



DIVERSIFY!

HOW CPA FIRMS CAN
MAXIMIZE REVENUES IN 2022

Q2 2022

WHY DIVERSIFY?

The proverbial golden egg: It's something every entrepreneur seeks - that one product or service that will lure clients, best the competition and assure business success. Unfortunately, this enduring favorite of Aesop's Fables is just that - a fable. For today's savvy CPA firm, long-term success is dependent upon expert diversification of offerings. The reasons are plenty.

- **DIY invasion:** Competition from online, DIY tax preparation software services continues to steadily chip away at conventional accounting business, a particularly troublesome issue for smaller accounting providers.
- **Major players:** Global research firm IBISWorld reports that some 43 percent of CPA industry revenue is captured by the three largest players, including tax accounting giant H&R Block, which is composed of hundreds of small company-owned or franchise locations and boasts major proliferation of markets nationwide. Yet, the vast majority of CPA firms are small businesses - 37 percent are sole proprietorships and 53 percent employ fewer than 10 people.
- **Year-round revenues:** January through the end of tax and audit season is go-time for accounting firms. But what about the rest of the year?

There's another old adage that DOES apply here: Never put all your eggs in one basket. Diversification ensures multiple "golden eggs"...

TOP 3

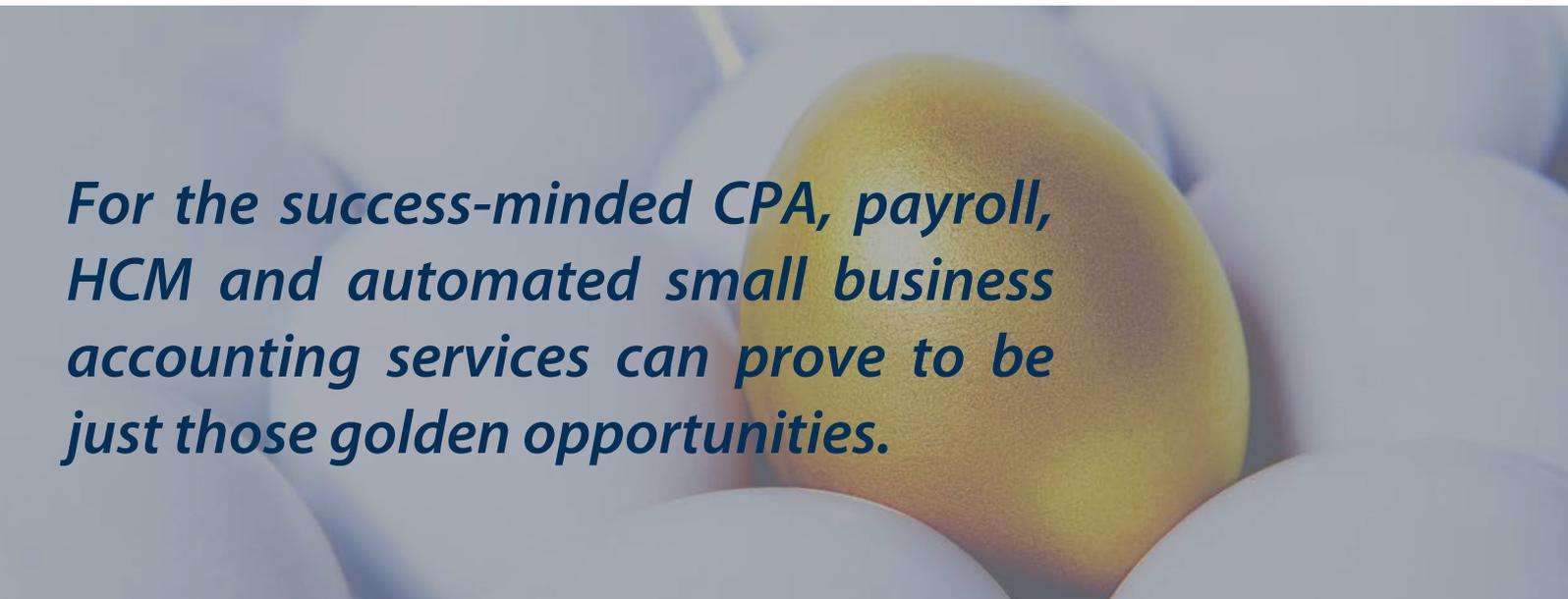
priorities of family-owned businesses in 2022: Expand into new markets/clients, introduce new products/services, land strategic mergers and acquisitions.

50%

expect to increase diversification in their family and business holdings within five years

96%

expect growth in 2022, up from 82% projected in 2021



For the success-minded CPA, payroll, HCM and automated small business accounting services can prove to be just those golden opportunities.

