

WHITEPAPER

Why Your Business Application Software Needs a Payroll Integration Partner

The software interface shown on the laptop screen includes the following elements:

- User Profile:** Kathy Watts, Job Title: President & CEO, Employee ID: 2041, Hired Date: 03/02/1999 (23 Years, 10 Months, 29 Days).
- Navigation Menu:** Company Hub, Admin, Personal, My Dashboard, Team, Time, Accruals, Leave, Schedule, Benefits, Payroll, More Tabs (3).
- Payroll Dashboard:**
 - Summary of Payrolls:** Payroll Gross & # Pay Statements by Pay Date. A line chart showing payroll gross from 01/07/2022 to 09/01/2022. The y-axis ranges from \$80k to \$200k.
 - Workers Comp Code (Summary):** Adjusted Premium Amount by Code. A bar chart showing premium amounts for codes 8001, 8002, and 8006.

INOVA



You have a successful business application. The product-market fit is there. Prospects are lining up to talk to your sales team. Your application offers almost all the key functionalities your ideal customer profiles are looking for.

But after reviewing customer feedback, you discover there's one feature that your audience wants but your application doesn't offer: **payroll**.

Your users don't want to spend multiple hours every month (sometimes every week) doing payroll. They want to handle it as quickly as possible, ideally within your application or tightly integrated without switching tools. There's an opportunity for you to create value for them and grow your total addressable market by embedding payroll into your product.

But what does it take to grow your existing business solution with a payroll function? Traditionally, the timeframe required to build an end-to-end HCM solution by yourself — with payroll and all the HR functionalities — is years, not months.

Luckily, there's another route when it comes to augmenting the functionality of your vertical or horizontal business application: partnering with a third-party payroll service provider! This whitepaper will explore why that may be the most viable option for you, highlight other potential routes you could explore, and provide a handy guide on evaluating potential partners.

Let's start.

What Does it Mean to Partner with a Payroll Service Provider?

Partnering with a payroll company essentially entails signing an agreement to have them offer their solution to your customers. You integrate the partner's payroll solution with your business application, eliminating manual processes for customers and maximizing their benefit. Your business could also work with a service provider to offer payroll as a separate paid add-on for your product. In both situations, you and your payroll partner company split the revenue.

Here's why a strategic partnership is a fast, viable way to scale your business application with a payroll function:

- Partnering with a payroll company offers fast time-to-value, as you don't need to build out a complicated solution, such as payroll and tax, from scratch.
- It can also be the cheapest option to grow your business application, requiring little or no investment at all.
- You deal with few or no integration issues with your solution.
- It's relatively less risky, as you can simply test a potential partner's system and processes before making any long-term commitments.



Keep in mind that finding a payroll service provider does involve some work. You'll need to conduct extensive research, testing, and shortlisting to make sure the partner is reputable and meets your users' needs and expectations.

What Other Options Do I Have?

There are two more avenues that you can take to add payroll features to your product. We encourage you to explore all options and weigh them based on your specific requirements and business strategy.

1. Build it Yourself

You could develop the payroll functionality either in-house or by outsourcing, and build it into your main application. With this route, you'll need team members who understand both development and payroll — not an easy pairing to find.

PROS

- You have complete freedom to develop a custom solution based on the needs of your customers.
- The product can be built around your existing solution, making it a single database solution.

CONS

- This route requires extensive knowledge of payroll and tax, which your company may not have.
- Payroll applications have numerous regulatory and tax-related changes each year, which will require additional ongoing development.
- You need to allocate an in-house team of developers to build the product (or outsource, which may be expensive and might result in poor quality control).
- It may take a while to create and set up a functioning payroll product and department, which may not align with your strategy of launching a minimum-viable product.

2. Acquire a Third-Party Company

The second option is to acquire an existing payroll service provider and merge their systems and teams with your business. This route works best if you'd rather not build the solution yourself and have the financial resources to simply buy a proven payroll solution or company.

PROS

- When you acquire a payroll company, you also acquire its existing customers.
- All the skills and technology get transferred
- to your business, which you can leverage to innovate new solutions.

CONS

- This option is typically the most expensive one.
- The acquired payroll product may have integration issues with your existing business application that you'll need to resolve yourself.
- The additional customers you'll be acquiring may be in business segments that don't align with yours.
- Poorly executed mergers/acquisitions pose a risk to your company's culture and core business.



How to Select the Right Payroll Partner

Partnering with a payroll service provider may be the fastest, cheapest, and most convenient option on the table. But it doesn't mean that you're completely off the hook as far as planning and evaluation go. Here's a step-by-step guide to help you on this journey.

STEP 1

Shortlist a Few Options

Start by surveying some of your customers to ask them about their biggest payroll-related challenges prior to approaching the vendors. Then, conduct initial research to look for payroll service providers who seem promising and could meet the needs of your customers. Tap into your professional network (and even your community of customers) to learn about tried and tested names in the payroll industry.

Go through the directories of websites like [G2](#), [Trustpilot](#), and [Better Business Bureau](#) to discover more options. Check customer reviews on these websites to assess their companies.

Once you've reviewed the available payroll tools out there, shortlist the options that seem best. Reach out to these companies and ask them if they do strategic partnerships.

