
WHITE LABEL PAYROLL

HOW BUSINESS PROCESS OUTSOURCING
CAN PUMP UP YOUR PAYROLL FIRM



2021 | 2ND QUARTER



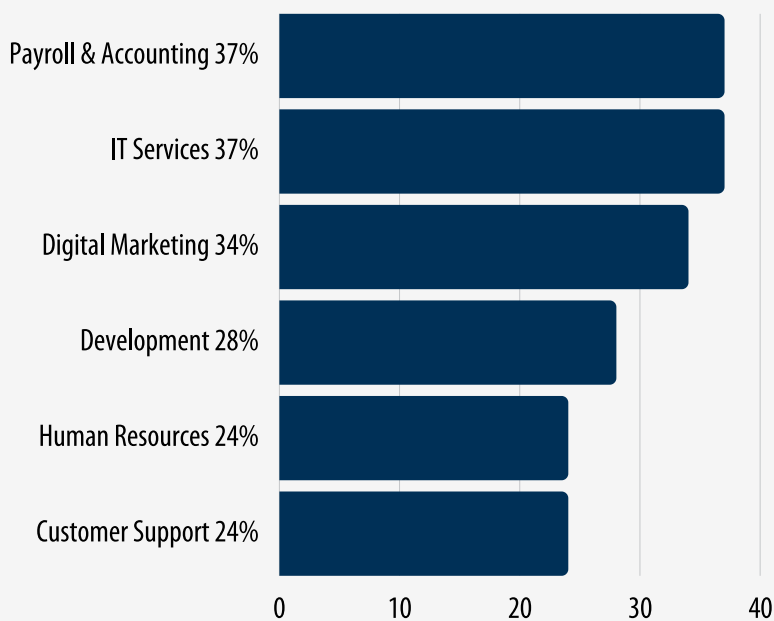
THE CASE FOR WHITE LABELING

The payroll service industry is certainly attractive, set to hit \$66.9 billion in value in 2021. But it is also a complex one. Only a select few people have the domain knowledge and competencies to successfully run a payroll service bureau business. That is where business process outsourcing (BPO), better known as white labeling comes in. Increasingly popular among payroll firms that serve SMB market clients, white labeling allows bureaus to focus on sales and growth, leaving the back-office administration and complexities to the payroll domain experts. White labeling is particularly effective for startup or early-stage payroll service bureaus looking to mine captive client bases or referral channels while skipping the upfront investment and infrastructure required to handle day-to-day payroll processing. Whether your payroll firm is just starting out or an established industry veteran, white labeling offers a variety of benefits.

WHAT IS WHITE LABELING AND WHO DOES IT?

Simply put, business process outsourcing, or BPO, is the process of contracting standard business functions - like payroll, HR and time and attendance - to be handled by a party outside of the company. White labeling, while most typically associated with physical merchandise, takes things a step further, allowing a payroll service bureau to mask, brand and market those services as if they are fully in-house offerings. A commonplace example: A single winemaker's wine can be marketed under a number of different brands and at varying price points. In the same way, Apex HCM's leading-edge payroll and HCM software and services can be marketed under your payroll service bureau's unique brand, affording your firm more flexibility in delegating your resources toward sales and growth.

MOST COMMONLY OUTSOURCED BUSINESS PROCESSES



Source: Clutch 2019 Small Business BPO Survey

Payroll, accounting and human resources are among the top most outsourced business functions.