GOLDEN OPPORTUNITIES

PAYROLL | HCM | ACCOUNTING AUTOMATION

The global payroll and human resources combined market value is projected to hit \$41.6 billion by 2026 and some 80 percent of enterprises reported plans to purchase or upgrade talent management solutions, including payroll, between 2016 and 2026 according to Transparency Market Research. A key driver in those plans is the continuous move toward automation. Statistics show that spending on automation of processes and services by US companies was projected to more than double from \$5.1 billion in 2016 to \$12.7 billion by 2021 - And that projection was made long before news of the COVID-19 pandemic. The resulting seismic shift to a largely remote workforce has propelled automation even higher on the list of priorities for businesses nationwide. Among those processes vastly improved by automation are payroll, HCM and small business accounting - all golden opportunities for the forward-thinking CPA.

All of these opportunities to diversify collectively offer a wealth of benefits, including:

- A year-round revenue stream that boosts profitability far beyond the CPA's conventional January-to-April tax busy season and ensures money comes in all 12 months of the year;
- Entree to scores of prospective new clients as well as added "stickiness" to help your CPA firm not just retain existing customers but upsell them on additional related services and packages;
- ROI potential that is not only high, but typically quickly realized as modern cloud-based solutions eliminate upfront costs associated with physical hardware, power infrastructure, space and staff formerly required for implementing and running various payroll and HCM operations.

Individually, each offers its own specific benefits...

PAYROLL

The US labor force will hit 163.5 million in 2022, growing by 8.5 million since 2012. Every one of those workers want to be paid in full and on time. And their employers want assurance that their taxes are calculated and paid accurately to avoid hefty legal consequences for improper or inadequate payments.

HCM

A recent Nucleus Research study of various sized companies in a range of industries showed that implementing cloud-based HCM returns an average of more than \$9 for each \$1 spent; costs up to 79 percent less than on-site solutions; and saves upward of 90 percent in ongoing systems maintenance.

AUTOMATED SMALL BUSINESS ACCOUNTING

It costs an average \$1 to verify the accuracy of accounting data at the entry point; \$10 to correct or clean data in batch form; and a minimum \$100 per record if the mistake goes unnoticed. The American Payroll Association estimates that automation reduces payroll processing and related accounting costs by as much as 80 percent.



"Expanding payroll and related services is a natural extension into into something accountants already know. They understand payroll and the tax issues associated with it."

***- Robert Digby
Apex HCM CEO***

Among the top reasons for your CPA firm to diversify into payroll, HCM and other related revenue streams is the pre-existing trust factor that you already enjoy with your employer clients. Ask any executive or entrepreneur who they trust most with the financial inner workings of their companies, and they'll invariably tell you it's their accountant. This affords you the leverage to secure agreements covering multiple aspects of business.

"Accountants already are the top trusted advisor to the owner or chief finance officer of any company," says Apex HCM Chief Executive Officer Robert Digby. "They already work hand-in-hand with executives and are in a perfect position to influence decisions on payroll and related issues that involve finances."

For instance, research shows that when a CPA firm recommends any particular payroll solution to a client company, the company accepts that recommendation 70 percent of the time. So why not fold that successful lead rate into your own business? Joseph Sharpe, CPA is keenly aware of the influence an accountant carries. He joined his father's accounting firm in 2010 to help launch the company's payroll service, initially known as Sharp Payroll. That venture began with just 12 clients whose payroll was being managed using QuickBooks. In the decade since, the Peoria, IL-based company has grown exponentially, recently changing its name to CAVU Human Capital Management and acquiring five competing firms in just over 12 months. "Our annualized revenue has surpassed that of our accounting and tax business," Sharpe said of the company's payroll business when interviewed in late 2020.

"I can see us double our business, easily," said Geoffrey Ludt, founder and CEO of Oklahoma City's Ludt Payroll, shortly after connecting with Apex HCM in 2020 to offer partnering accountants the ability to provide payroll and HCM services to their clients. Ludt knew that he could help accountancies land business with a platform offering large-scale capabilities, proven security and highly customizable white labeling options. The move opened up "so much capacity that I haven't even wrapped my brain around."

And then, there is the ever concerning issue of employee data security. Names, addresses, social security numbers, etc. - A lot of data points get shared across multiple pillars of payroll, HCM and other corporate finance factors. Rather than all that sensitive information being spread out among multiple systems and providers, accountants with the right technology and software platforms can offer the opportunity for client data to be locked down and accessible via a single, secure portal and guarded by one already trusted entity - your CPA firm.

"Reporting for the Affordable Care Act alone involves elements of benefits, payroll and time and labor," says Wes Muschara, Apex HCM Vice President of Product Management. "With constantly added legislation, we're seeing more cross-functional reporting requirements. It's another driver toward single-source providers of all payroll and HCM pillars."

WHY APEX HCM?

