



Benefits Administration Outsourcing (BAO) – Evolving Customer Needs in a Complex Regulatory Landscape

Human Resources Outsourcing (HRO)
Market Report – September 2016 – Preview Deck

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- Benchmarking | Pricing, delivery model, skill portfolio
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- Locations | Cost, skills, sustainability, portfolio – plus a tracking tool
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- Other | Market intelligence, service provider capabilities, technologies, contract assessment

Subscription information

- The full report is included in the following subscription(s)
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Everest Group's BAO research is based on two key sources of proprietary information

1

- Everest Group's proprietary database of over **1,100 BAO deals** (updated annually)
- The database tracks the following elements of each BAO deal
 - Buyer details: Including industry, size, and signing region
 - Deal details: Including Total Contract Value (TCV), Annual Contract Value (ACV), term, start date, total participants managed, and the primary pricing structure
 - Scope: Process coverage and geographic coverage
 - Technology ownership and maintenance
 - Global sourcing

2

- Everest Group's proprietary database of **operational capability of over 11 BAO service providers**
- The database tracks the following capability elements for each service provider
 - Major BAO clients and recent wins
 - Overall BAO revenue, total number of participants managed, and number of BAO FTEs
 - BAO clients split by Health & Welfare (H&W), Defined Benefits (DB), and Defined Contributions (DC), geography scope and coverage, industry, headquarter location, and buyer size
 - BAO service suite, delivery locations, and level of offshoring
 - Benefits-related technology capability
 - Recent BAO-related developments (investments and partnerships)

Service providers covered in the analyses



WillisTowersWatson

The analyses in this report are presented at two levels

- Overall market analyses that highlight the holistic market composition/dynamics
- The current market trends based on deal activities in the last five years

The sample size varies for different analyses based on the deal detail availability

Note: This assessment excludes Fidelity and Empyrean's inputs on this particular study and is based on Everest Group's estimates that leverage its proprietary Transaction Intelligence (TI) database, ongoing coverage of Fidelity and Empyrean, service provider public disclosures, and interaction with buyers

Overview and abbreviated summary of key messages

This research report provides a comprehensive coverage of the 2015 BAO market and analyzes it across various dimensions such as market overview, buyer adoption trends, solution and transaction trends, and service provider landscape.

Some of the findings in this report are:

BAO market overview

- The Benefits Administration Outsourcing (BAO) market grew at a steady pace of ~5% to reach US\$7.3 billion in annualized revenue in 2015
- Although, the pensions market makes up the bulk of the BAO market, the H&W market continues to grow at a faster pace, largely due to the ACA requirements

Buyer adoption trends in BAO

- Mid-market is the fastest growing segment in the BAO space, particularly in the H&W space. Overall, the small- and mid-markets are the largest adaptors of benefits administration outsourcing
- North America continues to be the largest BAO market; the Europe, Middle East, and Africa region is slowly gaining market share

