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Re-Thinking Payroll: How Firms Can Remain Competitive and Drive Growth in Exacting Times

New research underscores the value payroll services can deliver to accounting firms and the small business clients they serve.

Introduction

Against a backdrop of significant and sometimes disorienting challenges, the COVID-19 pandemic has pushed many accounting firms to evaluate the services they offer to small business clients. One service area in particular, payroll processing, provides a way for accounting professionals to gain unique insight into these clients' financial situations, creating stronger, stickier relationships while offering revenue opportunities for the firm.

To better understand how the COVID-19 pandemic has impacted the landscape for both accountants and their small business clients and their priorities moving forward, SurePayroll commissioned Arizent Research/Accounting Today to conduct surveys targeting small business owners (50 or fewer employees) and the accounting professionals who work with them. The data unearthed the benefits payroll services can deliver to both accounting firms and the small business clients they serve.

Viewed by some accountants as a labor-intensive, non-core service offering, payroll processing is now proving it can play an important role in a firm's suite of services. This is because it can provide firms with a window into the overall health of a client's small business and serve as a gateway to a broader range of services.

Small Businesses Need and Want Help with Payroll

Payroll can be complicated and time-consuming, and many small businesses aren't equipped to handle it successfully. They often underestimate the complexities of payroll when setting up shop, which can lead to mistakes and more time spent on this area than anticipated.

In fact, the survey revealed that a majority of accounting professionals (78%) said their small business clients need help running payroll. On the flip side, many small business owners have asked their accountants directly for assistance with payroll-related questions (31%).

This is not a surprise, since payroll involves much more than cutting checks. There are numerous forms to complete, statements to track, tax filings to manage and deadlines to meet along with the actual process of running payroll. Furthermore, keeping pace with legislative and regulatory changes at the federal, state and local levels can be difficult. Take, for instance, recent changes related to worker classification, paid family leave/sick leave and overtime rules.

In addition, the COVID-19 pandemic has added yet another layer of complexity. For many small business owners, the economic impacts of the pandemic are significant, as 63% have reported a drop in revenue since its onset. This revenue deficit is putting pressure on cash flow, and business owners are needing to shift much of their focus to revenue-generating opportunities.

Many small business owners are also busy navigating the complexities of government funding and COVID-19-related relief programs to keep them afloat. If they received a Paycheck Protection Program (PPP) loan, it is critical they understand the payroll-specific components of their loan, and any operational updates they may need to make to maximize PPP loan forgiveness.

For these owners, all of this equates to less time available to run payroll and keep pace with regulatory changes. For accounting professionals, this presents opportunities to broaden their service offerings for their small business clients, if they aren't already offering a payroll option.

Many Accountants Are Already Offering Payroll Support

According to the research, many accounting professionals have already noted the value of offering payroll processing services and have added it to their product mix. In fact, more than 60% of respondents said they are already offering payroll processing services, and another 5% plan to add those services within a year. For these professionals, the benefits their clients receive from this service outweigh any perceived challenges.

The growing interest in payroll stems not only from client demand, but also from firms looking to move beyond compliance-based services in favor of higher-value offerings. Consider this:

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of accounting professionals said their small business clients need help running payroll.

59% of accounting professionals that offer payroll processing said that this is a gateway to providing a broader range of services. Respondents who offer payroll services also said this gives them access to data to help clients improve the overall health of their business (50%) and enables them to better advise clients on regulatory changes and impacts on their business (50%).

With regard to COVID-19 support, an overwhelming percentage of accountants are also offering help in this area, regardless of whether or not this is an official service offering. 90% said they are commonly helping small business clients navigate COVID-19 with support on payroll.

Those Not Offering/Considering Payroll Solutions May Want to Challenge Their Assumptions

Payroll processing has long been viewed by some accounting professionals as a labor-intensive service that provides little reward. Indeed, roughly one-third of accountants surveyed said they are not offering or have no plans to offer payroll services.

These professionals may want to rethink their stance and consider the potential benefits. The reality is that payroll processing today is not what it used to be. Here are some commonly cited reasons why some firms shy away from payroll services and additional insight on why they may want to reconsider.

Reason #1: Nearly half of accountants that do not provide payroll services said it is too time-consuming (49%) or they would need additional staff (29%).

Counterpoint: By working with the right solution provider, accountants can get the support they need to efficiently provide payroll services without increasing their workload or having to hire more staff. In addition, 85% said they “agree” that the availability of cloud-based solutions and automated updates have made payroll processing a much more attractive service offering.

