

NEAT EVALUATION FOR RAMCO:

Payroll BPO 2015

Market Segments: **Overall & Multi-Country Focus**

This document presents Ramco with the NelsonHall NEAT vendor evaluation for Payroll BPO (Overall and Multi-Country market segments). It contains the NEAT graphs of vendor performance, a summary vendor analysis of Ramco in Payroll BPO, and the latest market analysis summary for Payroll BPO. An explanation of the NEAT methodology is included at the end of the document.

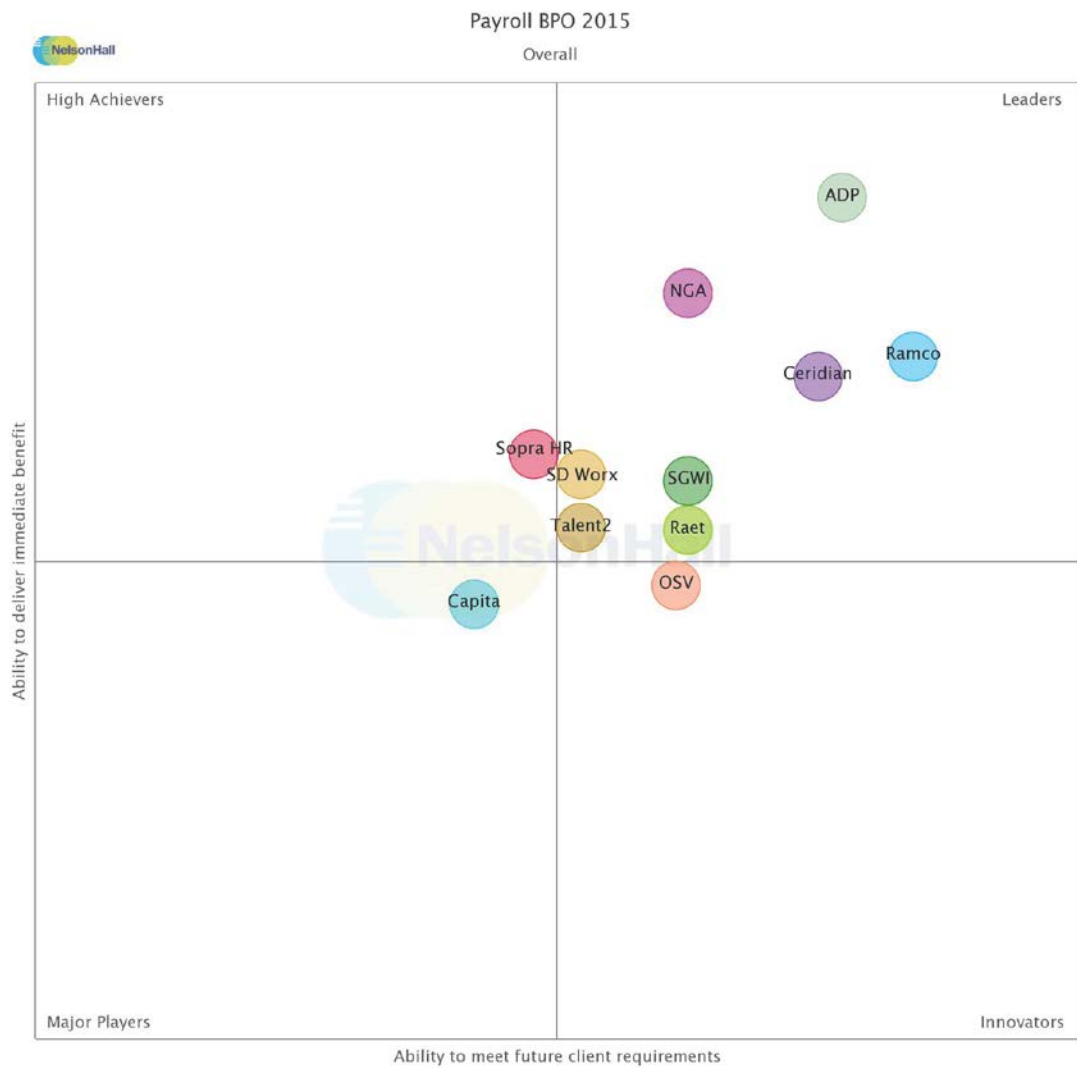
The vendors researched are: ADP Employer Services, Capita, Ceridian, NGA Human Resources, OneSource Virtual, Raet, Ramco Systems, SafeGuardWorld International, SD Worx, Sopra HR, and Talent2.