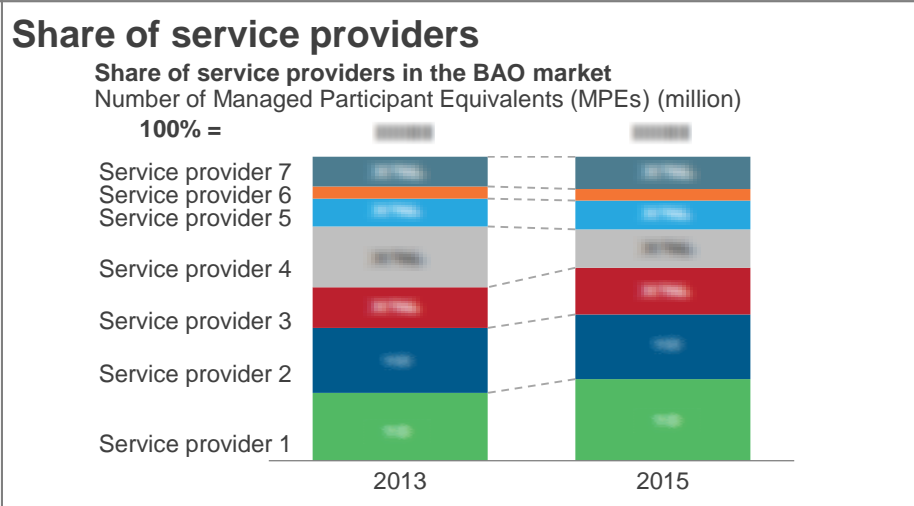
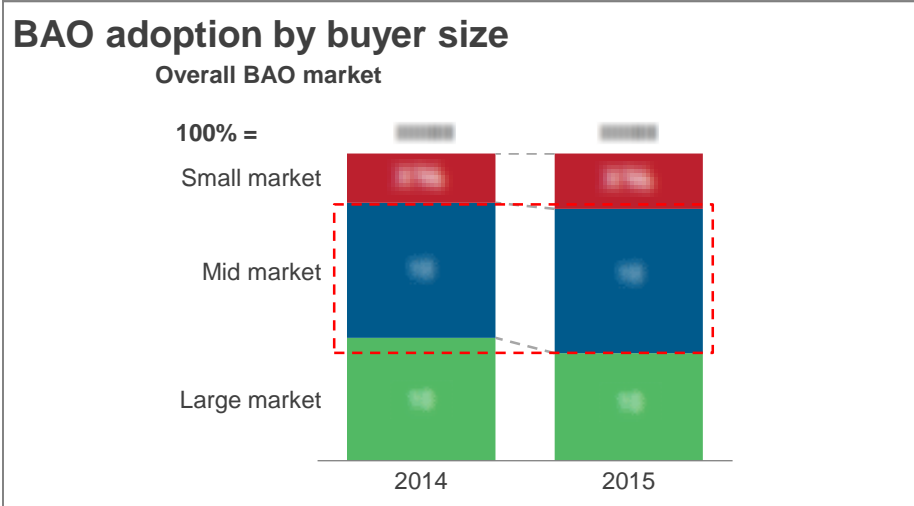
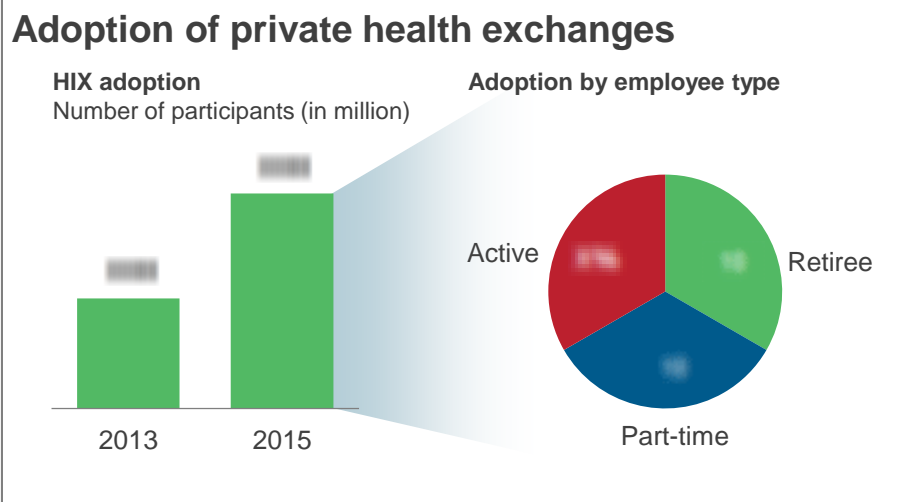
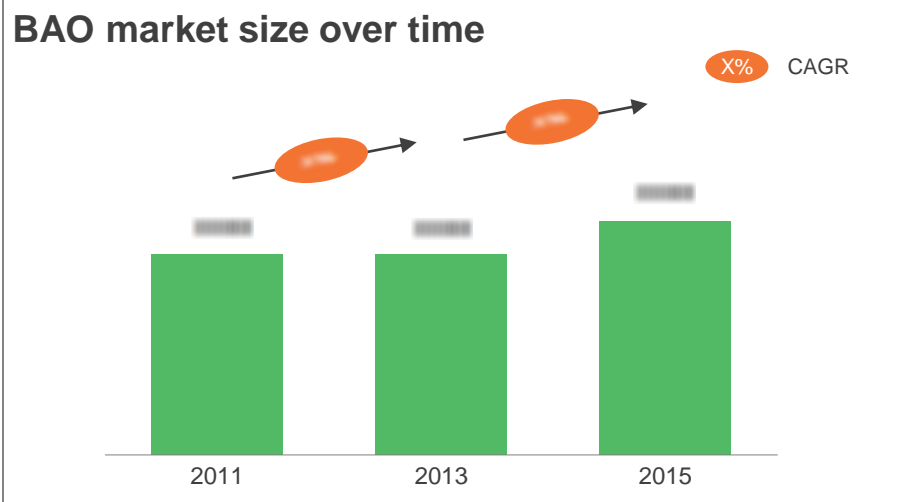
Solution and transaction trends in BAO

