."

Muschara agrees. Still, he advises CPA firms to hire experienced payroll professionals, particularly for sales, rather than simply reassigning an accounting employee.

"Hiring new staff with payroll expertise will help you ramp up much quicker," he says. Sharpe can attest.

"What makes a good bookkeeper doesn't always make a good payroll person," he said. "It's not necessarily the same skill set. For instance, staff on the payroll side deal with clients frequently, whereas a bookkeeper may talk with or email a client once a month."

And while Apex HCM offers both initial and ongoing training on its payroll and related HCM software, the platform is deemed so user-friendly that necessary training is minimal.

"For minimal investment, a CPA firm can drive more value to their customers by providing payroll, HR, time and attendance and even recruiting software that helps lock that client into them for many more years," Javins says, noting that the average length that a firm stays with a particular payroll provider is seven years, according to the American Payroll Association. "That's another hook into their client base in terms of retention."



Branding & Marketing

With plans for your payroll operation underway, it's time to focus on branding and marketing new services. Three primary choices to make: Your foundation, your look and your outreach.

Foundation

The first choice you'll want to make is whether to fold payroll into your existing accounting services or market it as a fully separate brand.

"A lot of CPAs like to have a separate brand for their payroll versus their accounting because it gives them two identifiers, but common ownership," Javins said. It's a common choice because the initial target markets for payroll and CPA services are different. Businesses and individuals typically are looking for one or the other at any given time. Yet, the two ultimately will intersect, particularly in business. So, each product and service line provides a ready prospective target market for the other. Over time, cross-selling the two boosts business on both sides.

Look

Whether you choose a separate or combined brand for your payroll and accounting services, you'll want to choose a payroll software provider that allows for bypassing their own branding so that yours will be front and center with your sales staff and clients. Apex HCM offers white labeling of its online payroll platforms, including:

- **Employer on the Go:** Your employer client's portal where administrators enter and update all employee information including salary, hours, tax withholding and filing status, benefits information, etc.
- **My Employer on the Go:** A portal for your clients' employees to complete their onboarding experience; download employee handbooks, contracts and other documents; complete and submit documents such as Forms W4 and I9, employment agreements, etc. online; request time off; plus enter and track their hours and see their pay.

Apex HCM also offers white labeling of client-facing marketing materials, making your payroll sales staff's job easier.

"You'll have the ability to leverage Apex HCM's marketing team - a benefit that not many other payroll service bureaus enjoy," Javins said.

Branding & Marketing

Outreach

When developing Sharp Payroll's branding, Joe Sharpe chose to focus on a little-known, but critically important payroll niche.

"We focus on helping clients land tax credits based on their hiring decisions," he said. "Veterans, ex-offenders, long-term unemployed, people coming off food stamps - The federal government wants to get these demographics employed and the government is rewarding the employers who hire them. So, we screen these prospective workers on behalf of our clients, and if they're hired, clients get tax credits of up to \$2,400. This completely offsets the cost of the payroll service."

Many employers are unaware of these hiring credits and those that do know of them often are unaware of the quick application deadlines.

"These tax credits have to be applied for within 28 days of hire," Sharpe said. "You have to be proactive and it's up to the payroll company to facilitate those credits."

Niche or no niche, there are multiple highly effective and affordable ways to market your payroll services:

- Conventional direct mail and email campaigns can effectively leverage your existing CPA client base.
- Social media campaigns, [particularly on LinkedIn](#), where 89 percent of B2B marketers distribute content, making it the second most used social selling tactic behind only email. Forty-four percent of all B2B relevant leads come from this platform and roughly half of B2B buyers research vendors by looking at their LinkedIn profiles.
- Telemarketing campaigns targeting both existing and new businesses.
- Commuter-targeted ads on roadside billboards; in bus and subway stations; in taxi cabs and on the sides of buses and other public or private vehicles.
- On-air commercials, appearances and program sponsorships, particularly early morning television news programs and drive-time radio segments.
- Networking - the tried-and-true old standby that perhaps remains the most effective marketing tactic. Chamber of Commerce and other business networking groups undoubtedly abound no matter where your business is located.

