

# OPPORTUNITIES FOR PEO GROWTH IN THE NEW LANDSCAPE

BY JESSICA BOROWY

As the economy works to recover from the pandemic, now is the time to take advantage of opportunities and position your business for sustained growth. Yes, there will be challenges to overcome, but opportunities are plentiful. Despite the heavy hit that many PEOs and their customers took during the crisis, the outlook for the industry and its positioning in a post-pandemic world is positive.

## OPPORTUNITIES

Notably, there are several tailwinds coming out of this crisis that put the PEO community in a position of strength.

### Increased Customer Loyalty

Many of your customers are feeling thankful to you as a result of your guidance through the constant change and uncertainty of government pandemic programs. This is the time when, more than ever, they've seen the value of having a PEO on their side. Make sure you remind them that you were there for them—and it's the perfect time to ask for referrals from those happy customers!

### Helping Small Businesses That Were Caught Flat-Footed

There is a massive opportunity to capture market share with small businesses that were overwhelmed during this crisis and could have used PEOs to help them navigate the many new regulations and programs developed as a result of COVID-19. Use this time to market aggressively to companies that were unprepared to respond quickly to this crisis and educate them about how you are here to help.

### Redefining 'Business as Usual'

There are, and will continue to be, significant changes in business operations such as hiring, onboarding, and training as a result of the crisis. With the broader impact of more employees working from home and a socially distanced environment at the workplace, there will be myriad shifts in team dynamics and changes in processes that your clients will need help navigating.



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### Increased Rules & Regulations

New regulations at the state and local levels as well as ongoing safety requirements for employees will enable PEOs to provide more value-added services to their clients.

### Better Ways to Serve Clients

This time of crisis likely exposed pain points in your clients' businesses. Maintain the close communication you had at the height of the crisis, as the impact of this pandemic will be long-lasting and there will be multiple opportunities to demonstrate value to

your clients and potentially create additional revenue streams. This could mean adding new services beyond the traditional co-employment model such as marketing, tax prep, or accounting or expanding your suite of HR offerings. I say this with the caveat that you need to be strategic in your approach—adding services without examining who you are, your strengths as a company, and the niche(s) you serve can be a big mistake.

## CHALLENGES

These opportunities are not without their challenges, and there are several areas to be aware of as you navigate this new landscape.

### Technology

Given the changing expectations around remote work environments, your clients will not tolerate anything less than a seamless and secure user experience. Make sure you also have reporting systems that deliver key performance indicators (KPIs) you can communicate to your clients to tie your efforts to better outcomes for their businesses.

### Clients Looking for Discounts

Clients are probably asking you for rate reductions due to the crisis. That's why it is critical that you have the data and technology to underscore the return on investment (ROI) to your clients and why your service is so critical to their businesses.

### Capital Flexibility

Coming out of a down cycle, it's a great time to buy and invest while others might be gun-shy or lacking financial flexibility. The more financial flexibility you have, the more you can take advantage of opportunities, such as implementing new product offerings, hiring the best talent, and growing via acquisition or geographic expansion. Other options to consider are merging with a like-minded competitor or partnering

with an investor that can provide capital and resources to let you aggressively (and appropriately) scale at this time.



## SMALL BUSINESS OWNERS FEELING MORE OPTIMISTIC

According to the National Federation of Independent Business's Optimism Index released in September, job openings and hiring plans are increasing among small business owners, although many are still uncertain and struggling. As reported in NFIB's monthly jobs report, job creation plans increased three points to a net 21 percent, an unprecedented recovery from April's reading of 1 percent. Other findings of the small business optimism report include:

- Earnings trends over the past three months improved seven points to a net negative 25 percent reporting higher earnings.
- Job openings increased three points to 33 percent of firms with at least one unfilled position.
- The percent of owners thinking it's a good time to expand increased one point to 12 percent.
- Real sales expectations in the next three months decreased two points to a net 3 percent.

### Rewriting Expectations

This time of crisis (and isolation) has given us all an opportunity to see pain points in our own businesses that might not have been obvious when wages were going up and companies were hiring. Certain KPIs and metrics you deemed important might be challenged now. Look at which processes are working and which are not, and don't be afraid to make bold changes.

### Refocusing the Business

While you are reviewing internal activities, look at your client portfolio as well. Some industries or sectors where you traditionally focused your efforts may fare better or worse post-pandemic. You may also be heavily concentrated in certain industries.

Take a hard look at where you should be channeling your business development efforts moving forward, and create a plan to target sectors that are poised for growth and/or will allow you better diversification—both of which lead to a more valuable company.

Whatever you do, don't rest on your laurels. Right now is a terrific time for you to show the value of PEO to business owners who do not want to go it alone through something like this ever again. ■



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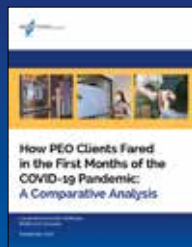
## NAPEO's Newest White Paper found that compared to other small businesses, PEO clients are:



**119%** more likely to have received PPP loans and  
**72%** more likely to have received them in Round 1

**91%** less likely to still be temporarily closed

**60%** less likely to have permanently closed



NAPEO's newest White Paper explores PEOs' impacts on Paycheck Protection Program (PPP) loans, current business status, and business survival. In each of these areas, PEO clients fared better than other small businesses, often significantly better.

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