Prestige Employee Administrators, Inc.

A Unique Model

Rick Kinigson

How does a PEO with fewer than 10 associates and only a handful of clients and worksite employees grow to be named among the Inc. 500 fastest-growing private U.S. companies, and among the top 100 based on gross dollars of growth and employees? It does it by developing a business and service model that is unique to the industry. When Prestige Employee Administrators, Inc. opened its doors in 1998, the owners made several decisions that would differentiate the company from other PEOs.

Opportunities for Advisors

The first such business decision was to treat financial advisors (or brokers) as partners. At that time, and even today, most PEOs had armies of salespeople soliciting the small and medium-sized businesses that were the staple of business of the broker community. PEOs were seen as a threat to their practice, employing economies of scale to offer Fortune 500-type employee benefits at rates lower than they could ever hope to get on their own. What's more, they provided countless human resource and payroll services that allowed employers to concentrate on their core businesses and save a ton of money. But in the process they become the "broker of record" and left the broker out in the cold. Using the Prestige business model, brokers would keep their clients, earn greater commissions, and remain the broker of record.

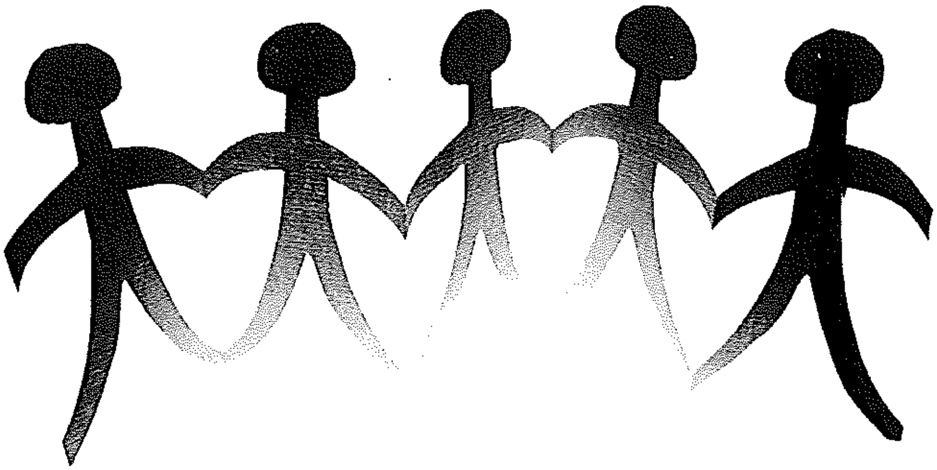
I can't even begin to describe the reaction we received when first explaining our sales model to brokers. Being new to the industry, I have to admit it seemed strange to me as well. Today, I can't imagine it any other way, and neither can they. While we continue to add to our broker network every day, we are still working with many of the brokers who brought us our first clients, who are also still with us.

Keeping it Simple

The second business decision of the Prestige model was to offer transparency. Rather than bundled pricing and charging a percentage of total payroll, Prestige decided to use a clearly stated fee per employee, letting client companies know exactly how much they were paying for every item so comparisons and analyses were easy.

Several years ago, when competition in the PEO marketplace was less fierce, convincing a potential client that unbundled pricing was a selling point was rather difficult. Many clients were focused on the bottom line and how much it cost to use the services of a PEO, and less concerned with each line item on the invoice. Talking with clients today, there is still an eye on the bottom line, but they pay much more attention to particulars, such as taxes and health benefits costs.

Just as our service offering has improved over the years, so has our sales approach. No longer can business be won



based solely on price. I can recall early on clients asking how much it was going to cost them per year. Today, the conversation focuses on the benefit options available to them and customized reporting features.

What Makes Prestige Different?

It was evident that once a business joined a PEO, it rarely went back to doing everything in-house. The challenge would be to avoid losing clients to other PEOs. This led to the third and possibly most critical decision Prestige made, which was to focus on service and the relationships that come from providing personal service to clients. The owners believed this would be the key to their success, so much so that they made it their corporate vision: "To surround our clients with the highest quality human resource services: Prestige = Surrounded By Service." Remarkably, Prestige did not lose a single client during its first 10 years of doing business. Today, it boasts a 98 percent client retention rate.

Having that sort of success is not easy. Years ago, I could tell you the name of our primary contact within every one of our clients (and probably the names of their spouses, children, and pets). Stopping in once a month to check on clients and worksite employees, have lunch, or simply say hello was the norm. We were a lean organization in terms of staff, and everyone had to be chief cook and bottle washer. Today, if it were not for an ever-expanding staff of specialists in all disciplines of HR, giving clients that same level of service would be nearly impossible.

That said, Prestige still focuses on relationships. Just as we have since the beginning, clients and worksite employees with issues speak directly to the associates who process their payroll, remit their 401(k), or enroll them in the health plan.

Prestige was founded 13 years ago as an outgrowth of a firm specializing in employee benefit programs, notably health and other kinds of insurance. Building on this expertise, Prestige now offers a variety of benefit options along with master 401(k) and workers' comp plans. It also offers a comprehensive array of services: 157 specific services in employee administration (including payroll processing and tax reporting), benefits administration, employment law compliance, employee relations, risk management, employee and management training, and a "fast-answer tele-center," which responds instantly to employee inquiries.

The greatest challenge today continues to be educating employers about what Prestige can do for them. Using the business model created when it first entered the PEO market, Prestige still relies heavily on its partner advisors/brokers to do this.

Rick Kinigson is director of operations for Melville, New York-based Prestige Employee Administrators, Inc. Kinigson has worked in the PEO industry since 2004 and has more than 15 years of experience in the human resources sector.