Introduction

NelsonHall has assessed and evaluated Ramco's proposition against demand for Payroll BPO services, and has identified Ramco as a Leader in the following market segments, as shown in the NEAT graphs on pages 2 and 3:

- Overall
- Multi-Country Payroll Focus.

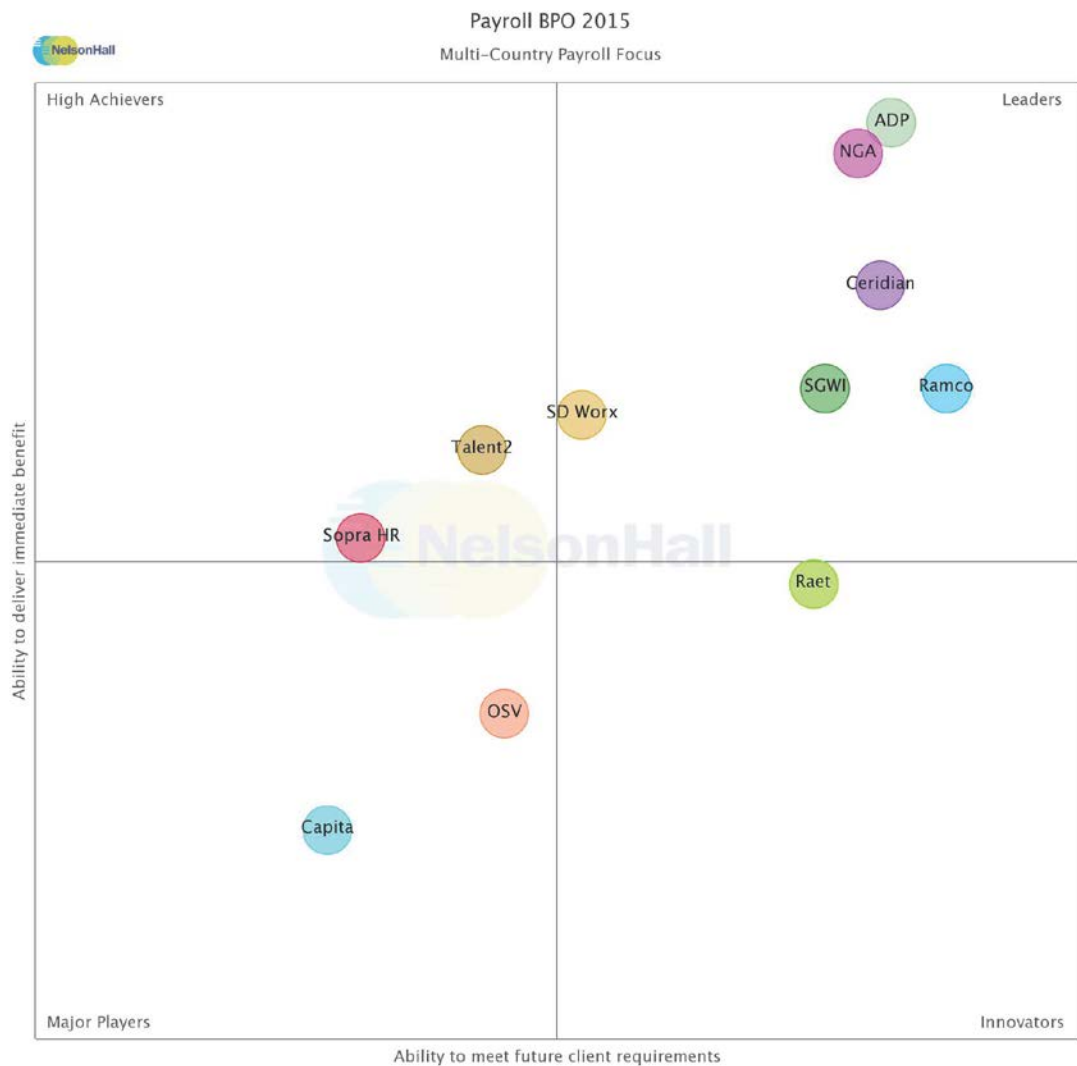
NEAT Evaluation: Payroll BPO (Overall)



The *Overall* market segment represents an overall view of Ramco’s positioning, reflecting its ability to meet future client requirements as well as delivering immediate benefits to clients in Payroll BPO.

