Rewards and Recognition (R&R) Outsourcing Market Report 2019 – Driving Enhanced Employee Engagement Through Tailored R&R Solutions

Human Resource Outsourcing (HRO)
Market Report – October 2018: Complimentary Abstract / Table of Contents

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Custom research capabilities

- Benchmarking | Pricing, delivery model, skill portfolio
- Peer analysis | Scope, sourcing models, locations
- Locations | Cost, skills, sustainability, portfolio – plus a tracking tool
- Tracking services | Service providers, locations, risk
- Other | Market intelligence, service provider capabilities, technologies, contract assessment

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Table of contents (page 1 of 2)

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Table of contents (page 2 of 2)

Everest Group's R&R research is based on multiple sources of proprietary information

- Everest Group's proprietary database of over **5000+ HRO and R&R deals** (updated annually)
- The database tracks the following elements of each deal:
  - **Buyer details:** Including industry, size, and signing region
  - **Deal details:** Including TCV, ACV, term, start date, total participants managed, and the primary pricing structure
  - **Scope:** Process coverage and geographic coverage
  - Technology ownership and maintenance
  - Global sourcing

- Everest Group's proprietary database of **operational capability of over 18 Rewards and Recognition (R&R) service providers**
- The database tracks the following capability elements for each service provider:
  - Major R&R clients and recent wins
  - Overall R&R revenue, total number of participants managed, and number of R&R FTEs
  - R&R clients split by geographic scope and coverage, industry, headquarter location, and buyer size
  - R&R process coverage
  - R&R service suite, delivery locations, and level of offshoring
  - R&R-related technology capability
  - Recent R&R-related developments (investments and partnerships)

Service providers covered in the analysis[1]

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1   This assessment is based on Everest Group's estimates that leverage its proprietary Transaction Intelligence (TI) database, service provider public disclosures, and interaction with buyers. It has also taken inputs through RFIs from three out of six service providers from the "Leaders" segment (Engage2Excel, Globoforce, O.C.Tanner) and one from the other segments (Zaggle)

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Everest Group's R&R research is based on multiple sources of proprietary information (page 2 of 2)

Buyer surveys and interactions

Global surveys and one-on-one executive-level interviews of buyers are undertaken to understand how organizations perceive the performance of their R&R provider. The surveys/interviews focus on different aspects of an outsourcing relationship including:

- Key drivers for outsourcing R&R
- Contract details (including process scope, signing year, and duration)
- Overall performance of the service provider including key strengths and improvement areas
- Detailed assessment of service provider performance across elements such as:
  - Key R&R metrics
  - R&R processes
  - Implementation and transition phases
  - Governance and relationship management

The analyses in this report are presented at two levels:
- Overall market analysis that highlights the overall market composition/dynamics
- The current market trends based on deal activities up to December 2017

Note: This assessment is based on Everest Group's estimates that leverage its proprietary Transaction Intelligence (TI) database, service provider public disclosures, and interaction with buyers.
It has also taken inputs through RFIs from three out of six service providers from the "Leaders" segment (Engage2Excel, Globoforce, O.C.Tanner) and one from the other segments (Zaggle)

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Overview and abbreviated summary of key messages

This report provides a comprehensive coverage of the 2018 global Rewards and Recognition (R&R) Outsourcing market and analyzes it across various dimensions such as market overview and key market trends, buyer adoption and solution trends, and service provider landscape. It also identifies the key implications of the research findings for buyers and service providers.

Some of the findings in this report, among others, are:

R&R Outsourcing market overview

- The R&R Outsourcing market is growing rapidly at an average pace of ~14%
- The total number of active deals has gone up by ~5% from 2016 due to increased demand for enhanced employee experience and the need for increased employee engagement

Buyer adoption trends

- North America continues to occupy a lion's share of the market with Europe and Asia Pacific being the other major markets. Latin America and UK are emerging markets with good potential for the future.
- Increased adoption of R&R Outsourcing by small sized buyers (<3,000 FTEs) and by newer industries (healthcare, retail, etc.) has further fuelled its growth engine
- R&R Outsourcing adoption is mostly industry-agnostic due to the modern platforms and implementation capabilities associated with these R&R service providers

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Overview and abbreviated summary of key messages

Solution and transaction trends

- Buyers are increasingly seeking solutions that are easily configurable, deployable and accessible to all employees. Thus, solutions which are mobile-enabled have witnessed a distinct competitive advantage