- H&W continues to soar, as it is the most outsourced process. DB plans are on the decline as buyers slowly switch to more pocket-friendly and lower-risk DC plans
- The demand for consumerism is increasing at a rapid pace. Employers and employees are increasingly favoring voluntary benefits in the form of CDHPs combined with spending accounts

Service provider landscape

- Service providers are narrowing their portfolio of offerings, focusing on their strengths, leading to mergers/acquisitions and/or realignment of strategies

This study offers four distinct chapters providing a deep dive into key aspects of the BAO service provider landscape; below are four charts to illustrate the depth of the report



Source: Everest Group (2016)

HRO research calendar

Published Current

Topic

Release date

MPHRO – Service Provider Profile Compendium 2015	December 2015
Analytics Business Process Services (BPS) – Analytics Goes Mainstream – Scope Expands Beyond Traditional Clients and Offerings	April 2016
Multi-Country Payroll Outsourcing (MCPO): A Must-check Buffet for MNCs in Asia Pacific	April 2016
Robotic Process Automation in HR Outsourcing: Not the Same as Other Business Process Service Lines	April 2016
Heralding a New Era of Transformative Business Process Services through Technology	April 2016
Multi-Country Payroll Platform Assessment	June 2016
Benefits Administration Outsourcing (BAO) – Service Provider Landscape with PEAK Matrix™ Assessment 2016	June 2016
Multi-Process Human Resources Outsourcing (MPHRO) – Service Provider Landscape with PEAK Matrix™ Assessment 2016	August 2016
Benefits Administration Outsourcing (BAO) – Evolving Customer Needs in a Complex Regulatory Landscape	September 2016
Benefits Administration Outsourcing (BAO) – Service Provider Profile Compendium 2016	September 2016
Technology in BPS - Service Provider Compendium 2016	Q3 2016
Technology in Business Process Services (BPS) – Service Provider Landscape	Q3 2016
Global HR Trends Handbook 2016 - Innovation, technology, outsourcing, and vendors	Q4 2016

Additional HRO research recommendations

The following documents are recommended for additional insight into the topic covered in this report. The recommended documents provide either additional details on the topic or complementary content that may be of interest:

1. **Benefits Administration Outsourcing (BAO) – Service Provider Landscape with PEAK Matrix™ Assessment 2016** ([EGR-2016-3-R-1811](#)); 2016. This report gives an overview of the BAO market and analyzes how service providers differentiate themselves. Based on the comprehensive Everest Group PEAK Matrix, each of the 11 BAO service providers are segmented into Leaders, Major Contenders, and Aspirants. The report also identifies Star Performers based on the relative year-over-year movement of different service providers on the PEAK Matrix. This report also provides key insights into the strengths and areas of improvements of each service provider
2. **Multi-Process Human Resources Outsourcing (MPHRO) – Service Provider Landscape with PEAK Matrix™ Assessment 2016** ([EGR-2016-3-R-1831](#)); 2016 This report gives an overview of the MPHRO market and analyzes how service providers differentiate themselves. Based on the comprehensive Everest Group PEAK Matrix, each of the 20 MPHRO service providers are segmented into Leaders, Major Contenders, and Aspirants. The report also identifies Star Performers based on the relative year-over-year movement of different service providers on the PEAK Matrix. This report also provides key insights into the strengths and areas of improvements of each service provider
3. **Analytics Business Process Services (BPS) – Analytics Goes Mainstream – Scope Expands Beyond Traditional Clients and Offerings** ([EGR-2016-10-R-1721](#)); 2016. This report provides comprehensive coverage of the global Analytics BPS market including detailed analysis of market size and growth, buyer adoption trends, key emerging themes, technology in analytics, and solution characteristics, and service provider landscape

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