



**Fryar
Management
Group**

This accountant is making big profits from payroll processing. Can his techniques work for you?

Payroll Profits Are Here!

Marcus W. Fryar, MBA, directs the thriving business and personal services divisions of Fryar Management Group, LLC. His North Carolina based firm provides accounting, financial and managerial services to a highly diverse group of small business owners and individuals. *Abacus Magazine* caught up with him to ask how his firm has successfully integrated payroll into its core services.

YOUR PRACTICE

Abacus: How long have you been providing payroll services?

Fryar: I began in 2004 when AccountantsWorld first started offering payroll services. My first client, who is still with me and remains my largest client, is a Staffing and Employee Leasing business. It consists of 7 different companies with over 1300 employees located in North Carolina, Texas, Missouri, South Carolina and Kansas. They use Payroll Relief AC for the entire payroll function—entering client data, printing and Federal Expressing paychecks. This client, ACG Enterprises, is planning to add 5 more companies and up to 1500 additional employees, and my business will be growing right along with them.

Abacus: That's pretty exciting. How did you get started with this client?

Fryar: They started by trying out some Human Resources programs and even one software application specifically written for the staffing industry. Since their operations are very spread out all over the place they wanted an in-house solution. Payroll Relief AC was a perfect fit since it is Internet-based and can be easily accessed at anytime. It works out well since several of the states require very specific formats for unemployment reporting and all we have to do is export the Payroll Relief AC data to an Excel spreadsheet and just do a few tweaks. A multi-state employee staffing company is about as diverse as you can get and the program easily gives us and the client truly customized output.

Abacus: Other than this one big client, do any of your other clients use Payroll Relief AC?

Fryar: Absolutely. My clients include doctors and dentists, group homes, residen-

tial care offices, law offices, day care centers and a couple of restaurants.

Abacus: That's quite a range. How many payroll clients do you have?

Fryar: Right now, we have 26 "live" payroll clients and we continue to grow. Other than the huge employee leasing company that we have been talking about, our typical client ranges from 10-30 employees. The group homes are very labor intensive and are governed by statutory employment requirements so they're on the high side of that range. The restaurants are a bit smaller and range from 10-15 employees.

Abacus: After your first year of processing a client's payroll, what is your retention rate?

Fryar: After the first year, it's 100%. I know it's hard to believe, but that's what it is. I haven't lost anyone yet. In fact, the only people I have ever lost are very small employers who had only one employee and who then took the employee off the payroll. Since payroll is so sensitive and has to be so perfect, once you have clients you keep them.

Abacus: How do you go about getting all these clients?

Fryar: The short answer is good old-fashioned networking. It's no mystery, really. We network with business incubators. Here in North Carolina there are several nonprofit organizations that help start-up business ventures. We work closely with them and whenever a new business needs an accountant they hand out our business cards. Payroll is listed on the back of our business card as one of the services we offer.

We also do a lot of speaking engagements and have developed great working relationships with bank officers. We especially like the

smaller local banks, who don't offer payroll services and recommend us. The big national banks [Bank of America, Wachovia] often offer payroll services along with Direct Deposit. They tend to compete with the big payroll chains [like ADP and Paychex]. Plus, one of our radio hosts is a client and we get a lot of valuable free publicity that way. If anyone can do the payroll for a local bank or radio station, even if you do it for free, it's a great way to get business.

Abacus: *How many employees do you have?*

Fryar: I'm an Adjunct Professor so I have a few students come in and help me from time to time. I'm highly automated and very organized—I was a math major and then got my MBA—so I'm able to keep a lot of balls in the air. Plus, Payroll Relief AC only takes 5 minutes to run. The program is so quick, it reduces the need for staff.

Abacus: *What type of services do you offer?*

Fryar: Accounting and bookkeeping; business tax returns; business plans; business start up services—EIN, unemployment filings; loan packaging; income tax returns; education funding.

