



Human Resource Outsourcing (HRO) December 2007: Preview Deck

Topic: Global HRO Supplier Landscape

Background of the research

The 10-year old multi-process global HRO¹ market grew over the years and will reach approximately US\$2.85 billion in 2007. However, the rate of growth slowed in the last two years, and market dynamics are changing with buyers¹ looking for specific benefits through HRO and suppliers refining their strategies to effectively meet their clients' needs at a profitable cost.

In this research study, we analyze the global HRO supplier landscape and its impact on the HRO market. We focus on:

- Supplier position and growth in the HRO market
- Changing market dynamics and emerging supplier trends
- Assessment of supplier delivery capabilities
- Key HRO supplier profiles

The scope of this report includes:

- Third-party HRO deals; it does not include shared services or captives
- Multi-process HRO deals with a minimum of three HR processes and servicing more than 3,000 employees
- All multi-process HRO deals signed as of July 2007

1 Defined in Appendix



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There are a number of suppliers in the market with HRO transaction experience



1 Defined in Appendix

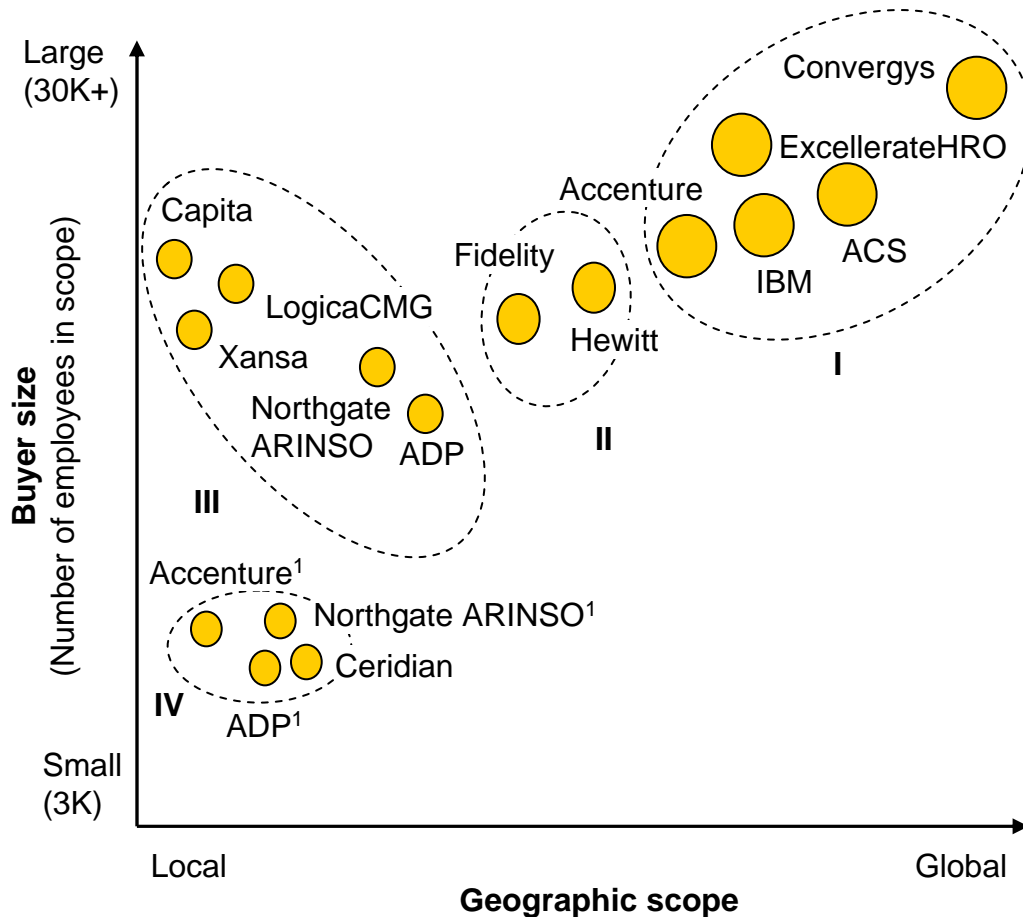
2 Include suppliers having established outsourcing offerings in addition to HR

Source: Everest Research Institute (2007)

As suppliers rigorously define their target market, the supplier landscape is getting segmented



