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Paylocity Thrives Despite Competition From Giants

Steve Sarowitz, 37, president and founder of Paylocity Corp., a payroll provider based in Elk Grove Village, believes he was destined to be in the payroll business.

Whether or not you believe in fate, it's hard to argue with success.

Paylocity expects $6 million in revenues in 2003, up 46 percent from $4.1 million in 2002 – not bad for a company that in 1997 had three employees and operated out of a tiny basement office.

"We got caught in snow storms, and we didn't even know it was snowing because we didn't have any windows," said Jennifer Page, vice-president of operations and one of the original employees.

Now the company has 68 employees, expects to hire more, and will soon need more space than the 9,400 square feet it currently occupies.

"We're always growing," Sarowitz said.

But growth hasn't come without obstacles.

"As we've gotten bigger, we have more staff issues," Sarowitz said. "I never had an unemployment claim, and this year I've had multiple unemployment claims because we hired the wrong people."

For those who know the payroll business, Paylocity's success may come as a surprise. The industry, after all, is dominated by giants like Paychex Inc., based in Rochester, N.Y., and ADP Inc., based in Roseland, N.J.

But Paylocity has found a niche providing service to small- and mid-sized companies that the industry giants often overlook.

Scott Byron and Co., a Lake Bluff landscape architecture firm that has more than 300 employees, is a typical client.

"We're not McDonald's, but we're not just a little mom and pop shop," said Claire Storti, human resources manager for Scott Byron and Co. "We process payroll on a weekly basis, so we're processing over 1,200 checks a month."

Like most providers, Paylocity prints and stuffs paychecks. The company also offers tax-filing software, software that allows clients to analyze and audit their payroll data and free customer support.

This bundling of products and service is popular with customers like Scott Byron.

"Lots of companies who are shopping for payroll services are looking for a bundle of services," Storti said.

Old-fashioned attention to customers isn't just lip service: Paylocity devotes six fulltime employees to technical support, which means clients calling with problems rarely hear a voicemail message.

"They're good companies," said Sarowitz, of ADP and Paychex. "But they're large. And it's impossible when you get to be that size to maintain the same level of customer service that a smaller company can maintain."

Any prospective Paylocity client can contact any current or previous client and ask them what their experience was like.

"Our entire client list is referenceable," said Kevin McCarty, Paylocity's director of sales.

McCarty is also glad that his boss isn't a fan of the hard sell.

"We'd rather walk away from a deal than promise them something we can't deliver," he said.

Sarowitz has no plans to court outside investors. "We don't want venture capital. It's too expensive. No one owns this company

but the management team."

And as McCarty sees it, that's in the best interest of his customers. "Their pricing," he said of the publicly traded payroll services, "is more driven by satisfying shareholders than by satisfying customers."

Paylocity will script software to a client's specific needs.

"We have a client that wanted to analyze their overtime hours this year versus last year," said Sarowitz, himself an experienced programmer. The client's software didn't offer a feature to track overtime hours.

"We, within our system, wrote them a custom module" so the client could calculate overtime automatically instead of manually, Sarowitz said.

It's such tailor-made features that Dan Garvey, sales manager at Garvey's Office Plus, a family-run office supplies business in Niles, appreciates.

"They're ahead of anything we've seen," he said. "Their software took what used to be a four- or five-hour process and cut if down to a half-hour."

Success: Customers like tailor-made features.