

Interview

The Payroll Business

An Interview with Michael Alter, President, SurePayroll



Michael Alter

EDITORS' NOTE Michael Alter joined SurePayroll in 2000 after five and a half years with McKinsey & Company, where he was a founder and leader in the Service Operations Practice. Prior to receiving his M.B.A. from the Harvard Business School, Alter worked in various sales positions at IBM. He is a member of the Young Presidents' Organization, Executives' Club of Chicago, the Economic Club of Chicago, the Independent Payroll Providers Association, and the American Payroll Association. He is also a blogger for INC.com and appears regularly in publications across the country, including Bloomberg TV, the Wall Street Journal, and Entrepreneur magazine. He holds a bachelor's degree in economics from Northwestern.

COMPANY BRIEF As the online alternative to ADP® and Paychex®, SurePayroll (www.surepayroll.com) is dedicated to providing a simple, convenient, and accurate online payroll service at a price small business owners can afford. Having opened their doors in 2000, SurePayroll is the number one online payroll company. Their innovative solution is recognized by industry experts as the top choice for small businesses. In addition to their online payroll service, they have developed a suite of products and services designed to help small businesses stay competitive, including SureAdvisor HR™ (a compliance resource service), Sure401K™ plans, pay-as-you-go workers' compensation insurance plans, pre-employment screening services, and health insurance solutions.

Are you happy with the brand recognition and the awareness of the range of the services SurePayroll provides?

No. We've come a long way with what we have, but our number one challenge in the marketplace is awareness. Our biggest challenge is when somebody is making a decision as to which payroll company they're going to use as a small business owner – more often than not, they've never heard of SurePayroll so we're never even considered. All of our research shows that when we're considered, we win the business way more than we lose.

You're known to focus on those smaller companies, but how do you define your target market?

We define the target as one to 100 employee companies, and we have two sides to our market: our direct business – the SurePayroll brand – and an indirect business where we private label and white label through major banks. We've been selected by eight of the top 30 banks for their private label or white label payroll.

The small business payroll market is huge. There are around 8 to 10 million small businesses in the United States, depending on how you want to count; less than 1 in 5 of them use a payroll service today. And there are somewhere on the order of 1,000-plus payroll companies. You've got a few of the big players but you've got all sorts of small, regional, and local payroll and accounting firms. It's a highly underpenetrated, very fragmented market, and the opportunities are huge. Our biggest competitors, ADP® and Paychex®, each have only about 5 percent when you look at the full market perspective.

Is payroll primarily the service you're providing or have you broadened into other service areas?

At our core, we're a payroll company – we provide full service payroll: we do all the tax filing and payroll calculations, and returns. Over time, we've added more services, some bundled in for free in the product. We take care of some of the government filings, like the new hire reporting you have to do and labor law compliance posters – all of the things that small businesses are required by law to do but don't think about. We've also added on other services that are related to the fact that we have the payroll data and relationship, and it makes it more efficient and cost-effective for our clients. We offer, for example, an integrated 401(k) offering so the client doesn't have to rekey data – it all seamlessly

populates into their 401(k) account. In the health insurance brokerage business, we're an agency in 22 states where we sell small group and individual policies to our clients. We are in the pre-employment screening business, so we offer things like background checks, skills testing, and personality assessments. Additionally, we offer pay-as-you-go workers' compensation insurance – insurance plans that don't require large upfront fees or a deposit. Premiums are calculated and paid during each actual pay period, so the cost is spread throughout the year, helping with cash flow and avoiding year-end audits.

So we're driving everything off of being in the payroll business, but these are all services that our clients trust us for and we can provide them more efficiently than if they had to do them separately.

You also have received a lot of credit and influence around the SurePayroll Small Business Scorecard. How did that develop, and can you highlight the focus the scorecard gives you?

All of the data suggests small businesses are the only group that has grown us out of every recession we've been in. We have all of this data that we've started to publish on the health of the small business economy. We originally started it as a way for small businesses to benchmark themselves against each other. What we learned was there is a big need to understand what is going on in the small business economy. So we have the hiring index, which is the number of people on the payroll of small businesses across the country; we have the pay index, which is the average paycheck – we can see how that trends over time; we also have a survey on optimism and we look at the mix of the workforce between full-time employees that get a W-2 versus contractors who get a 1099. You can glean a lot about what's happening in the small business economy from those four data points.

How critical is it for you to still be out there with clients, and how do you make time for it?

It's absolutely critical. I called five clients yesterday because, in the end, my paycheck comes from them. It is very easy to lose sight of individual customers as a company grows. So from my office, I listen in on sales and customer service phone calls and make suggestions. We try to push it down to all of our managers. We're never as good as we would like to be. I'd like us to spend more time out front with customers. ●