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Supplier segment	Typical target market		
	Buyer size	Geographic scope	Process scope
I	Large	Global/ regional	Wide
II	Medium to large	Regional/ local	Moderate to wide and preferably centered around benefits
III	Medium to large	Regional/ local	Moderate and preferably centered around payroll
IV	Small to medium	Local	Moderate

1 Mid-market offering

Note: Size of the ball represents the extent of process scope – bigger the ball, greater the scope

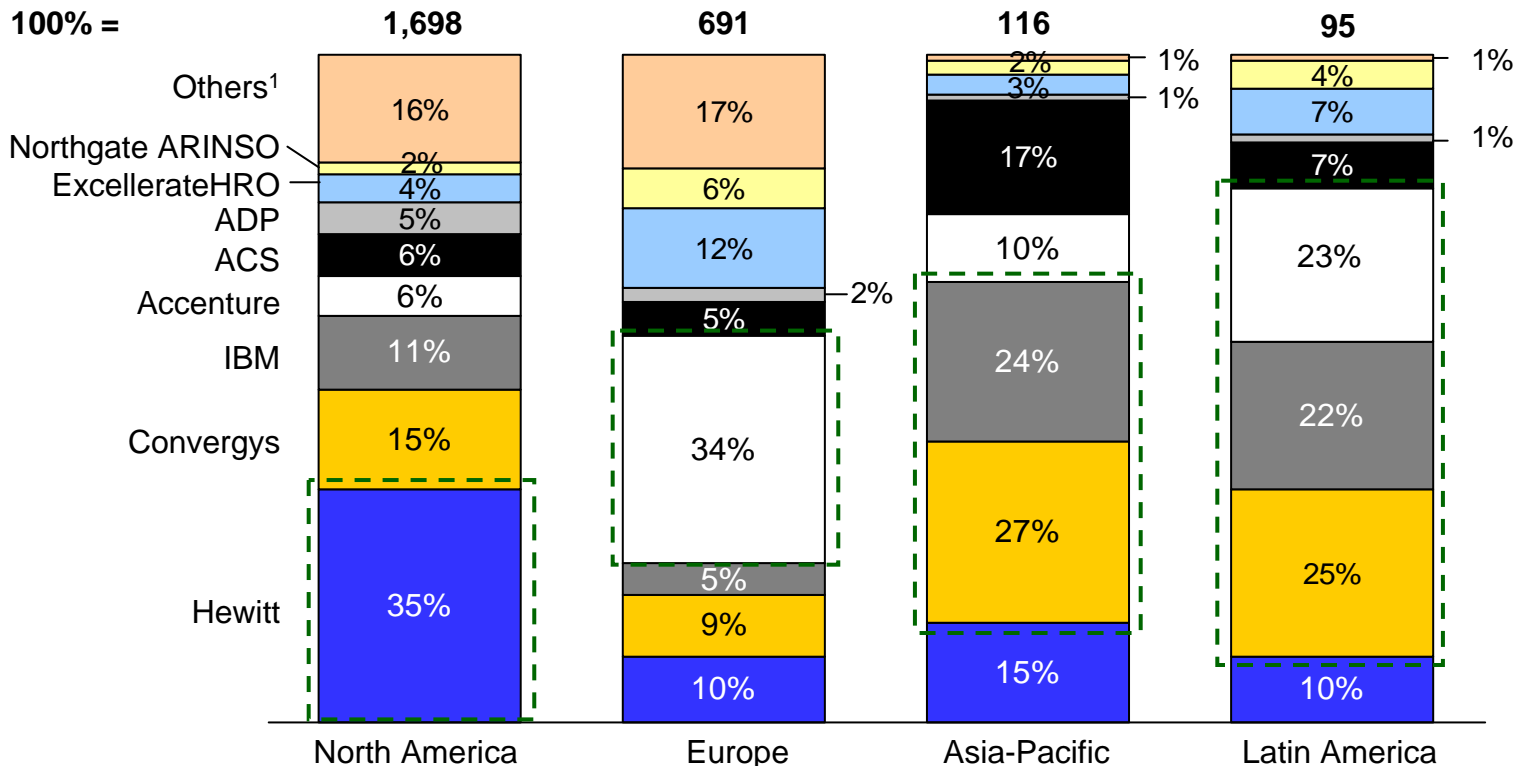
Source: Everest Research Institute (2007)