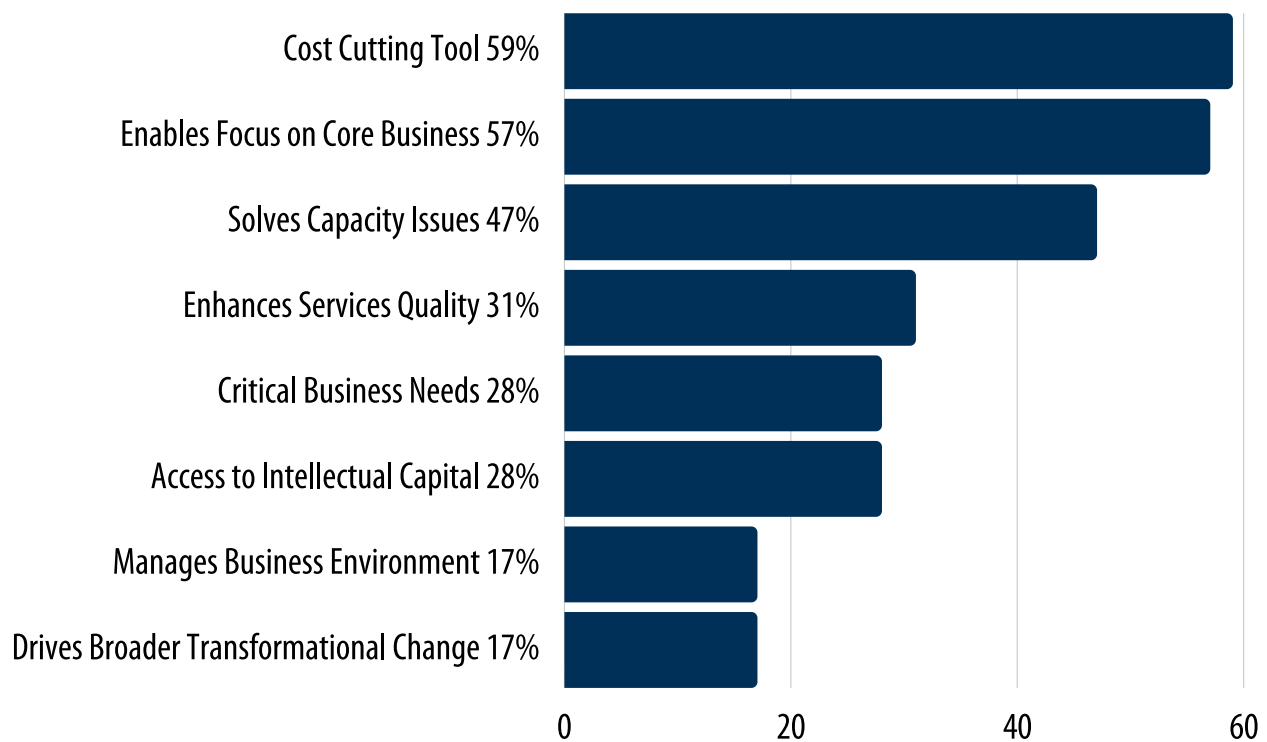
"PAAS - PAYROLL AS A SERVICE. IT'S
THE NEW INDUSTRY BUZZWORD."

MARCO SCHIAPPA
APEX HCM

PAYROLL

At an estimated \$60.8 billion in size with growth rates north of 41 percent, white label / private label is positioned to skyrocket for the foreseeable future. Here is why...

TOP REASONS FOR BPO / WHITE LABELING



Source: Deloitte's Global Outsourcing Survey

Apex HCM offers full-service, white-labeled payroll and HR services designed to help your payroll firm gain and retain clients, increase revenue and grow your business, all the while reducing the back-office workload of creating and processing ACH, filing tax forms and making tax payments.

A man in a dark pinstripe suit and white shirt is pulling open his shirt with both hands. Underneath the shirt, a bright blue, textured chest piece is visible, resembling the chest of Superman. A black necktie is loosely draped around his neck. The background is plain white.

THE #1 REASON TO WHITE LABEL?

YOU ARE NOT SUPERMAN!