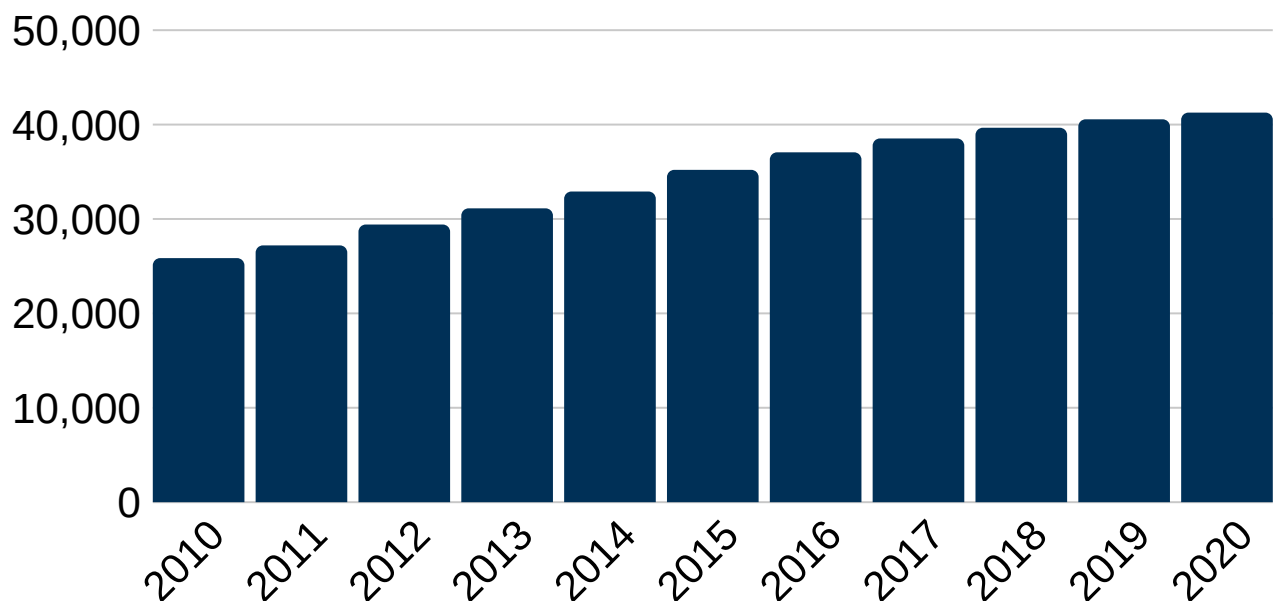
Payroll Potential Unlimited

Times are changing - and that's a good thing for payroll providers.

The global payroll and human resources market value hit \$17.2 billion in 2016 and is expected to rise to \$41.6 billion by 2026, according to Transparency Market Research, a global market research, analysis and intelligence firm. During this time 80 percent of enterprises plan to purchase or upgrade their talent management solutions. Those figures reflect massive opportunity for payroll and HR service firms and confirm that now is the [perfect time to be in the payroll business](#).

Payroll Industry Revenue Potential...

