

WHITEPAPER Transform Payroll Services from an Obligation to an Opportunity

How accounting firms can leverage payroll data to support the growth of targeted advisory services



Practically every business needs a payroll solution, but business leaders generally would rather not run it themselves. In theory, that situation makes payroll a valuable offering for accountants to provide. In practice, however, accounting firms frequently see payroll as just a time-consuming necessity for bringing clients in the door.

In October 2024, Arizent, parent company of Accounting Today, in partnership with Intuit, surveyed 105 accounting professionals to better understand the current state of payroll services, as well as exploring sentiment on the value of payroll data. The results suggest firms that view payroll as an opportunity to support targeted advisory offerings have an opportunity to leverage payroll data in support of strategically valuable targeted advisory services.

Accountants aren't offering payroll as widely as you might expect

Accountants serve a substantial number of businesses that will need access to payroll services at some point in their lifespan. Nearly one in three accounting firms (29%) say businesses make up more than half of their client list. For larger accounting firms, the percentage of businesses served tends to be even higher.

For the businesses themselves, payroll represents a critical, resource-intensive operation with relatively little direct connection to revenues. It's vital, but they'd rather not have to handle it internally. This situation creates an opportunity for accountants to provide payroll services for their clients. It's a sticky, entry-level service that complements the other important work accountants typically provide. But fewer accountants take advantage of this situation than you might expect. Most firms only provide payroll services to fewer than a quarter of their clients.

Payroll offerings create a range of challenges

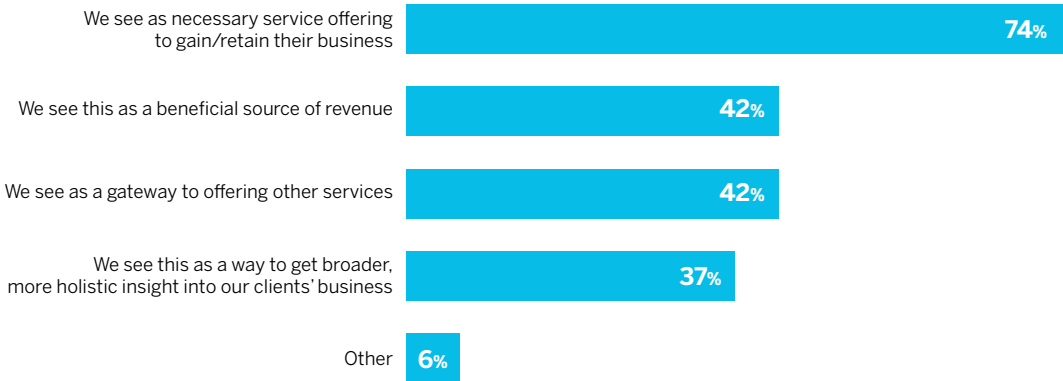
Payroll services aren't just challenging for businesses. They're challenging for accountants, too. In particular, keeping up with regulations (84%), troubleshooting technical issues (79%) and providing support for clients or employees (73%) represent common hurdles for accounting firms that offer payroll services.

These challenges also tend to become more prevalent as firm size increases. Firms with 50 or more employees are much more likely to cite working with auditors, keeping up with regulations, managing time and attendance data and setting up new clients as at least moderately challenging compared to their smaller counterparts. Dealing with these challenges can be time-consuming. On average, accounting professionals say payroll services take up 13% of their time. Depending on firm type and size, that number can rise to an average of 18%. To make that level of effort worthwhile, accounting firms need to see substantial value in return.

Payroll services are strategically important for accountants...

Most accounting firms take on the challenges of offering payroll services because it's strategically important. Nearly three in four see it as a necessary service offering to gain or retain business (see Figure 1).

Figure 1: Most Accounting Professionals See Payroll Services as a Business Necessity



Source: Arizent/Accounting Today, 2024

Accountants are less likely to see strategic value in payroll services beyond client attraction and retention, however. Only 42% see payroll as a beneficial source of revenue. And fewer than three in 10 (29%) say payroll is a growth business for their firm.