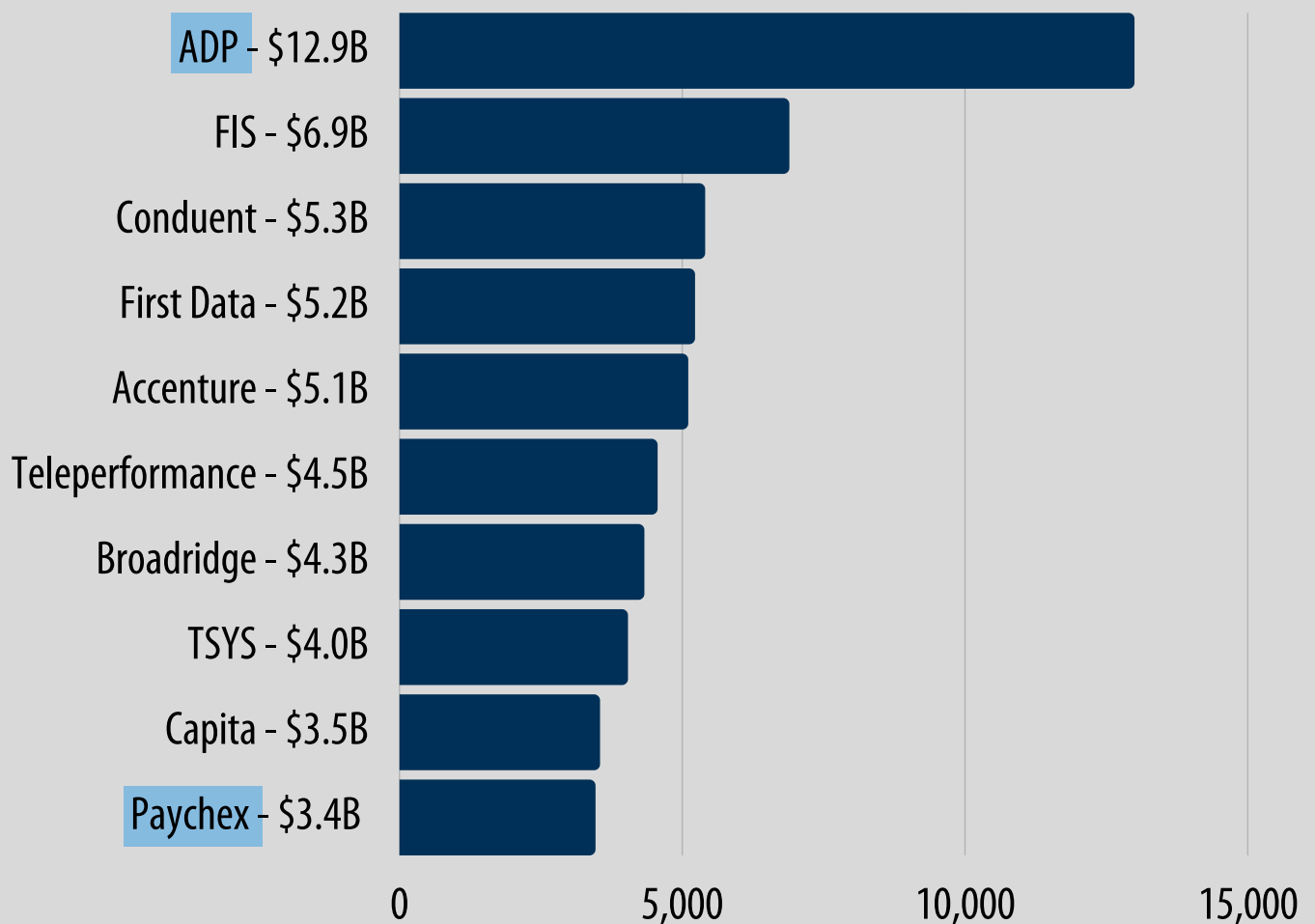
No one in your payroll service bureau is, unfortunately. Payroll and HCM are complex functions, continually made even more so with ever-evolving legislation affecting the industry on both state and federal levels. Juggling all that is involved with managing existing payroll clients while also marketing to prospective customers and cultivating sales is a mammoth undertaking. The key is in effectively scaling your business and its brand.

"We're all in the business of building our brand," says Marco Schiappa of Apex HCM. "Leaving payroll to the experts affords a service bureau a huge advantage. All you must do is acquire the client and, depending upon how your BPO agreement is crafted, your white labeled, back-office partner largely manages the client for you. while you share in the revenue and boost your brand to the next level."

And payroll is the perfect BPO / white labeling opportunity. In fact...

OF THE TOP BPO PLAYERS AROUND THE GLOBE, TWO, INCLUDING THE LARGEST, ARE PAYROLL-CENTRIC PROVIDERS. ALL OTHERS OFFER PAYROLL, HR AND/OR FINANCE-RELATED SERVICES.

REVENUE OF LEADING VENDORS IN THE GLOBAL BPO MARKET AS OF 2018



Source: Statista 2021

5 KEY CONSIDERATIONS FOR WHITE LABELING PAYROLL

BRANDING - WHAT'S IN A LOGO?

White Label vs Back Office brand: In a white label partnership, the sales organization - that is your payroll service bureau - promotes its own logo and builds brand equity. Alternatively, a sales organization may choose to promote the back-office partner's logo. Do you want your firm to be viewed as a one-stop, full-service provider or a payroll sales specialist with a network of industry partners?

