

Payroll Tribune

Volume 4, Issue 6

Fall 2009

Build Relationships and Build Your Business

People sometimes ask us, what do you do? We tell them that we build relationships, some thing that lasts over time, something that has been built on trust. Another answer may be that we work with business owners and managers, and their employees to answer questions, to show them different ways to look at their business to make it more efficient, and more profitable, at a lower level of risk. We also do projects for our clients like helping them figure out why tax notices are increasing, or how to look for new software and helping them efficiently convert their existing operations to a new platform, or determining why they are not making the money they think they should be making.

Sometimes we get a call asking if we will help them sell their Company. It takes good preparation to put a Company in the best position for sale. That is a position where the fit is right, the price is fair, the owners get no surprises which often end up with a lower net price. We build relationships.

A year ago, the economy as we knew it collapsed. Banks and insurance companies failed. Credit froze and that caused companies to lose access to working capital. Companies could not see what was going to happen to demand for their goods and services one month or one quarter in advance. Without credit and without confidence, they conserved cash and cut jobs. Business activity slowed dramatically and unemployment went to 10% or more. A big part of what happened was that, as a society, we moved from thinking about the future, about long term outcomes, to acting in the short term doing one off transactions.

The economy, made of sticks and straw, did collapse taking the innocent and many of the guilty with it. And, of course, the wind is still blowing.

I think I know how you can prosper in the future. [Build relationships.](#)

[Build relationships with your customers.](#) The days of just doing your customer's payroll checks and quarterly tax returns are over. Today and tomorrow your relationship with your customer should include payroll processing, comprehensive human resource services, retirement services administration, and more. Customers want these services. You should be planning now for how to help your customers by considering the changes you will need in your platforms, your in-house expertise in new areas, your relationships with new providers, and the capital you will need. Survey your customers this fall. We can help you with a web survey. Take a look at the IPPA survey on our website.

[Build relationships with your suppliers.](#) Your suppliers are trying to help you achieve your goals in this difficult environment. They may have new products and services which can help to cross sell your customers, or products which can help you be more effective and competitive.

Build Relationships and Build Your Business (cont.)

Build relationships, very carefully, with your bank. A good way to build a relationship with a banker is to think like a banker. Bankers are (or should be) risk averse. They lend other people's money, and they expect to get it back. By the way, when you run your ACH business through them, they view much of that transaction as lending you money. They like to see your plans, review your assumptions, and see you achieve your goals and know the reason why. The good ones expect that you will want to know as much about them as they do about you. They have no problem talking to you about the safety and soundness of their organization. If they can't or won't show you, use another bank, now.

Build relationships with your employees. The employees are the backbone of the Company and they are the face of the Company to your customers. Good communications, a reasonable work environment, adequate software and systems, professional training, and common sense go a long way to building good relationships between employees and the Company.

The weeks and months ahead will continue to be difficult. Recovering from over indulgence, over borrowing, and lack of foresight takes time. Many will not recover. They will not be in business any more which will open opportunities for the planners and the relationship builders. What do we do? We build relationships. What do you do?

What I know and think about the market today

Today, 95% of the revenues of independent payroll companies come from payroll services only. In 10 years, 50% of revenue will come from payroll and 50% will come from human resource management services, and retirement plan and benefits administration services.

Tax service is a key part of payroll, but the product needs to change. Today, its revenues are too low and its risks are too high. Interest rates are low to help stabilize the banking system and housing markets. They will stay low until that happens. The risks are high because customers are bouncing checks; bureaus do not enforce rules on having "good funds" prior to making funds transfers, and 92 banks have failed to date. More will fail in the next 12 to 18 months. These failures could add to your risk of finding and maintaining a solid ACH provider.

Most companies in the economy have seen revenues fall so they have cut costs to maintain their margins. **Most payroll companies** have not seen an overall drop in revenues, and **are not focused on cutting costs and improving efficiencies.** They need to focus on costs to help fund growth.

There are more buyers than sellers in the payroll service bureau market today than in the last five years. Some want to "buy" growth since their own account production is down and their account attrition is up. Some want to expand their service offering and pick up payroll. Some are hoping for distressed situations and rock bottom prices. Strong solid bureaus are much in demand.

A well run payroll and human resource focused company has a great future ahead. The demand for the service is growing. This is a cash business, with an annuity style income stream, which requires little if any leverage / debt. It is a business which brings important services to its customers at fair and reasonable prices. It is a good business to invest in during difficult and volatile economic times.

HENSHAW / VIERRA MANAGEMENT COUNSEL LLC

We know the payroll business as owners, managers, and consultants. We are on your side in thinking about the future; solving operating, financial, and planning problems; or dealing with potential buyers. We have been helping bureaus grow revenue and profits for 15 years. We build long term relationships with many of our clients.

Call us in confidence at 510-749-3225. E-mail us at guy@henshawvierra.com. Visit our website at www.henshawvierra.com for ideas, for group survey results, for tools to help right-size your firm.