

# 5 Tips for Starting a Staffing Agency



## 1. UNDERSTAND YOUR MARKET

Before you launch your staffing company, you need to first do your research. The market research you do now will lay the groundwork for your staffing agency's first few years in business.

You should check out your competition as well as identify and locate potential clients in the area where you'd like to build your business. Do you see any indications that your competitors are struggling to deliver service? The answer to this question can be a key influencer to how you start marketing your services to clients. By making a close study of your competition you can also avoid their missteps in the market.

Before opening your staffing agency, you should also know your potential client's plans for growth and expansion. By truly understanding your market you will be better prepared to successfully start a staffing agency. Ensure you take note of these few questions as they will help guide your market research process:

- *What are the staffing needs and trends of the area you'd like to open your company? Is the market already saturated or is there an opportunity to fulfill a need not being met?*
- *Who are your competitors and what are their weaknesses?*
- *Who are your potential clients and what are their plans for growth?*

## 2. VET YOUR CLIENTS

Selecting your clients should be a painstaking and careful process. Your first clients will set the trend for your profitability in the first few months and your relationship with these clients can be a game changer. Ensure you meet and discuss your service value and client approval policy, and work through negotiation with clients and understand the partnership benefit prior to placing any employees or before you accept a client.

It's easy to get caught up in the initial excitement of your first client, but don't lose sight of remaining strategic as well. Ask yourself whether the relationship with

your first client will be short-term or long-term. If you want the answer to be long-term, then you need to start molding that relationship into something that can be sustained over the years rather than just focusing on making your first sale. Setting the tone of your relationship at the beginning is a crucial aspect of future client retention. Questions to guide your client vetting process include:

- *Do you have a client approval policy in place?*
- *How do you ensure that clients understand the value of your service?*
- *How do you want to set the tone for client retention long-term?*

### 3. SECURE FUNDING

One of the biggest hurdles for a staffing agency start-up is securing enough funds to get the business up and running. One option is to self-fund, which means you have the funds to get the company started without the help of a funding partner. While this is often a good option for established companies that have a good cash flow already set up, it's very challenging for start-ups to operate like this initially.

Payroll funding programs offered by experienced companies, such as Lone Oak Payroll, offer start-ups a unique advantage by enabling the start-up to improve cash flow and focus on running the business rather than spending time on back office processes like payroll processing and accounts receivables. Find a partner who understands the needs of a start-up staffing agency and has a plan to support your staffing agency's growth. Review these questions to guide your business funding decisions:

- *Does it make more sense for you to self-fund or find a payroll funding partner?*
- *What are the benefits of self-funding versus payroll funding?*
- *Would payroll funding support your goals for your staffing agency start-up?*



## 4. INVEST IN TECHNOLOGY EARLY

It may seem like selecting and leveraging staffing software right away would not be one of your top priorities. But starting your business using staffing software that is customized for your industry can help streamline your processes and make sure you're running your operations more efficiently.

Paying attention to technology, infrastructure, and workers compensation solutions upfront will save you from the growing pains that start-ups undergo during the first few years in business. It might be a smart investment to adopt technology solutions early to avoid some of the more common growing pains that staffing agencies experience, such as growing from 3 internal employees to 50 employees and scaling with continued growth. When evaluating technology for your company, keep these questions in mind:

- *What is the best staffing software that will fit your company's needs?*
- *What technology solutions will best scale with your company's growth plans?*
- *What is your plan for workers compensation solutions?*

## 5. GROW STRATEGICALLY

One of the biggest decisions you'll face down the road is whether to expand your business. Agencies don't fail typically due to decreasing margins, but rather to poorly executed expansion plans. Expansion plans should be undertaken if it makes sense with your business and its position in the market, not just because your competition opened a second office after being in business for 12 months.

Before you open that second office, make sure your primary location is operating at top speed and efficiency. Your first office should be the best it can possibly be. If it is, then it's time to do some more market research to make sure that expanding your business is a good long-term investment, not just a short-term play. When contemplating an expansion for your company, make sure you can answer these questions:

- *Is your primary office operating at peak performance? If not, should you focus your efforts on that instead of plans for expansion?*
- *Does your market research indicate that expansion would make sense?*
- *Is now the right time to expand or will you be in a better position to expand next year?*