SALES & MARKETING - WHO IS RESPONSIBLE FOR THE SALE?

There are two primary payroll sales relationships:

- Referral: In a referral relationship, the sales group refers the lead to the back-office organization. That organization takes it from there, engaging the prospect and completing the sales process.
- Full-Service Sales: In this option, the full sales process is managed and fulfilled by the sales/marketing group.

IMPLEMENTATION - WHO COLLECTS DATA, SETS UP THE NEW CLIENT COMPANY?

After the sale, the next step is to collect data, complete documentation and get the client company fully set up in its new payroll system. Training, answering questions and troubleshooting any glitches that arise along the way also are critically important, time consuming tasks. These responsibilities can be handled by a single party or split up and shared according to your BPO arrangement.



5 KEY CONSIDERATIONS FOR WHITE LABELING PAYROLL CONT.

SERVICING & CLIENT SUPPORT - HOW IS THE CLIENT SUPPORTED?

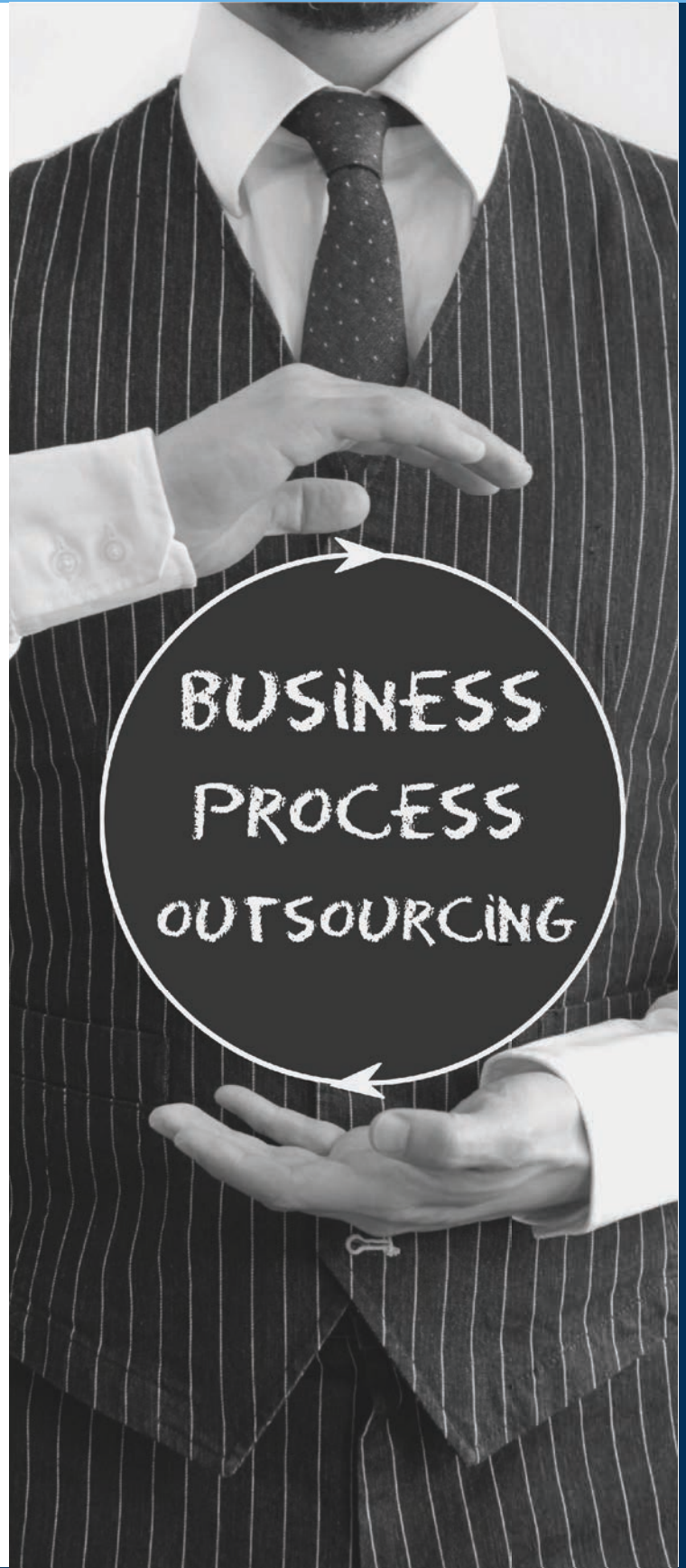
BPO/white label models rely on the sales/marketing group to leverage the trusted relationship that the sales organization has with the clients or the relationship created during the sales process to help support the client. The sales group can provide 1st tier or second tier client support.

