

ONLINE BUSINESS

Net Wages BY JILL HECHT MAXWELL

The CEO of a payroll company and PayChex's brash boss disagree when it comes to the Internet.

Veterans

PayMaxx (#383) has made the Inc 500 every year since 1998. That's four times, and you'd better believe that CEO Farsheed Ferdowsi is keeping track. In fact, Ferdowsi keeps track of all sorts of data on charts that line the walls at his headquarters. "The business is one great big gigantic mathematical model," says the erstwhile engineer. "We track every facet of our operations with measurements. If you're not measuring anything, you're not managing anything."

To wit: the chart on the wall outside Ferdowsi's office shows *revenue yield per transaction* -- the amount of money the company grosses each time it prints a paycheck. The graph is little more than a flat line in the early 1990s: revenues per transaction were stagnant for five years. To push the flat line on the graph into a nice upward curve, Ferdowsi introduced new services like tax filing and 401(k)-plan administration. His yield doubled. "This industry is highly competitive," Ferdowsi explains. "If all you're doing is printing checks and reports, there's not much you can do in the way of enhancing your revenue per transaction."

The latest metric to obsess Ferdowsi is the growth of PayMaxx's two-year-old Internet payroll-processing service: 400%, compared with 25% for the company as a whole. About 1,000 customers have signed on. "There's no trace of doubt in my mind that the use of the Internet in submitting and processing payroll is the fastest growing trend in this industry," he says.

Rate of Pay

Company	Revenues	Five-year growth	Number of employees
PayMaxx (#383)	\$9 million	754%	133
PayChex (#8 in 1982)	\$14 million	5,083%	300
PayChex (2000)	\$728 million	118%	6,237

Mighty Mouse

It's been 30 years since Tom Golisano founded PayChex (#8 in 1982), now the second-largest payroll company in the country, with \$870 million in revenues. Yet Golisano says that even today, only 15% of small businesses avail themselves of payroll-processing services. "It's a wide-open marketplace," he says.

To attract more small companies, Golisano has used the same strategy that PayMaxx's Ferdowsi employs: adding ancillary services. "PayChex didn't offer workers' compensation insurance two years ago. Today we have 20,000 workers' comp clients," Golisano says. "If you don't have a wide range of services to offer, you're going to be at a real disadvantage."

The Internet is where Golisano and Ferdowsi part company. Golisano does not prioritize the building of a robust presence online. PayChex clients can transmit their data by modem, but only a fraction do so. The company is beta testing a Web-based service now, but Golisano is skeptical. "People are sensitive to the security issues of sending data over the Internet, especially payroll," he says. "Most of our clients -- not all, but most -- like to talk to a person, a professional service-giving person."

View the **2001 Inc 500 list** .

Veterans

Been There, Grown That

Brand Demands

Net Wages

Rising, Falling, Rising Star

Wookiees of the World Unite!

Sell Different

Please e-mail your comments to editors@inc.com.

LAST UPDATED: NOV 15, 2001