



October 1, 2001

Paylocity Grows From Idea To Multi-Tiered Business

Steve Sarowitz likes to say that the payroll business is in his blood.

"My grandfather worked in the payroll business in the late 1960's. I was raised in East Brunswick, New Jersey, which is where ADP was founded and I share a birthday with the chairman of Paychex (a major competitor)", said Sarowitz.

As president of Franklin Park-based Paylocity, an independent payroll and tax-filing service, Sarowitz has increased sales by 1,000 percent since he founded the company in 1997.

In all seriousness, he attributes the company's quick success not to his payroll coincidences, but to both attentive customer service and the advent of PC-based processing.

"Our strength is our service," he said. "Prior to coming to us, many of our clients have had significant problems with our large competitors. We have an experienced staff that doesn't rely on voicemail."

"I'd say we are similar to a community bank (in our business outlook). We want to be a strong, locally-owned player in the community."

Paylocity specializes in producing payroll checks and direct deposits and tax filing services for mid-size companies. The company services nearly 700 clients in 40 states and Puerto Rico and processes over 130,000 checks per month.

"Our target is mid-size companies that average about 100 employees," said Sarowitz. "We feel this is a new service market for us. These companies need to interface their systems with 401k, insurance and human resource information. It has been very successful for us."

Sarowitz said changing technology has added flexibility to his customer service.

"Ten years ago, it cost about \$1 million to install a mainframe computer and open a new branch," he said. "With the PC-based processing we use today, there is a lot more flexibility. We can do custom programs on the fly without huge outlays of cash."

"For instance, we can produce unlimited custom reports for our customers at no charge. In the last three years, we've produced over two thousand. This kind of service is very unusual."

Sarowitz points to the firm's electronic payroll conversion rate as a prime example of how technology advances have made a difference.

"Most payroll services key in data from other services manually," he said. About 60 percent of the data Paylocity now receives can be converted electronically into its systems, Sarowitz explained. The company introduced Payentry.com, an internet product, in August.

Prior to starting Paylocity, Sarowitz worked for three payroll companies that were all eventually purchased by large national firms. He and his business partner, Bill Orr, worked together at Robert F. White in the late 1980's.

In between, he also owned a Chinese restaurant.

"For a while, I ran both businesses but it became too much so I sold the restaurant, " he said.

Sarowitz and Orr started Paylocity in a 600-square-foot basement in Des Plaines, but within two years had moved on to a 3,200-square-foot facility. The company may soon outgrow its current 4,100-square-foot space in Franklin Park, but Sarowitz said that should a move be necessary, he would like to stay in the O'Hare corridor.

"We need to stay in a central area," he said. "Our employees come from as far away as northwest Indiana, Highland Park, and Aurora."

Many employees are payroll industry veterans. The company offers quarterly bonuses, employee social events, and regular internal training on subjects like confidentiality.

“Our day to day atmosphere is casual,” Sarowitz said. “We figure people are adults and should be treated as such. We like to empower people.”

Although about 50 percent of his employees are college educated, the pay scale is above industry standards, Sarowitz said.

To say Sarowitz is optimistic about the company’s future is an understatement. “We’d like to become the largest payroll service in the country,” he said. Paylocity competes with ADP, Paychex, and Ceridian for its customers.

With 700 clients now, Sarowitz predicts that he may clear 1,000 next year. The company recently received the Independent Payroll Providers Association award for having the highest client retention rate of any independent payroll service in the country.

“Our competitors who want to maximize stock prices sometimes do it at the detriment of their clients,” he said. “We’re a good alternative to the large national players.”

“We want to make sure the customers are happy and also provide a good place to work.”