- 1st Tier Support: The sales group acts as the single source of contact for the client and liaises all client questions and requirements to the appropriate back office organizational support.
- 2nd Tier Support: The back office organization acts as the primary client contact and collaborates with the sales and marketing group when client is less responsive.

PRICING - WHAT ARE THE REVENUE MODELS?

BPO revenue is driven in one of three primary ways:

- Wholesale: Sales/Marketing group is offered a 'buy rate'. Any revenue above the buy rate is shared with the sales/marketing group.
- Referral: Revenue share based on a percentage of the total revenue.
- Hybrid: A wholesale model may also incorporate elements of a referral revenue share.



THE COVID-19 FACTOR WHY WHITE LABELING MAKES MORE SENSE THAN EVER

Just over a year ago, the world as we knew it went sideways. And while things are slowly returning to right-side-up, the vast majority of industries will never do business the same way again. Payroll is one of them - and that's positive news for payroll service bureaus looking to scale their own businesses.

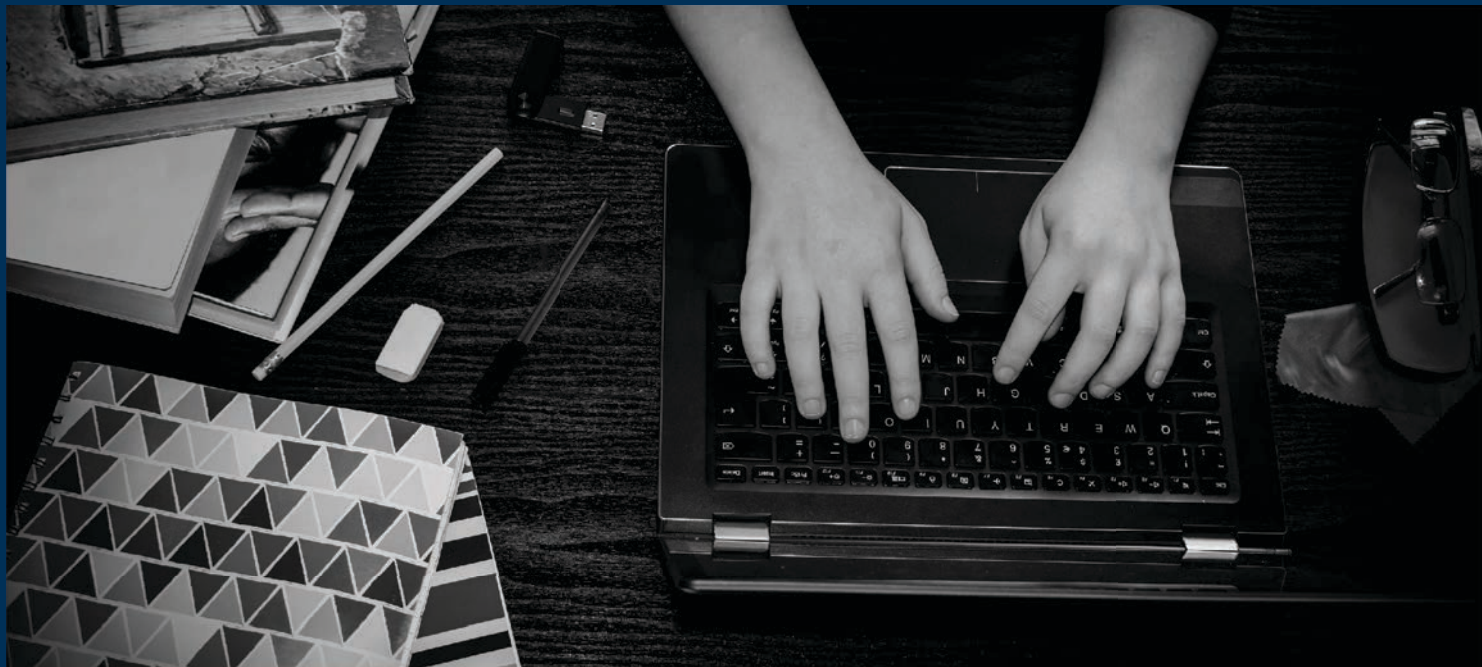
The fallout from the COVID-19 pandemic has created a major demand for BPO and white labeling as brands increasingly are marketing directly to consumers, primarily online. In a recent Thomas Reports survey of manufacturers, 84 percent ranked their website as the most important avenues to reach new customers after the pandemic started — up from 72 percent before the outbreak.