Buy-side organizations can access the Payroll BPO NEAT tool (*Overall*) [here](#).

NEAT Evaluation: Payroll BPO (Multi-Country Focus)



Source: NelsonHall 2015

The *Multi-Country Payroll Focus* market segment reflects Ramco’s ability to meet future client requirements as well as delivering immediate benefits to Payroll BPO clients across multiple countries.

Buy-side organizations can access the Payroll BPO NEAT tool (Multi-Country Payroll Focus) [here](#).

Vendor Analysis Summary for Ramco

Overview

Ramco has ~20 years of history in delivering payroll software and services, initially using client-server architecture. In 2008 it began investing in cloud technologies as part of a company-wide strategy to move all proprietary software into a cloud architecture. It has one HCM product called Ramco HCM.

As well as the payroll cloud offering, Ramco also offers managed payroll services and MPRHO services which include HR administration and employee helpdesks. Its HCM cloud offering is adopted by ~40% of all client employees payrolled.

Ramco delivers managed payroll services to 27 clients directly, and to another 52 through its partners, which use Ramco HCM as a platform. Its cloud payroll services support ~110 organizations. It has a total of ~200 clients, of which ~170 are India based clients. In terms of employee numbers supported, it has:

- ~110k client employees supported on a payroll cloud delivery, from a total of ~1.2m employees (which includes on-premise)
- ~80k client employees supported through managed payroll services serviced by Ramco
- ~90k client employees supported through managed payroll services by partners on Ramco payroll offered as a platform.

Workday interfaces are available for India and Singapore, including the use of a staging database to enable data checks to be performed and to check that payroll interfacing FTP files can be uploaded. In addition, Ramco uses IRIS, the Ramco Integration Services, to transfer files from Ramco to third party systems, to publish or provide through web services subscription.

Ramco has ~1.5k employees, 80 of whom are dedicated to delivering payroll services; these employees are all based in Chennai. For Singapore and the Middle East it uses in-country providers to support compliance. Ramco delivers services in three languages: Hindi, English and Bahasa.

Ramco targets organizations with requirements in India, ASEAN and MENA in the following industries: hotels, hospitality, IT, staffing, banks, and telecommunications. In 2015 it will target two new markets: Australia and China. In May 2015 it announced the launch of its payroll for China.

In 2014, Ramco began offering managed payroll services to the following countries: Singapore, Malaysia, Indonesia, Australia, Vietnam, Middle East (seven GCC countries), Iraq, Morocco, and Yemen.

Ramco's key client wins in 2014 include:

- An American multinational organization with scope across Singapore, Malaysia, Indonesia, Middle East and Asia
- A new logistics client with scope across five countries in the ASEAN region
- New logo names such as Bureau Veritas, Dalmia, Escorts, and Punj Lloyd.

Ramco partners with the Paychex and ADP for U.S. and U.K. payroll delivery.

Financials

Ramco's revenues for calendar year 2014 were \$55m, of which NelsonHall estimates that 12% or \$7m related to payroll services (bundled with HCM software). This table shows Ramco's 2014 payroll revenues by region.

Exhibit 1

Ramco Estimated Payroll Service Revenues: 2014

Geography	Estimated Revenues (\$m)
India	2.8
Middle East	2.1
Rest of Apac	1.4
South Africa	0.4
Europe	0.3

Strengths

- NelsonHall estimates that Ramco is the largest payroll provider in the India, and has growing capability in new countries
- Well established and well-known brand in Asia Pacific for delivering payroll services
- An integrated cloud HR/payroll offering with a modern user interface which is mobile enabled. As Ramco supports both HR and payroll, it has control of the payroll service to support clients' changing needs in 35 countries across Asia and the Middle East
- Its HR cloud offering is extensive, including an extensive range of HR processes:
 - HR management: organizational management, personnel administration, movements and exit management, benefits administration, travel and expenses
 - Talent management: competency management, performance and goal management, succession planning, career planning, training administration
 - Recruitment
 - Analytics
- Ability to offer either SaaS or managed payroll services
- Mobile enablement as well as a text messaging self-service for populations working in environments where Wi-Fi reception is limited
- Workday interfaces are available for India and Singapore, including the use of a staging database
- Large installed base of HR products, from which to up-sell cloud HR and cloud payroll services
- Integration services using a web services technology to support interfacing needs
- Ability to target the wider Ramco organization for aviation and BPO client relationships, to support contract expansion into HR and payroll services