The supplier landscape differs substantially by geography

Global HRO supplier market share by geographic scope

ACV in US\$ million

 Leading suppliers



1 Others include AON, Capita, Ceridian, Fidelity, Fujitsu, LogicaCMG, Mercer, Xansa, and Xchanging

Sample size: 207 HRO transactions signed as of July 2007

Note: We apportioned the revenues of global deals based on number of employees served in each geography

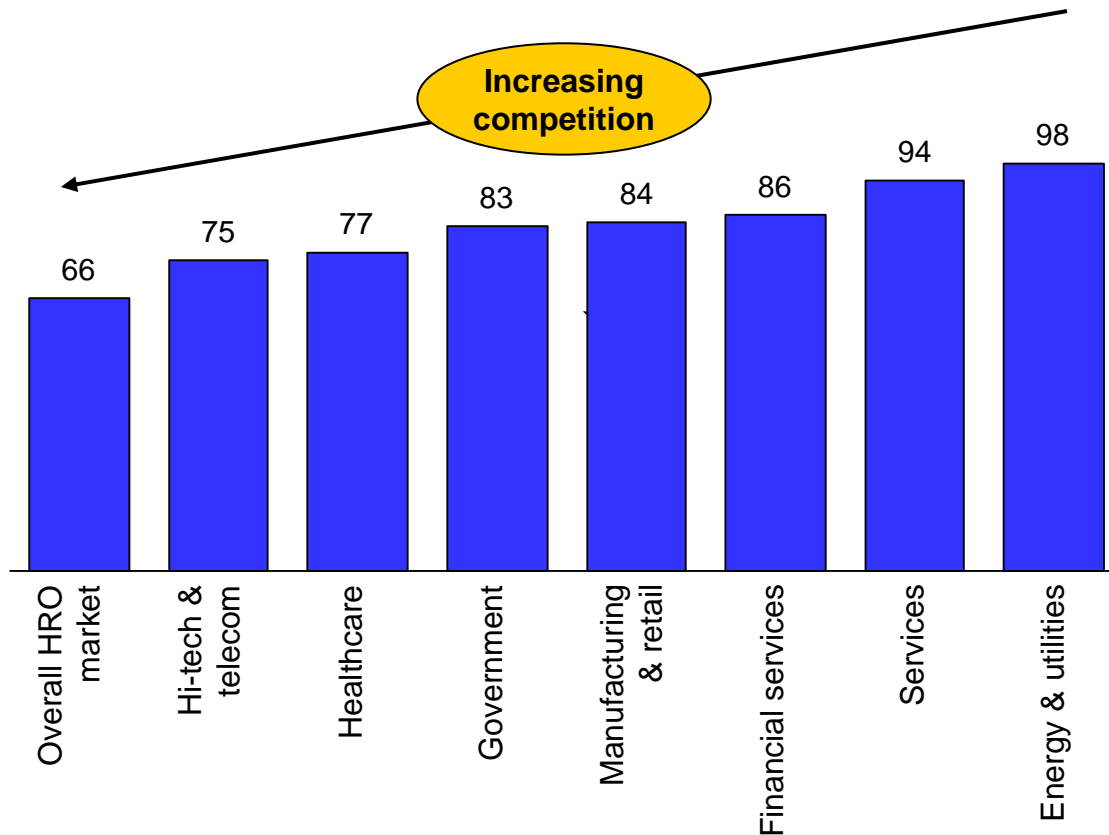
Source: Everest Research Institute (2007)

While the overall HRO market is competitive, the HRO market for most verticals is extremely concentrated



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Four-firm concentration ratio (CR4)¹ in HRO market for each industry
Percentage



- The four-firm concentration ratio (CR4) is the sum of the market shares of the four largest firms in the industry. It provides insight into the market structure of an industry – from a monopoly where CR4 is nearly 100%, to “perfect competition,” which has a very low CR4
- While the overall HRO market becomes increasingly competitive (CR4 = 66%), CR4 for most industries is above 80%. Hi-tech & telecom (CR4 = 75%) and Healthcare (CR4 = 77%) are the exceptions

1 Defined in Appendix




Sample size: 207 HRO contracts signed as of July 2007

Source: Everest Research Institute (2007)