- Among the next-generation technologies, adoption of basic analytics (reporting and dashboards) has gained the maximum traction. Adoption of Robotic Process Automation (RPA), Artificial Intelligence (AI), advanced forms of analytics (predictive & prescriptive) is in their nascent stages. Providers are trying to leverage these next-gen technologies to offer sophisticated and personalized solutions for the employees. New use-cases are also emerging for predictive and prescriptive analytics

- R&R Outsourcing is an onshore-centric market with 80-85% of the FTEs in onshore locations. Majority of R&R service providers leverage onshore locations to provide on-time delivery services to the participants
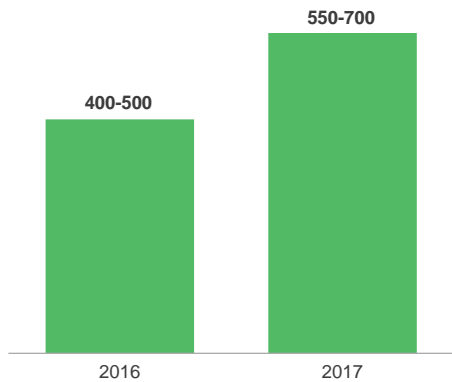
Service provider landscape

- While R&R outsourcing services can be classified in two categories – Technology / platform services, and Rewards / Recognition management services, It is uncommon to see any R&R service provider offering these services in isolation

- There has been a lot of market activity in the R&R Outsourcing market with respect to acquisitions, mergers and partnerships. Many players have grown inorganically to expand their scope of services and become a major player in the R&R Outsourcing market. A few service providers have also partnered with other solutions providers (wellness or performance management vendors) to achieve optimal employee engagement solutions
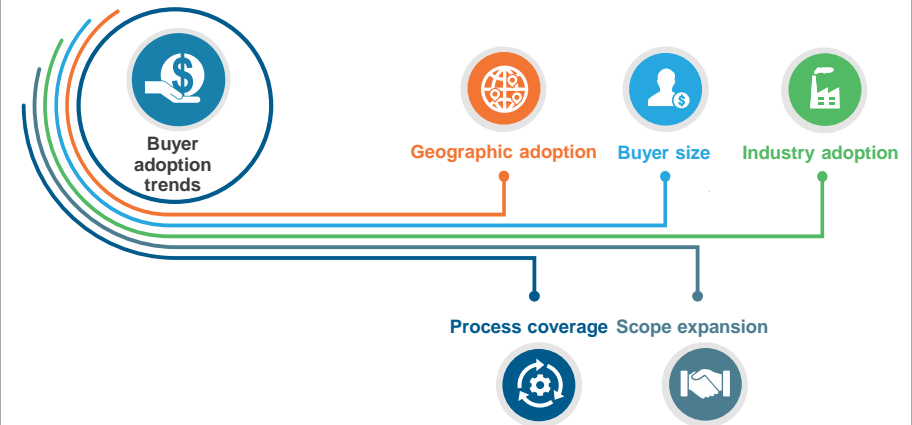
This study offers four distinct chapters providing a deep dive into key aspects of H&W BAO market; below are four charts to illustrate the depth of the report

New deal activity in R&R Outsourcing market

New deal activity in R&R Outsourcing market
Number of new deals

- 2016: 400-500
- 2017: 550-700

Buyer adoption trends are analyzed across five dimensions

Buyer adoption trends

- Geographic adoption
- Buyer size
- Industry adoption
- Process coverage
- Scope expansion

Share of total active deals by geographic scope

Share of total active deals by geographic scope
Percentage of total active deals

- North America: 60-65%
- Rest of Europe: 10-15%
- Asia Pacific: 5-10%
- UK: 5-8%
- Latin America: 5-8%
- Middle East & Africa (MEA): 1-5%
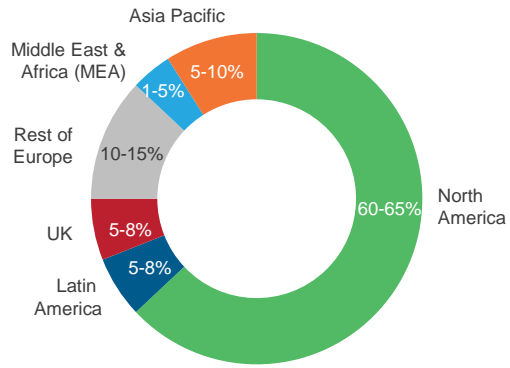
Market share by number of current deals