YOUR PROFITS

Abacus: *Compared to other service you offer, how profitable is payroll?*

Fryar: Payroll is highly profitable for us. To begin with, it's a year-round steady stream of income that you can count on to pay your bills and even out your cash flow. For about 30 minutes per month you can make \$150 per month for each client. That's about \$300/hour, which is more than you make for a lot of tax work. In fact, I've been doing payroll the whole time I've been talking to you this interview!

Abacus: *You're kidding!*

Fryar: No, I'm not. The system really is that easy.

Abacus: *How do you structure your payroll processing fees?*

Fryar: We charge one monthly fee for our payroll services and we don't nickel and dime our clients. The pricing structure of Payroll Relief AC is so low—only \$1.00 for an extra employee—that we don't even raise our clients' fees if they add an extra employee. Our fees mirror the payroll service bureaus in terms of the frequency of the payrolls and the number of employees, but we are generally able to charge less than they do. This way, we win and the client

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wins too.

Ultimately, our fees pay for themselves, since we are handling the entire back-end processes for our clients. What takes 1 hour for us, would take a law firm, for example, 4 hours or more. Now multiply that by \$250 per hour and we are a true bargain indeed. It sure isn't that hard to explain it when you put it this way. It's not what you cost. It's all about what it would cost the client if they didn't have you to provide payroll and all the other back-end services.

YOUR PROCESS

Abacus: *What type of training did you give your clients and what level of payroll expertise do they possess?*

Fryar: When our big client, the employee staffing and leasing company started out, they were small and the CEO learned the system himself. All he had to do was watch the training video that AccountantsWorld provided. Most of the time, though, I simply do the training over the phone. I can see what screens the clients are using and tell them what to do. It's all very logical so the training isn't really hard at all.

Abacus: *Issuing paychecks and funding employee direct deposits with EFTPS requires the timely collection of payroll data. How do you actually collect the required payroll data from your clients?*

Fryar: Various ways, really. Our smaller clients, particularly the restaurants, like to fax us the information. They just use the fax-back sheets that are included with the program. The whole process of data collection takes about 2 minutes per client. A lot of clients are now using that new Excel spreadsheet feature that was just added. I just e-mail them the Excel spreadsheet that's built right into the program, and they fill it out and e-mail it back. It takes me just seconds to get that data into the payroll program when it comes in this way. This is a really good feature for clients who are afraid of the Internet or who just don't want to deal with logging in using a password.

Abacus: *How do you manage the continuous demands of year-round payroll processing, including payroll tax collection*

and 3rd party remittance, especially during tax season?

Fryar: There are two keys to this. One: you have to stay organized. Two: you have to train and manage client behavior. For example, if I am going to go on vacation, I tell the clients well in advance that I am going to need the payroll data early. Since payroll is so important to them, they know they have to provide it. It's funny, so many accountants are scared of losing the client, when really it's the other way around. Clients depend on their accountants for so much that the accountant never charges—for example, which copier should I buy. We make sure to stay in touch with the clients and to keep the client relationship strong, whether that means going to lunch, playing golf...

Abacus: *What are the benchmarks you use to determine whether a client is well suited for live payroll processing?*

Fryar: You need to use your interviewing and listening skills. It's a lot like being a psychologist, and asking the right questions is key. For example, what was your major in college? If they say political science, it's likely that they are social and like working in groups. If they're a math major, you can guess that they are analytical and organized and maybe like working alone. These are generalities, of course, but along with a person's personality and the answers to general questions like how long have they been in business and a review of their financial statements you can get a pretty good idea about what their capabilities are and whether they are good candidates for payroll.

Abacus: *Is there anything else about client payroll that you would like other accountants to know about?*

Fryar: I'll just add that payroll is a good anchor service. Clients don't want to do it and you will keep them if you do payroll for them. The bottom line is that Payroll Relief AC makes it easy for you and your clients and you can make good money with it.

Abacus: *Marcus, thank you.*