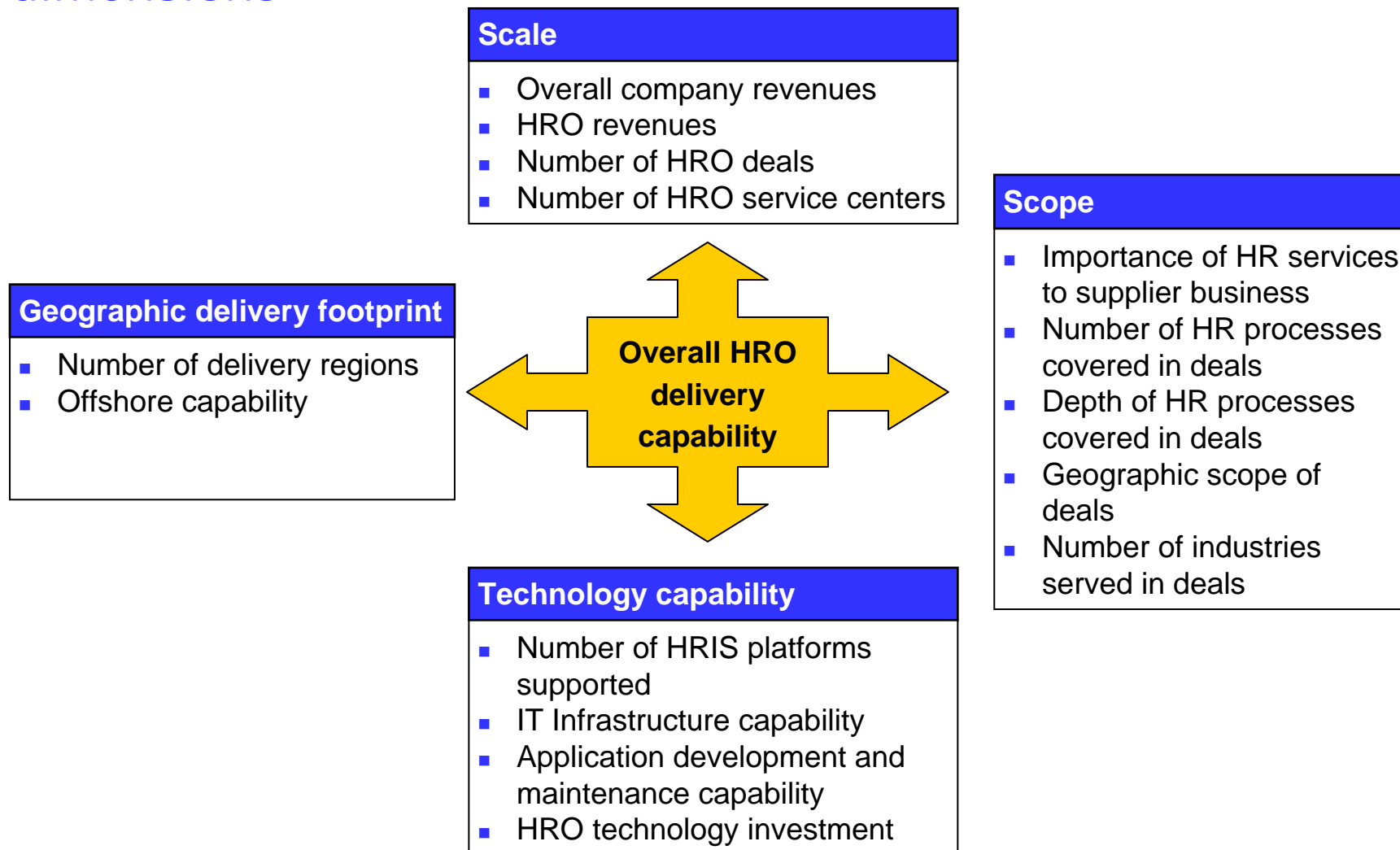
New players are entering the HRO market with a defined target segment and technology strategy



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Supplier	Target segment			Technology
	Buyer size	Geography scope	Process scope	
	<ul style="list-style-type: none"> Between 5,000 to 10,000 employees 	<ul style="list-style-type: none"> North America and UK 	<ul style="list-style-type: none"> Benefits, HRIS, employee data management, contact center, recruitment & selection 	<ul style="list-style-type: none"> Creating a PeopleSoft-based platform for HRO Can also support ERP platforms like Oracle and SAP
	<ul style="list-style-type: none"> More than 20,000 employees 	<ul style="list-style-type: none"> Global 	<ul style="list-style-type: none"> Payroll, HRIS, employee data management, contact center, recruitment & selection 	<ul style="list-style-type: none"> Offers a SAP-based HR and payroll platform Can also support ERP platforms like Oracle and PeopleSoft
	<ul style="list-style-type: none"> Two buyer segments: <ul style="list-style-type: none"> Mid-market (3,000 to 6,000 employees) Large market (more than 20,000 employees) 	<ul style="list-style-type: none"> North America and UK 	<ul style="list-style-type: none"> Benefits, payroll, HRIS, employee data management, contact center, recruitment & selection, training & development 	<ul style="list-style-type: none"> Creating a Software-as-a-Service (SaaS) based offering for the mid-market Can also support ERP platforms including PeopleSoft and SAP