R&R deals in 2017
Number of current deals

- Small market: 61%
- Mid market: 22%
- Large market: 17%
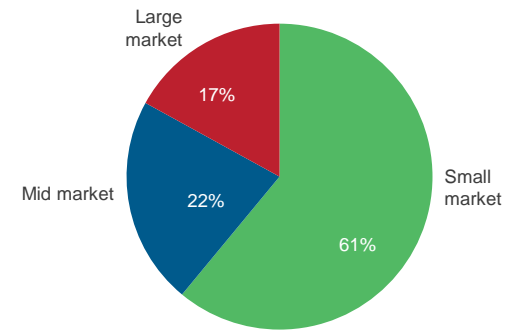
Research calendar – Human Resources Outsourcing (HRO)

| | Published | Planned | Current release |

Flagship HRO reports	Release date
Multi-Process Human Resources Outsourcing (MPHRO) – Buyer Satisfaction Report 2018	January 2018
Heath and Welfare (H&W) Benefits Administration Outsourcing – Service Provider Landscape with PEAK Matrix™ Assessment 2018	June 2018
Heath and Welfare (H&W) Benefits Administration Outsourcing – Market Report 2018	June 2018
Heath and Welfare (H&W) Benefits Administration Outsourcing – Service Provider Profile Compendium 2018	June 2018
SuccessFactors Business Process Services – Service Provider Landscape with PEAK Matrix™ Assessment 2018	June 2018
Rewards and Recognition (R&R) Outsourcing – Service Provider Landscape with PEAK Matrix™ Assessment 2018	Sept 2018
Rewards and Recognition (R&R) Outsourcing Market Report 2019 – Driving Enhanced Employee Engagement Through Tailored R&R Solutions	**October 2018**
Multi-Country Payroll Outsourcing (MCPO) – Service Provider Landscape with PEAK Matrix™ Assessment 2018	Q3 2018
Multi-Country Payroll Outsourcing (MCPO) – Annual Report 2018	Q3 2018
Multi-Country Payroll Outsourcing (MCPO) – Service Provider Profile Compendium 2018	Q3 2018

Thematic HRO reports	
The Impact of Technology on HR GICs – A Call to Action	January 2017
Aon Goes Back to its Roots; the (Re-) Birth of an HR Outsourcing Specialist	March 2017
Payroll Outsourcing in Asia Pacific: Climbing Up the Maturity Ladder	March 2017
Long-Tail HR Operations: Key Challenges and How to Overcome Them	March 2017
The Future of HR Services – An Employee-Centric, Digital-First Approach	September 2017
Ulrich model – recasting in a digital light	Q3 2018

Note: For a list of all HRO reports published by us, please refer to our website page

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Additional HRO research references

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

1. **SuccessFactors-Based Human Resources Business Process Services (HR BPS) – Service Provider Landscape with Services PEAK Matrix™ Assessment 2018** (EGR-2018-24-R-2675); 2018. This research provides comprehensive coverage of the 2017 SuccessFactors-based HR BPS market and analyzes it across various dimensions such as market overview, buyer adoption trends, solution trends, and service provider landscape. Based on the comprehensive Everest Group PEAK Matrix, each of the 11 service providers are segmented into Leaders, Major Contenders, and Aspirants. This report also contains Everest Group's remarks on each of the 11 service providers' strengths and areas of improvement.

2. **Health & Welfare Benefits Administration Outsourcing – Service Provider Landscape with Services PEAK Matrix™ Assessment 2018** (EGR-2018-24-R-2678); 2018. This report examines the dynamics of the global H&W BAO service provider landscape and its impact on the H&W BAO market. Based on the comprehensive Everest Group PEAK Matrix, each of the 11 H&W BAO service providers are segmented into Leaders, Major Contenders, and Aspirants. The report presents some key findings on the performance of different service provider categories. Additionally, it provides insights into the strengths and areas of improvements of each service provider.

3. **Multi-Process Human Resources Outsourcing (MPHRO): A Peek into the Buyer's Mind – Are Digital Offerings Falling Short?** (EGR-2018-24-R-2581); 2018. This report aims to provide an insight into the key factors driving MPHRO adoption among buyers; in addition to providing an overview of   buyers' perception of the aggregate service provider performance. The analysis in this report is presented at three levels - Key factors driving MPHRO adoption among buyers, MPHRO provider performance, and Evolving buyer requirements

For more information on this and other research published by Everest Group, please contact us:

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About Everest Group

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