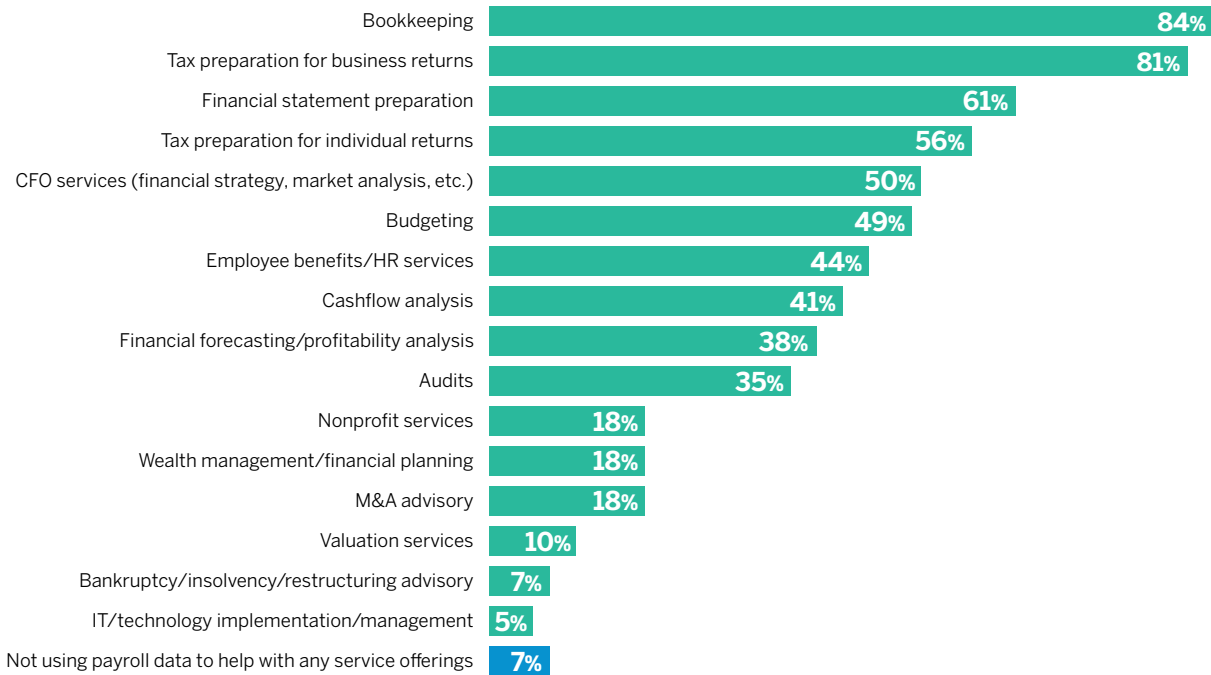
These perceptions change somewhat depending on the size of the accounting firm. For single-employee firms, the number that see payroll as a beneficial source of revenue rises to half. On the other end of the spectrum, larger firms with 50 or more employees are less likely to see payroll as a beneficial source of revenue, but more likely to see it through an opportunistic lens as an advisory offering. Half of these larger accounting firms see payroll as a gateway to offering other services and as a way to get broader, more holistic insight into their clients' business.

"Thinking of payroll services as discrete offerings can cause accounting firms to miss out on a lot of their strategic value," says Chau Haner, group marketing manager for Intuit Accountants. "Before they think of additional service offerings to add, they may find it advantageous to consider how they can extend the value of the payroll services they already provide."

Transforming payroll from an obligation to an opportunity

To extend the value of payroll services, firms need to understand the connection between payroll data and other valuable advisory services they could offer. Payroll data can help accounting firms support their clients across a range of high-value areas (see Figure 2).

Figure 2: Payroll Data Helps with a Variety of Related Services



Source: Arizent/Accounting Today, 2024

The connection to services that use similar data for reporting purposes such as bookkeeping or the preparation of tax returns and financial statements is relatively well-recognized. In response to a separate open-ended question, nearly a third of accountants (30%) said they are using payroll data to inform tax planning. But only 15% are using payroll data to support other advisory or other services.