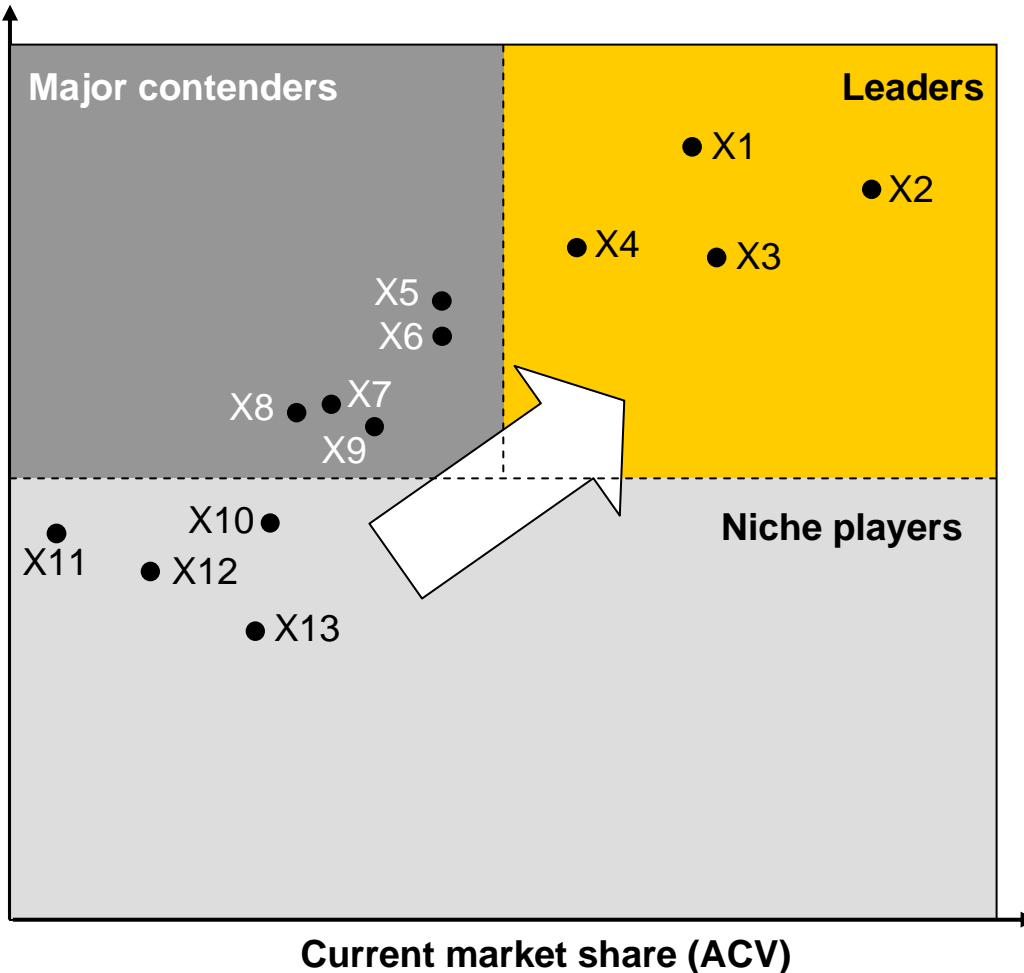
We assessed suppliers' overall HRO delivery capabilities by evaluating each supplier along four dimensions



Source: Everest Research Institute (2007)

We positioned key HRO suppliers on a capability-market-share matrix based on the assessment

Overall HRO delivery capability¹



I. Leaders

- Significant scale
- High delivery capabilities
- Broad scope of HRO processes

II. Major contenders

- Building scale
- Maintaining/enhancing delivery capability
- Acquiring complementary niche players

III. Niche players

- Limited scale
- Focused on local/regional deals
- Maintaining/enhancing delivery capabilities in specific segments

¹ We used Everest proprietary scoring methodology described on page 40 to score suppliers

Source: Everest Research Institute (2007)

The report profiles key HRO suppliers

XYZ Fictional Supplier

FICTIONAL EXAMPLE

 Low
  Medium
  Medium-high
  High



Company profile: XYZ provides consulting, technology services, and outsourcing services. Its service offerings include business process outsourcing (BPO), application outsourcing, infrastructure outsourcing, technology solutions, and business consulting.