Reason #2: 37% of accounting professionals said they don’t see a need to provide payroll services.

Counterpoint: Client demands are evolving, and, with the onset of the COVID-19 pandemic, small business owners need more help more than ever. Trusted advisors like accountants are ideally positioned to meet that need, and many of them understand this: 66% “agreed” that payroll processing services are an essential part of the portfolio for accounting firms.

It is also important to note that 22% of accountants said they are, or plan to, use payroll as a launching point for payroll-adjacent services like HR and benefits. So for firms looking to branch out as way to cement client relationships, grow revenue and keep up with what their competitors are offering, payroll services are a good starting point.

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Reason #3: 31% of accountants said they are not interested in providing payroll services because of competing priorities.

Counterpoint: Accountants may want to reframe the importance of these services, based on the opportunities they can provide.

“There’s certain information that you can look at in payroll where you might think, ‘Wow, there might be an opportunity to decrease a tax burden here and increase cash flow, or put that cash to use in other ways,’” said Jason Copeland, head of Service Delivery at SurePayroll.

Accountants also reported that—as a result of managing their small business clients’ payroll—they are better prepared to provide clients guidance on things like PPP loan forgiveness (78%), tax planning regarding new legislation (58%) and cashflow analysis/forecasting (48%).

Reason #4: Low margins/ROI, as cited by 9% of accounting professionals.

Counterpoint: Providing payroll processing is a high-touch service that not only provides firms with a consistent source of revenue but also increases the frequency of client interactions. ROI extends beyond just the direct numbers and ties into creating stickier/longer-term client relationships. Indeed, 50% of accounting professionals said they experienced lower customer churn as a result of offering these services. They also reported revenue growth (45%), growth in new clients (34%) and improved profitability (31%) as benefits, all of which clearly impact the bottom line.

Making the Most of the Provider Relationship—What Firms Should Consider

To get the best possible set up for their business, accounting firms should look for a payroll provider that ticks the right service and price boxes. Here are some factors that accountants should consider when evaluating payroll solutions:

- ☑ *No/low upfront investment and low-cost upgrades.* Look for a provider that enables firms to set up a dashboard at no cost and receive wholesale pricing with full control over their clients’ pricing.
- ☑ *Dedicated support.* Consider a company that has a dedicated support team with experience working with accounting firms.
- ☑ *Easy-to-use platform.* Leverage a solution that has a single sign-on dashboard to make it easy to manage client needs. And be sure that payroll wages and taxes are automatically calculated and filed so accountants don’t have to.
- ☑ *Integration with accounting software.* Ensure that the selection syncs a client’s payroll information directly to the firm’s accounting program’s general ledger. This will save valuable time and frustration.

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of accounting professionals “agree” that the availability of cloud-based solutions and automated updates have made payroll processing a much more attractive service offering.

- ✔ *Increased brand exposure.* By utilizing a white-label solution, firms can expand their suite of services without losing brand recognition. 36% of respondents said they already white-label their payroll services or would be interested in doing so.
- ✔ *Up-to-date support on PPP compliance.* Find a provider that is committed to delivering content, updates, resources and new product features to support the economic relief on offer to small businesses and accountants' need for ongoing education.

Conclusion

Sometimes viewed as a non-essential and time-consuming, payroll support is becoming a key offering in many accountants' suite of services for their small business clients. This is giving small businesses the guidance they need and want in this area and supplying accountants with critical client insights to better serve them, grow their relationships, keep pace with competitors and improve their bottom line.

To make the lift lighter and more affordable, accountants should establish a relationship with a supportive solutions provider that offers access to integrated, easy-to-use tools and resources.

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Methodology

Online surveys were previously conducted by Arizent Research/Accounting Today among 205 small business owners and 102 accounting professionals. To qualify to complete the survey small business owners had to own/manage a business with 50 or fewer employees and accounting professionals had to offer public accounting and/or professional accounting and tax services for businesses that have 50 or fewer employees. A follow up survey was conducted in October among 102 accounting professionals with the same qualifications.



About SurePayroll

SurePayroll, a trusted provider of small business online payroll services, delivers peace of mind by combining innovative, industry-leading technology and personalized support from an award-winning, U.S.-based customer care team. SurePayroll provides white-label services for accountants, bookkeepers, and financial partners, allowing them to offer simple, effective solutions to address their clients' needs, while adding a steady revenue stream to their business. To learn more about how SurePayroll can help you do more, visit partners.surepayroll.com/accountants



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