Figures reflect revenue in million U.S. dollars



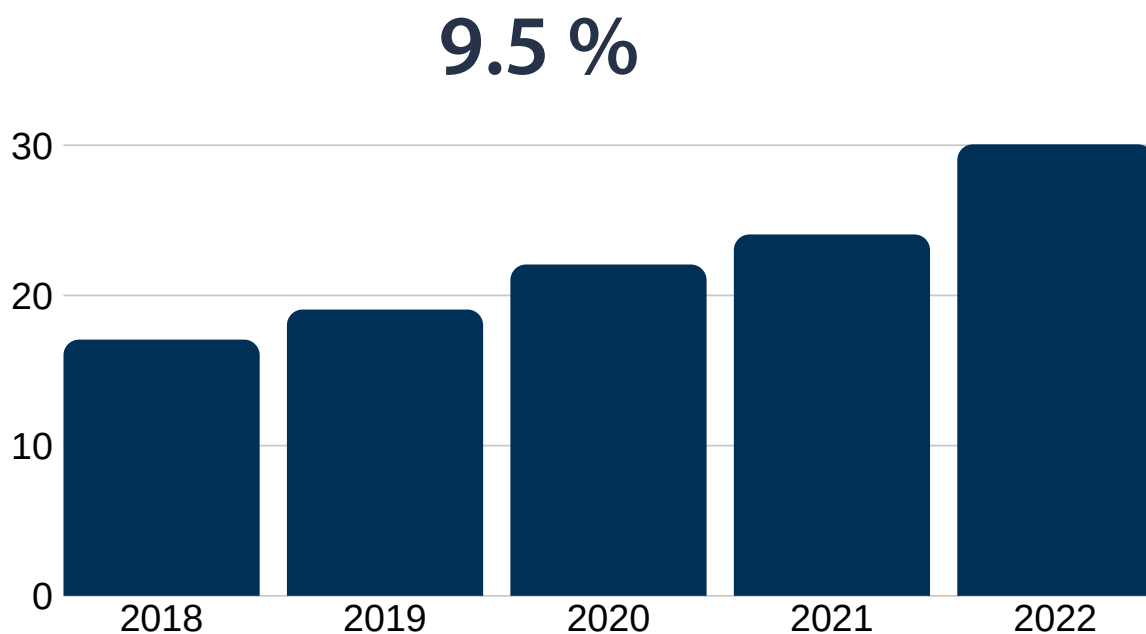
SOURCE: TRANSPARENCY MARKET RESEARCH

Investment Boon

Considering the projected CAGR (compound annual growth rate), it's no wonder that investment in the payroll and HCM industries is expected to grow 9.5 percent, hitting \$30 billion worldwide by 2022.

The CAGR of the payroll and HCM industry, along with the recession resistance strength, continues to attract investment.

Figures represent revenue in billion U.S. dollars



SOURCE: IDC



But in order to cash in on that multi-billion-dollar pool of profitability, you'll need to deliver the most up-to-date, in-demand payroll technology and service available. Within a decade, Millennials will comprise 75 percent of the U.S. workforce. This generation, raised on automation and instant access, will expect nothing less than a seamless, fully integrated, near-real-time experience in business operations, whether they're on your payroll sales staff or among your clients' employees.

Meanwhile, the more of your clients' financial aspects you manage, the closer your relationship with that client will become, assuring that they'll remain with your firm longer and boosting the chances they'll refer their own colleagues to your payroll and accounting business.

Conclusion

"Offering payroll as part of a firm's services is often the perfect value-add that small-business clients are looking for," wrote "Accounting Today" reporter Ranica Arrowsmith in her article, "Case Studies: Payroll in 2018." "A necessary part of running a business, the complexities of paying employees are not what small business owners can or want to spend their time navigating. So, ease of use and good customer support are the pillars that hold up a successful payroll product."

That's exactly what the top cloud-based payroll software platforms, like those developed by Apex HCM, offer.

If you're ready to:

- Help your clients reduce time spent on payroll so they can spend it instead on their own core product and service offerings...
- Increase your "stickiness" to your current accounting clients by offering a more one-stop, all-inclusive package of business financial services...
- Take advantage of improved technology and ready support that affords you a high ROI on your time and costs...
- Make your overall business recession-resistant...
- Add a whole new revenue stream to your own business...

Contact Apex HCM today at 877-750-2739 or request a demo of our full suite of cloud-based, customizable and proprietary payroll software platforms.

A hand with the index finger pointing upwards towards the word "PAYROLL". The background is a blue gradient with light rays emanating from behind the word.

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About Apex HCM

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 apexhcm.com or call 877-750-APEX (2739).