Ready to strike gold by diversifying your accounting firm's offerings? Apex HCM, developed by a cadre of payroll, HCM and accounting veterans, can help you drive revenue and maximize profits with a full suite of proven and ready technology. Our customizable software platforms cover every step of an employee's tenure from recruitment to retirement. Low-investment, high-yield, cloud-based payroll and HCM solutions feature automated functions that make for a cost-effective operation that minimizes liabilities. This means a savings and security benefit that employer clients are increasingly willing to pay for. And consolidating all of these functions under your accounting firm's single umbrella further streamlines processes for employer clients and makes your firm all the more attractive. Among the top ways to partner with Apex HCM:

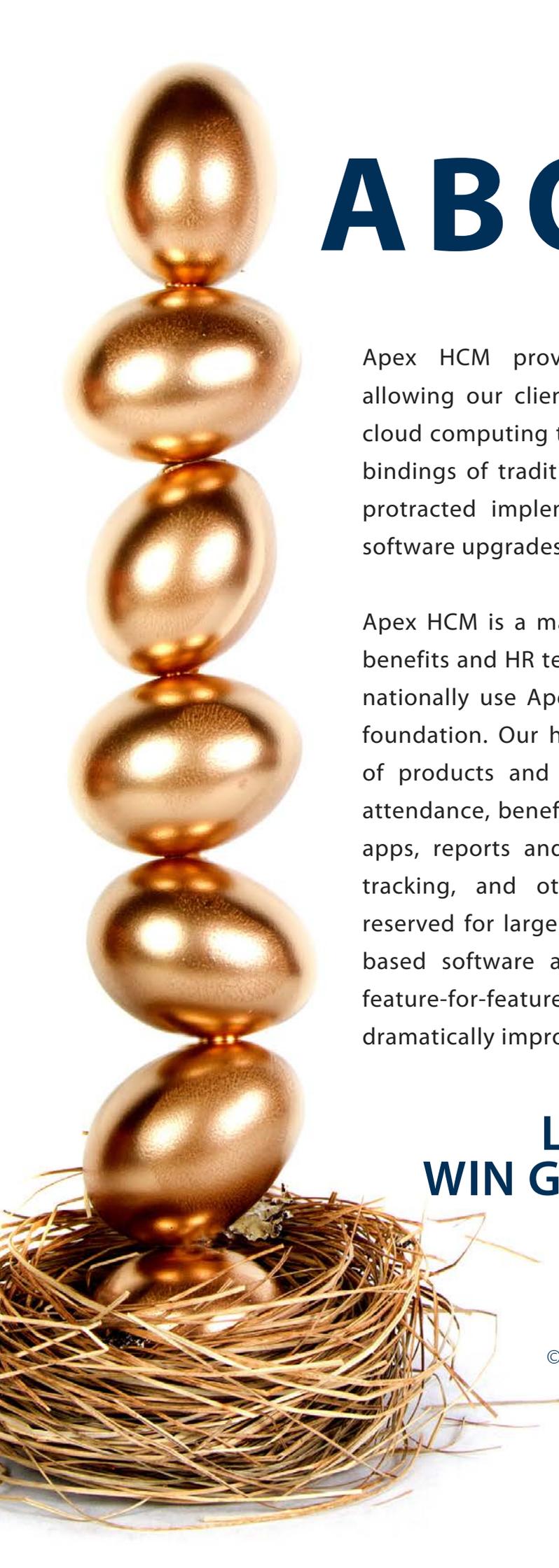
- 1** Online Payroll: Offer your clients and their employees real-time, 24/7 access to payroll processing, documentation and information. Employers can preview and approve payroll while employees can access pay stubs, benefits information, time off request forms, etc.
- 2** Payroll Tax Management: Easily and remotely manage your clients' tax processes, from planning to scheduling to paying to reconciling of all involved bank accounts.
- 3** ACA On Demand: Help clients stay up to date on all the complexities of the Affordable Care Act, assuring that they remain in full compliance. This fully cloud-based tool allows for continual tracking of employee hours, employer decisions, annual IRS reporting and all other documentation needed to avoid potentially costly penalties.
- 4** Employee Onboarding: Assist clients in welcoming new hires; eliminating time-consuming, manual processes; and collecting all needed information to assure legal compliance in multiple areas, from benefits to taxes.
- 5** Learn: Turn-key training portal boasting more than 300 new and updated courses covering a myriad of state-mandated and industry-specific compliance issues. With face-to-face meetings and classes out of the question for now, Apex HCM and partners have made it easy to leverage remote access to everything an employer needs to train their employee base.

"If you're offering these services, you've just made those clients that much more loyal to your firm."

- Wes Muschara

Apex HCM Vice President of Product Management





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.

**LET US HELP YOU
WIN GOLD IN YOUR MARKET**

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