Similarly, payroll operates increasingly online. COVID-19 lockdowns and the accompanying work-from-home movement pushed the last of the desktop payroll and HR software holdouts into the cloud. Meanwhile, many employers largely plan to stick with remote working post-pandemic not only out of safety concerns, but also because they've realized the cost savings and employee retention value.

Further, unemployment and sheer boredom during the pandemic has prompted a surge of entrepreneurialism. Throughout 2020, Americans filed an average 84,253 applications for new businesses a month according to the US Census Bureau. That figure hit 111,000 a month between June and September - the fastest clip since 2007.

All of this - scores of brand new businesses, plus many more revamping their day-to-day operations - means lots of opportunity for payroll service bureaus offering white labeled, cloud-based services.





CASE STUDY: PAYROLL SERVICES UNLIMITED

With roots going back six decades, one Apex HCM BPO/white label partner in Ohio has provided payroll for years. A year ago, the company decided to place more focus on growing its accounting, bookkeeping and tax preparation business, while maintaining its lucrative payroll services. Switching gears without compromising valued relationships with clients using multiple services meant easing the burden of monthly payroll and related tax processing functions.

However, "Finding people with adequate payroll processing experience proved difficult and we wanted to make sure we were using our time wisely," a company representative said. Flexibility and maintaining a reasonable level of control over payroll processing also was a requirement, but they found little allowance for that with many providers they interviewed, particularly the larger industry players.

After months of searching for the right fit, the company chose a payroll BPO partner that white labels Apex HCM's payroll and HCM solutions. Though the switch is a recent one, the new partner already is enjoying a significant time savings, particularly when it comes to sorting out tax compliance and filing, ACH processing and back-office administration. As the transition progresses, more of the company's previous payroll resources will be freed up to focus on growing its CPA business.

The best part? End-user employer clients get best of both worlds. The client continues to enjoy the same level of excellent payroll service experience and the clients also gain access to a broader payroll / HR solution suite to meet their companies' growing requirements..

READY TO POWER UP YOUR PAYROLL BRAND?

If you are ready to rev up your payroll service bureau's BPO / white label business, Apex HCM can help. We partner with in-market and best-in-class payroll service bureaus to help them develop intimate client relationships via a user-friendly platform with rich payroll functionality, HCM capability and best value.

GAIN & RETAIN

Increases retention rates for non-payroll-centric providers, such as CPA firms, by allowing them to add payroll to their services roster. "The more services you're able to offer clients, the better you'll retain them," says Misty Blakesley, Apex HCM's Director of Sales and Account Management.

MINIMIZE RISK

"Partnering with a payroll BPO offsets the risk of any potential lack of domain knowledge," Blakesley adds. This is particularly beneficial for newer, less experienced payroll service bureau owners as well as firms seeking to add payroll to their bookkeeping, tax preparation or HR services. "The BPO or white label business model allows anyone to quickly and easily get into the payroll industry without having to know all the ins and outs of the business and without having to hire a full staff to run and manage it."

MAXIMIZE INVESTMENT

Eliminating the burden of a full staff allows a firm to launch its payroll business with lower upfront costs, freeing up funds to invest in marketing and growing their brand while someone else helms the back-office operations.



**"YOUR BRAND, YOUR
LOGO POWERED BY
APEX HCM AND ITS
SERVICE BUREAU
PARTNERS."**

*- MISTY BLAKESLEY
DIRECTOR OF SALES & ACCOUNT MANAGEMENT, APEX HCM*

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. More than 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 and tax, time and attendance, benefits enrollment, ACA, human resources, mobile apps, reports and 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 workforce productivity.



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