STEP 2

Ensure They Would be Open to Catering to Your Audience

The next step is to ask shortlisted vendors if they have the skills, knowledge, and above all, an interest to serve your audience. Some payroll providers offer a vertical solution that only serves a specific industry, such as landscaping or construction. On the other hand, some offer a more horizontal package that caters to an extensive range of markets.

Present the customer challenges (that you should have gathered via surveying in step 1) to the shortlisted potential partners, and ask them how they typically solve them to gauge their knowledge.

You can also check whether they serve your audience by revisiting reviews. See if customers mention the industries that you cater to.

STEP 3

Evaluate Their Culture

When you partner with another company, you're not just vouching for their technical and industry expertise. You also want the payroll service provider to be a good cultural fit. If your business and the partner don't share the same values, the partnership may jeopardize your reputation and drive away your most loyal customers.

Ask the vendors about their core values, and visit the "About" page on their websites to see if they mention guiding principles. And carefully determine if they live up to those values by reading the reviews of not just their customers but also their employees ([Glassdoor](#) can help in this regard).

STEP 4

Evaluate Their Customer Service Philosophy

With this partnership, the payroll service provider will likely provide support to your customers about any issues they have with their product. Hence, you want to make sure that your users will receive a top-notch experience by gauging the partner's support team.

Here are a few probing questions you can ask the potential partners:

- **How and when can customers reach out to your support team?** Ideally, the customers should be able to reach out as conveniently as possible.
- **Does every customer get a dedicated rep?** A white glove service can go a long way in cultivating customer satisfaction and loyalty.
- **How soon do you respond to customer queries?** Ensure that customers don't have to wait for hours in long queues. Ask the potential vendors about their first response time (FRT).
- **Do you also offer professional consulting?** A service provider that goes out of their way to help the customers get the most out of their payroll is a great sign.

STEP 5

Carefully Review and Negotiate the Agreement

By this point, you've narrowed down your options to just a single or a handful of payroll service providers. All that's left to do now is to iron out the details and ask them for their partnership conditions.

First and foremost, evaluate the revenue potential which is typically provided in a revenue share. The payroll partner will be assuming the risk for tax payments and compliance as well as ACH processing, so these costs, along with its ongoing support and services expenses, must be taken into consideration. Finally, have your legal counsel carefully assess all of their conditions to ensure there's nothing unethical and both parties would benefit fairly from this partnership.

Ready to Scale?

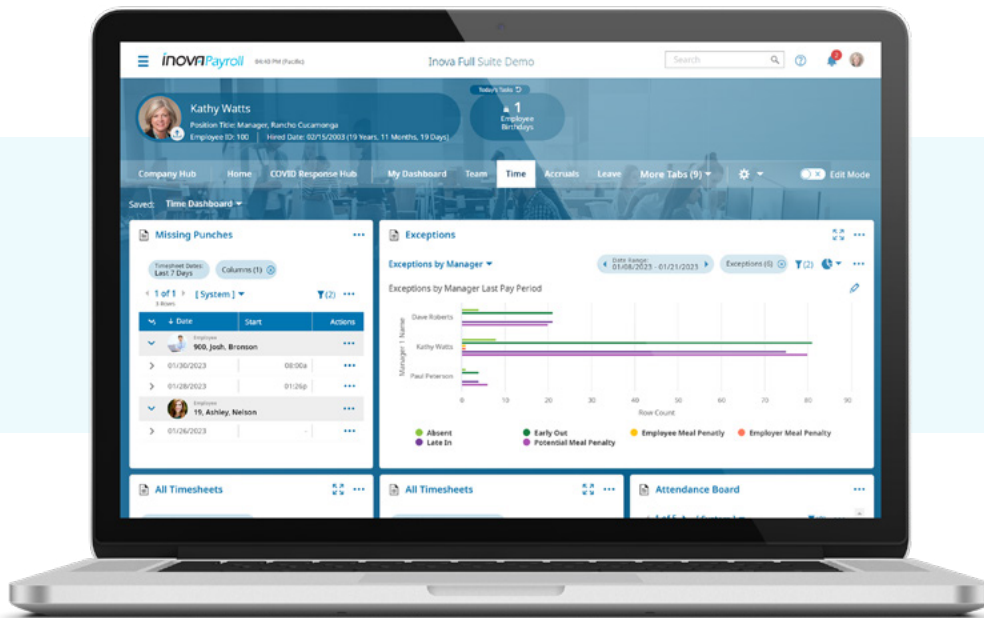
Consider Inova as Your Payroll Partner!

Inova offers an open API for tighter integration and a partnership program to help businesses like yours boost the value of their core products. Join forces with our team to offer your customers our full-scale payroll and human capital management (HCM) solutions.

Here are some things you'll get when partnering with us:

- Personalized support for not just your customers but also for your team
- Exclusive training for your team
- API integration for seamless data flow into your platform, eliminating re-keying of data
- A dedicated Business Development team committed to partner success.
- And a lot more! Check out this resource to learn more about our strategic partnership.

And a lot more! [Check out this resource](#) to learn more about our strategic partnership.



Like what you see?

"Inova is like family to us. We value our partnership, and we are thankful we have the opportunity to present such a wonderful and reputable company to our customers. M3 itself is a customer of Inova, so clients can be confident that we truly believe in Inova's services."

— Kristy Ingram, Partner Channel Sales Executive at M3