

DEFINITION OF THE TRUE PEO VALUE PROPOSITION

BY ROB COMEAU

What is a PEO's value proposition to its clients? One may be tempted to answer this question by listing a PEO's service and product offering. However, the service and product offering are not the value proposition of a PEO.

The value proposition of a PEO is the material impact the PEO has on its clients. The PEO's product and service suite serve as the framework to drive the value proposition. The execution of the product and service suite through the PEO's staff is the delivery method of said value.

CONVEYING THE TRUE VALUE PROPOSITION OF A PEO

When a salesperson contacts me, I can tell you without hesitation that I will not share the details of my business until I know I want to do business. I need to see

the potential value and impact a partner will have on my business before I divulge its particulars. CEOs are typically stretched for time. They understand what a good business relationship looks like and they are painfully aware of the cost of a bad relationship. When buyers see the value a PEO may bring to the table, they are more open to understanding how this value may be achieved.

In a meeting, if a PEO salesperson told me that his or her company could reduce my liability, offer scaled procurement with insurance and technology, potentially reduce my expenses, help optimize my workforce, provide operational efficiency, offer a qualified team of experts to educate and guide my organization in employment-related matters, and free my staff up to focus on revenue growth, I would be interested in learning more. Once I understood the execution

model, i.e., the service offering, I would view the relationship as a partnership, not as a vendor relationship. Why? Because I would believe that the PEO could impact my business in a material way. In other words, the PEO could drive value to my organization. Viewing the



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relationship through the lens of material value helps a buyer become less price-sensitive and more focused on the relationship return on investment.

Let's review the value proposition definition one more time out of the gate to make sure it resonates: The PEO's value proposition is the material impact a PEO has on its clients. The PEO drives these values through the framework of its product and service offering. The PEO staff executes the deliverables via the PEO offering, which drives the true value proposition to the PEO's clients.

OVERVIEW OF THE TRUE PEO VALUE PROPOSITION

The first step is identifying the true value proposition of your PEO. The PEO influences numerous business impact zones. I call these impact zones "anchor themes." An anchor theme is a category of impact on a business. Every part of the PEO offering, to one degree or another, can be tied back into these anchor

FIGURE 1. HOW TO IDENTIFY ANCHOR THEMES WITHIN YOUR PEO.

VALUE PROPOSITION	OFFERING	RESULTS
Liability Reduction	State/Fed Regulatory Compliance Human Resources Safety & Risk Wellness & Health Unemployment	Business Liability Reduction Employment Lawsuit Liability Reduction Workers' Comp Liability Reduction Health Benefits Liability Reduction SUTA Liability Reduction
Scaled Procurement	Workers' Comp Master Plan Health Benefits Master Plan Ancillary Benefits EPLI Master Technology Ecosystem	Cost Efficiency/Reduction Cost Efficiency/Reduction Cost Efficiency/Reduction Cost Efficiency/Reduction Cost Efficiency/Reduction
Service, Knowledge, Expertise, Guidance	Human Resources Benefits Administration Regulatory Compliance Safety & Risk Insurance Administration Claims Management	Guidance with Employment Laws Guidance with Benefits Guidance with Compliance Requisites Guidance with Safe Work Environments Guidance with Risk Profiles Guidance with Claims Adjudication
Cost Reduction	Workers' Compensation Health Benefits Ancillary Benefits EPLI Technology Ecosystem PEO External Service Team	Potential Cost Reduction Potential Cost Reduction Potential Cost Reduction Potential Cost Reduction Consolidated Tech Suite, Potential Cost Reduction Potentially Scale Operation/Lower SG&A by Leaning on PEO Service Team
Workforce Optimization	Technology Ecosystem Training & Development Increased WSE Capacity	Great Connectivity, Increased Speed in Processes Increased Knowledge & Skill Development to Improve Workforce Capabilities Tech, Training, & PEO Team Support Frees up WSE Capacity at SMB Level
Operational Efficiency	Technology Ecosystem Training & Development WSE Capacity Vendor Consolidation Streamlined Policies/Procedures	Streamlined Employee Communication, Management, & Tracking Improved Employee Capabilities & Formalized Training Infrastructure Improved Bandwidth for WSE Population through Streamlined Processes & PEO Support Vendor Consolidation for Tech, Benefits, Retirement, Compliance Foundational Development & Ongoing Updates to Material Employee Policies/Procedures
Revenue Growth	Increase Growth Over Non-PEO SMBs Increased Annual Revenue Over Non-PEO SMBs	Increased Bandwidth for WSE Population & Minimization of Liability Distractions Increased Bandwidth for WSE Population & Minimization of Liability Distractions

