



## **Human Resources Outsourcing (HRO) Market Update: July 2010 – Preview Deck**

**Topic: Benefits Administration Outsourcing (BAO) –  
Resilient Demand, Dynamic Supplier Landscape**

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## Background of the research

Benefits Administration Outsourcing (BAO) is one of the most mature markets within single-process HR outsourcing (SPHRO) that continues to show robust growth even in the economic downturn. However, the maturity of the market varies significantly across different regions and benefits programs. Regions outside North America, though still in the early phases of market development, have started opening up to BAO to realize multiple objectives. From a supplier perspective, the competitive intensity is intense, especially in a mature market such as the United States. Established suppliers are trying to increase their market share and build new capabilities through various organic and inorganic routes. At the same time, some new suppliers are still entering the marketplace with new delivery and technology models.

In this research study, we analyze the BAO market across various dimensions:

- Market overview and key business drivers
- Buyer adoption trends
- Current transaction characteristics
- Supplier landscape
- Implications for buyers and suppliers

## The scope of analysis includes

- All BAO contracts where **at least one** of the following core benefits area is included – Health & Welfare (H&W), Defined Benefits (DB), and Defined Contribution (DC)
- The BAO contract is **at least two years** in contract length
- The buyer employee size is **3,000 or more**
- Suppliers that offer benefits as **a stand-alone outsourcing service**

Note: In mid 2010, ACS and ADP announced their acquisitions of ExcellerateHRO and Workscape, respectively. In addition, AON and Hewitt announced of their merger in July 2010. As these transactions are still subject to regulatory approvals, we treat all six companies as separate entities for all the analyses in this report

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# Overview and abbreviated summary of key messages

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This research report provides a comprehensive coverage of the BAO market and analyzes it across various dimensions such as market overview and key business drivers, buyer adoption trends, transaction characteristics, and supplier landscape. It also identifies key implications of the research findings for buyers as well as suppliers.

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

#### Market overview and key business drivers

- Compared to other areas of HR outsourcing, the BAO market exhibits wide variance in market maturity across different regions
- Prevalence of outsourcing of core benefit areas varies by geography. DC is most prevalent from a global perspective
- The global BAO market is ~US\$ 5 billion in size
- There are multiple key drivers behind BAO; cost reduction and compliance gained prominence in the current economic environment

#### Buyer adoption trends

- North America is the most dominant adopter of BAO. However, during 2009-10 adoption within Europe increased
- Technology is bundled in almost all BAO deals. Inclusion of contact center and vendor management varies based on the core benefits area in scope
- Manufacturing and Financial Services lead the BAO adoption, similar to the trend in the MPHRO market
- The mid-market accounts for almost 70% of the BAO deals signed to date. Scope of BAO deals varies by buyer segment

# Overview and abbreviated summary of key messages

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## Current transaction characteristics

- Technology is bundled in almost all BAO deals. Inclusion of contact center and vendor management varies based on the core benefits area in scope
- BAO has a higher global sourcing adoption compared to other SPHRO areas. More than 60% of the BAO deals signed during 2007-2010 have some offshoring component, and the extent of offshoring in BAO is further set to increase

## Supplier Landscape

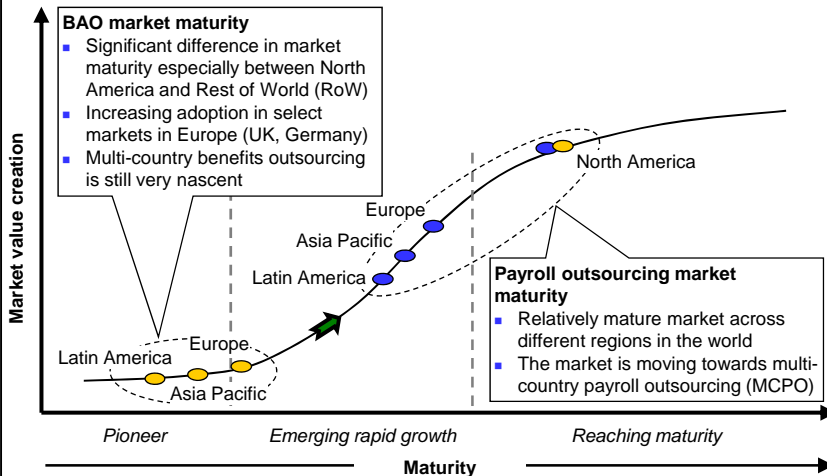
- The BAO supplier landscape remains dynamic. A wave of consolidation continues in the market as several significant acquisitions were announced in 2010
- Most of the suppliers have a local/regional focus to cover North America. There are very few global suppliers in the market
- No single supplier leads the market across multiple BAO areas. Leaders, based on share in terms of deal signings or participants managed, across various benefits areas are different

This study offers four distinct chapters providing a deep dive into key aspects of the RPO market; below are four charts to illustrate the depth of the report