Web site: www.XYZ.com

Key leaders (overall business): William Anderson, Chairman & CEO; Stephen Rhodes, COO

Key leaders (BPO/HRO business): Calvin George, Group Chief Executive – Outsourcing; Terry Francona, Global Managing Director, HR Services

	FY 2007	FY 2006
Overall revenues	US\$10 billion	US\$8 billion
Total employees	~70,000	~65,000
HRO employees (est.)	~4,500	~4,000

HRO service suite: Employee data mgmt., Payroll, Information Mgmt. (HRIS), Benefits, Regulatory & Compliance, Compensation, Recruiting & Selection, Training & Development, Global mobility, Contact center, Employee relations

Major publicly announced HRO clients: Boston Red Sox, Atlanta Braves, NY Yankees, SF Giants

Recent HRO transactions:

- Jan 2007: Toronto Blue Jays
- June 2006: Chicago White Sox

HRO revenue vertical mix: 40% hi-tech & telecom, 20% manufacturing, 20% financial services, 16% government, 4% others

HRO revenue geography mix¹: 60% Europe, 30% North America, 6% South America, and 4% Asia Pacific

Market segment focus & technology platforms supported:

- Focused on both the mid-market (3K-15K employees) and the large (>15K employees) market segments and typically offers:-
 - For 3K-15K employees segment: proprietary platform
 - For >15K employees segment: ERP-based platforms augmented with best-of-breed point solutions






HRO delivery locations:

U.S.: Augusta, Newark, Cleveland; **Germany:** Flensburg; **France:** Toulouse; **Ireland:** Cork; **Poland:** Krakow; **Scotland:** Glasgow; **Spain:** Barcelona; **Brazil:** Campinas; **Jamaica:** Montego Bay; **Australia:** Northern Adelaide; **China:** Tianjin; **Hong Kong:** Tai Po; **India:** Bangalore, Mumbai; **Japan:** Tokyo; **Philippines :** Manila; **UAE:** Dubai

Recent HRO-related developments:

- Oct 2007: Announced an agreement to acquire ABC and Co., Inc., a consulting, software, and training firm
- Jul 2006: Opened a BPO delivery center in Bangalore (India)
- Mar 2006: Acquired MNP to expand XYZ's capabilities in mid-market BPO

Overall HRO delivery capability:

Scale	Scope	Technology capability	Delivery footprint	Overall
				

XYZ utilizes its consulting strength to develop transformational HRO services for clients. It also leverages its global delivery capabilities to serve buyers with global operations

¹ We apportioned the revenues of global deals based on the number of employees served in each geography

The following documents are recommended for additional insight on the topic covered in this Research Report. The recommended documents either provide additional details on the topic or complementary content which may be of interest

1. **HRO Annual Report 2007** (ERI-2006-3-R-0220); 2007. This report provides comprehensive coverage of the global 2007 HRO market including detailed analyses on market size, buyer adoption, and transaction characteristics with an overview of supplier landscape. It also summarizes the key insights and implications for the stakeholders
2. **Geographic Trends in HRO Adoption** (ERI-2007-3-R-0166); 2007. This research examines the variation in the adoption of HRO across three key geographies: North America, Europe, and Asia Pacific; and conducts a deep-dive in each of these geographies to analyze HRO market size and growth, factors influencing adoption, key buyer segments, transaction characteristics, and supplier landscape
3. **HRO Benchmarks – Scope, Pricing, and Quality** (ERI-2007-3-R-0167); 2007. Based on in-depth interviews and data collected from senior governance teams of HRO buyers, this report identifies the definitions, metrics, and measures overall and within specific HRO process areas that facilitate optimal realization of the desired outcomes of HRO
4. **HRO Annual Report 2006** (ERI-2006-3-R-0102); 2006. This research includes comprehensive coverage of the 2006 HRO market including market size and trends, buyer adoption, transaction mechanics, supplier capabilities and position. This report also summarizes the key insights and implications for the stakeholders

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