themes, hence the name. This means you can anchor your entire service offering back to these value proposition drivers.

Anchor themes accurately depict the true value a PEO drives to its clients. For example, let's assume that a PEO identified the anchor themes to its value proposition as follows:

- Liability reduction;
- Scaled procurement;
- HR, workforce, and compliance expertise;
- Cost reduction;
- Workforce optimization;
- Operational efficiency; and
- Revenue growth.

Small to mid-size business (SMB) owners and decision makers will be more receptive to hear how a PEO can provide the business with liability reduction, scaled procurement, business expertise, cost reduction, workforce optimization, operational efficiency, and revenue growth rather than hearing a menu of the PEO's services.

If prospects are intrigued by the proposed impact the PEO can have on their businesses (i.e., the anchor themes), they will want to understand how your PEO will achieve these results. That is where the conversation pivots to discuss the service and product suite coupled with the PEO execution model. Frontloading the conversation with the true value proposition of a PEO establishes the foundation for a true SMB/PEO partnership in lieu of a vendor relationship.

Moreover, the PEO model is complex and has many moving parts. There is only so much a decision maker will retain from the meeting. Using value proposition anchor themes allows a PEO to tie its value, product and service offering, and execution strategy into a retainable value proposition explanation.

Figure 1 provides a brief example of how to identify the anchor themes within a PEO. The Value Proposition column represents the anchor themes, the true value proposition of the PEO. The Offering column illustrates the PEO methods, products, and services used to achieve said value proposition. The Results column depicts the mate-



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rial impact the PEO has at a client and worksite employee (WSE) level. Figure 1 is solely an example of identifying the value proposition anchor themes. More can be uncovered when a PEO goes through this exercise.

VALUE PROP & OFFERING: THE DIFFERENCE

People often confuse the PEO service offering with the actual value proposition of a PEO. The easiest way to distinguish between the service offering and the value proposition is to determine if the subject is the method or the result. For example, regulatory compliance is the method; liability reduction is the result. HR training is the method; workforce optimization is the result. Scaled benefits procurement is the method; cost reduction is the result. The result acts as the material impact at the SMB level. This is the value a PEO delivers

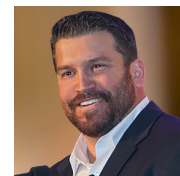
to a client. Therefore, the material impact is the PEO's value proposition.

Please note that a single part of a PEO's offering may deliver multiple value anchor themes. HR training can drive value with liability reduction, workforce optimization, and revenue growth. Identify all value points per offering segment. Don't solely limit each segment's value to one anchor theme.

THE BENEFITS OF UNDERSTANDING THE TRUE PEO VALUE PROPOSITION

Understanding and communicating the true value proposition will benefit your PEO internally and externally. PEO staff members who understand the value proposition will know the value of their work and why. Moreover, internal tasks that may have historically felt mundane to your workforce take on a new and greater purpose in connection with the rest of the offering and commensurate value.

Communicating the value proposition to prospective clients establishes a partnership relationship from the onset. Client fee structure becomes more about the relational return on investment than the cost for services. Close ratios for sales will increase due to the distinction between how your PEO illustrates value versus how the competition does. Interdepartmental communication improves, as each department understands it is a part of a whole, collectively driving value at a client level. Truly understanding your PEO's value proposition will pay dividends throughout the organization. ■



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