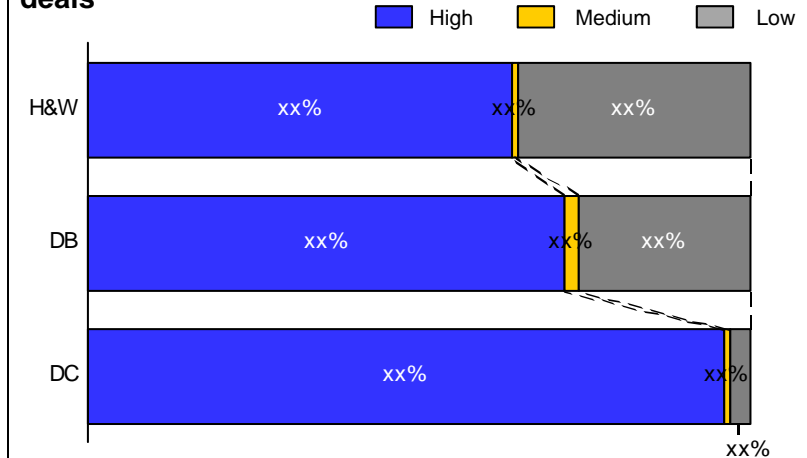


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### Market maturity of transactional HR processes by geography



### Depth of outsourcing across core benefits areas in BAO deals



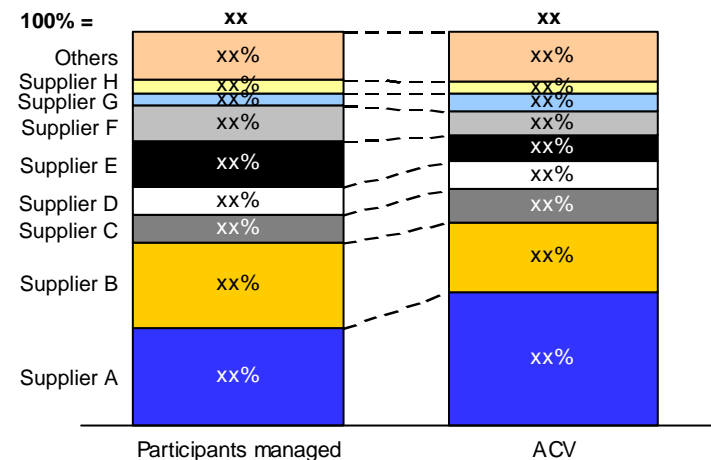
### Supplier segmentation based on operating area

Legend: Core offering (Green), Secondary/emerging offering (Yellow)

Supplier	Stand-alone H&W	Stand-alone DB	Stand-alone DC	TRO	TBO	Comments
Supplier A	Core offering	Core offering	Core offering	Core offering	Core offering	
Supplier B	Core offering	Core offering	Core offering	Core offering	Core offering	
Supplier C	Core offering	Core offering	Core offering	Core offering	Core offering	
Supplier D	Core offering	Core offering	Core offering	Core offering	Core offering	
Supplier E	Core offering	Core offering	Secondary/emerging offering	Core offering	Core offering	
Supplier F	Core offering	Core offering	Secondary/emerging offering	Core offering	Core offering	
Supplier G	Secondary/emerging offering	Core offering	Core offering	Core offering	Core offering	
Supplier H	Secondary/emerging offering	Core offering	Core offering	Core offering	Core offering	
Supplier I	Core offering	Core offering	Core offering	Core offering	Core offering	

Established H&W or retirement offering with capability to offer TBO BAO offering

### BAO supplier share analysis



Source: Everest Research Institute (2010)

# Additional HRO research recommendations



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. **BAO Supplier Landscape – Supplier Profile Compendium (ERI-2010-3-R-0446); 2010.** The compendium provides an accurate, comprehensive, fact-based snapshots of 10 leading suppliers in the BAO market. Further, it provides key findings of the research on the RPO market and identifies key implications for stakeholders
2. **Global HRO Supplier Landscape (ERI-2010-3-R-0409); 2010.** This research analyzes global 2009 MPHRO supplier landscape, investigates the emerging supplier trends, showcases the supplier shares in various market segments, assesses supplier delivery capability along key dimensions, and categorizes suppliers as leaders, major contenders, and emerging players
3. **HRO Annual Report 2010 (ERI-2010-3-R-0403a); 2010.** This report provides comprehensive coverage of the global MPHRO market including detailed analysis on market size and growth, buyer adoption trends, transaction characteristics, and supplier landscape. This report will assist key stakeholders (buyers, suppliers, technology providers) understand the changing dynamics of the MPHRO market and help them identify the trends and outlook for 2010
4. **RPO – Moving Beyond the Pioneer Stage (ERI-2009-3-R-0377); 2009.** This research report provides a comprehensive coverage of the RPO market and analyzes it across various dimensions such as market overview and key business drivers, buyer adoption, solution and transaction characteristics, and supplier landscape. It also provides six brief case examples and three comprehensive case studies on successful RPO partnerships in the market

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

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