

Case Study: CarMax



CarMax has been ranked on *Fortune* magazine's coveted list of "100 Best Companies to Work For." Unquestionably, recognition of this stature is no accident. CarMax President and CEO, Austin Ligon, candidly states, "Many will wonder how a company that sells cars, especially used cars, can be a great place to work." But in fact, this network of car dealerships has always placed an unwavering focus on great customer service. This focus is complemented by CarMax's adoption of ADP Comprehensive Outsourcing Services to deliver hosted payroll and HR services for its 11,000 associates.

Breaking away from the Parent

In October 2002, CarMax separated from its parent company, Circuit City, which meant it also cut ties with the retailer's HR functions. Suddenly, CarMax faced the ominous responsibility of building an entire payroll, HR and employee benefits infrastructure to flexibly support 60 retail outlets in 18 states, 27 markets, and an even larger number of counties and municipalities. Thus, CarMax initiated its pursuit of an integrated, flexible and robust HR solution offering that was also cost-effective and scalable. Further, the solution had to be efficient enough in its design to require little administration, since CarMax's staff did not have the required experience to operate a payroll, HR or benefits system.

CarMax Drives Toward Success with ADP's Comprehensive Outsourcing Services (COS)

CarMax's Challenges

- Separation from parent company's HR services
- Nonexistent in-house payroll, HR and benefits operations
- Commitment to zero increment in administrative burden
- Desire to push personal information maintenance to employees
- Anticipation of sustained scalability

ADP's Solution

- ADP's Comprehensive Outsourcing Services

Benefits

- Hosted services – no administration required
- Favorable cost structure
- Broader depth of service offerings
- Interfaces with in-house and external systems
- Enhanced employee benefits options
- Improved employee services
- Automated management workflow

Looking for New “Wheels”

CarMax started the shopping process by examining the requirements of in-house HR management. Given the complexity of compliance with many state and local jurisdictions, coupled with the challenges of supporting multiple compensation structures, CarMax decided to keep only core HR tasks (staffing and recruitment) in-house. All routine, transaction-based functions would be outsourced to a quality-driven solution provider for both processing and administration. “It was quickly apparent that partnering with a best-in-class HR organization would enable us to offer our employees a full range of features that we literally could not provide with an internal staff,” Paul Pietrowski, HRIS manager says.

Steering toward ADP’s Comprehensive Outsourcing Services

“After evaluating the offerings of several providers in this space, we selected ADP’s Comprehensive Outsourcing Services. The drivers for this decision were the depth of benefits and value inherent in the design of the ADP COS solution,” Pietrowski says. Today, CarMax partners with ADP for managed payroll services, human resources management, health and welfare administration and COBRA administration with direct billing. In addition, employee services include a full-service call center with digital recording, and printing services for payroll and HR statements.

“With ADP’s COS solution we have been able to offer better HR services with much broader depth than we could have accomplished on our own, and at a more favorable cost-to-benefit ratio.”

Paul Pietrowski
HRIS Manager, CarMax

ADP’s Self Service Fuels Employee Satisfaction

One of the most valued COS features used by CarMax employees and HR practitioners alike, is ADP’s Self Service function with ADP’s Enterprise HR solution. “Our people really enjoy the flexibility and anytime access that ADP Self Service provides. I like that it allows them to be responsible for managing their own benefits information

and personal profile changes,” Pietrowski says. The system is implemented on an integrated platform, so there is no re-keying and no need to marry disparate application data.

Maneuvering with Agility

In essence, CarMax moved from one payroll, HR and benefits provider (its previous parent company) to an integrated solution based largely on ADP’s COS. Thus, Pietrowski was already familiar with the many advantages that payroll and HR outsourcing delivers. Yet still, he was pleasantly surprised with ADP’s COS solution. “We now offer better services with broader depth than we previously provided through Circuit City. And, we could not sustain delivery of these same HR offerings with an in-house department.” However, the best surprise came when the evaluation process uncovered that CarMax could accomplish all this at a lower cost than with an in-house operation.

Breaking Industry Records

As the first automotive retailer to be included in *Fortune* magazine’s “100 Best Companies to Work For,” Pietrowski attributes this accomplishment, in large part, to its HR, benefits and outsourcing strategy. “Our partnership with ADP helps us to routinely deliver exceptional customer service. Since implementation, we have continuously worked together to improve processes and introduce new technologies and services that make our associates’ and managers’ jobs easier,” he explains.

Shifting Smoothly through the Gears

The transition to ADP’s COS offering has been a true win-win for CarMax. Pietrowski cites their winning scenario, “First, senior management is pleased because they are not distracted with tactical and operational aspects of the HR operations, and can continue to focus on strategy. Second, the finance department is happy because the cost relationship between the ADP scope of offered services and what had been available through Circuit City is more favorable. Third, associates are delighted with a great suite of services and answers right at their fingertips. And fourth, from an HR systems perspective, we’re excited because ADP’s services are on the cutting edge. This means we can implement future services and benefits far sooner, easier and more efficiently through our relationship with ADP than we could accomplish otherwise.”