This disconnect suggests many accounting firms are missing a potentially substantial opportunity. Less than half (45%) believe payroll data could provide insights that help them offer additional targeted services to clients. A similar number (44%) believe payroll data could offer insights that help them attract other, similar clients. And roughly four in 10 (39%) see opportunities to glean insights from payroll data on what services to add or eliminate, or insights that help with broader business planning.

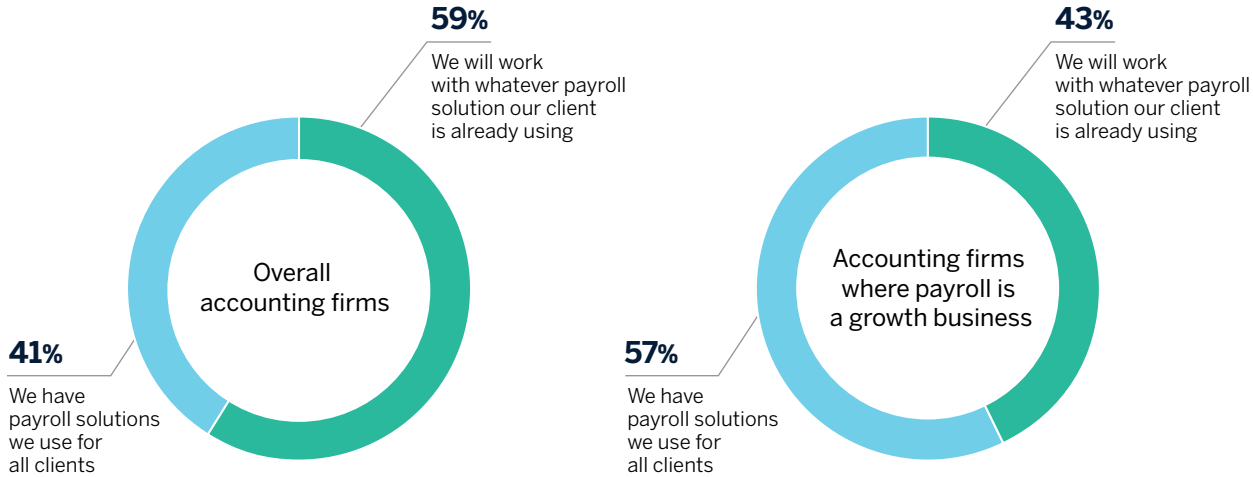
Before they can use payroll data more constructively, accounting firms need to change their mindset — and their technology strategy. First, they have to understand how payroll services can create the foundation for high-value advisory support accountants could provide to their clients. For example, payroll data could inform cash flow forecasting, which in turn can guide major client decisions regarding hiring or the timing of major capital expenditures.

Second, accountants need to ensure they can integrate payroll data with the rest of their systems so that they have access to it when and where they need it. Better integration of payroll data can also help mitigate some of the primary challenges accounting firms face. Standardizing on a single payroll solution that integrates well with their other systems in use at a firm can create opportunities to automate processes, improving productivity and efficiency and reducing the potential for data entry errors. That increased efficiency makes it easier to scale the provision of payroll services, frees internal resources for more valuable, advisory-focused tasks, and further deepens client relationships. Those benefits are already in evidence for some firms: those that view payroll as a growth business are more likely to have a payroll solution that they use for all clients (see Figure 3). For firms that are reticent to consolidate on a single payroll solution, investing in a suite of connected advisory solutions that includes flexible payroll systems integrations could be another solid option.

“ “ When accounting firms prioritize payroll services and standardize their payroll technology, they are one step closer to being able to better serve their clients with more data-oriented offerings.

“Accountants are highly trusted professionals — they know the questions their clients are asking them,” says Haner. “By doing internal auditing to match the data they’re collecting from payroll with their other systems, they can turn that data into useful offerings that serve clients better, deepen client relationships and produce revenue growth opportunities.”

Figure 3: Payroll Technology Standardization Drives Business Growth



Source: Arizent/Accounting Today, 2024

Methodology

This research was conducted online in October 2024 among 105 accounting professionals. To qualify, respondents had to have some involvement with or knowledge of payroll services at their firm. This was a blind data collection effort. Intuit was not identified as a sponsor of the research.



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