- Ramco has a team of tax experts who research for new payrolls and ensure that the global payroll product is always kept up-to-date with any statutory changes worldwide for the countries where they have a payroll.

Challenges

- Lack of capability and/or experience in key markets such as U.S. and Europe
- Limited language capability
- Limited local delivery capability outside of India, however it partners with Infosys to support broader client needs
- Lack of partnerships with other cloud HCM providers (e.g. SuccessFactors or Workday)
- Limited experience in multi-country delivery; the majority of clients are single country
- Large number of on-premise HR clients (~150 clients) which will be looking for account management and integration support to migrate them to the Ramco's latest cloud HR product, with potentially reduced payroll service revenues through a migration to a cloud provision, unless additional services can be bundled.

Strategic Direction

Ramco aims to grow its business through geographical expansion of its service, technology capability and sales targeting. Its technology is built with a 'mobile first' approach, meaning desktop user design is secondary to its mobile user design. In 2015 it will increase its targets in the Australia and New Zealand market and as well as other Southeast Asian countries. This will be supported initially through the expansion of its contract with a Fortune 10 giant.

It is planning further developments in 2015 for its localized solutions, by adding Chinese, French and Arabic languages.

In summary, over the next year, activities are likely to include:

- Partnerships with the Big Four consulting firms
- Targeting Australia and New Zealand and SE Asian countries for a Fortune 10 giant
- Payroll expansion to China and Australia
- Self-service in Chinese, French, Arabic languages; due for release this year
- Continued expansion of presence across Asia Pacific
- Directly targeting the U.S. market over the next two years (currently delivery is supported through a U.S. partnership with Paychex), and the development of a U.S. payroll.

Outlook

As Ramco's HCM cloud offering is employee centric, provides a high level of visibility of data, and is mobile enabled, it has been successfully attracting clients looking for cost reduction, improved process efficiency and access to data. NelsonHall expects the appetite for cost reduction and cloud in payroll and HR service delivery to continue to be strong. As a result, Ramco's managed payroll offering and cloud payroll delivery is likely to see a sustained growth in the next three to five years.

Mobile adoption of HR technology is particularly high in Southeast Asia. Most of the region delivers 100% electronic payslips. Ramco's offerings support five of the top ten countries which have the highest uptake of mobile subscriptions (the number of subscriptions of a telephone service using cellular technology per 100 population in 2013, Worldbank). NelsonHall estimates that mobile usage across these countries is growing at ~6% y/y.

Ramco's planned geographical expansion through entry into additional Southeast Asian countries, the U.S. and Europe will further support its growth. This growth will initially be realized from existing clients expanding services to support multi-country HR cloud and payroll needs, driven by globalization.

Payroll BPO: Market Summary

Buy-Side Dynamics

The top three drivers of Payroll Services are:

- Process efficiency and agility to support a cloud HR system enablement and to support ongoing business changes
- Improved compliance and risk management
- Payroll processing cost and cost agility in support of changing business volumes.

Payroll Services contracts average four years in length, however, contracts with scope of >50 countries can be as long as ten years.

Market Size & Growth

The global payroll services market was valued at \$15.6bn in 2014, expected to grow at +6.2% in 2015 to reach \$16.5bn, and is forecast to grow at +6.6% CAAGR for the next five years to reach \$21.4bn in 2019. Growth is driven by demand for multi-country and for integrated HCM/payroll cloud integration.

Payroll services growth is expected to come from:

- Western markets, driven by HR-cloud migrations
- The emerging economies where companies are investing (Latin America, Asia Pacific)
- Countries with aging workforces where, rather than rehire, it is easier to outsource in a fully serviced model (e.g. Japan)
- Countries with growing workforces (e.g. India and Brazil).

The largest purchasers of Payroll Services are manufacturing, retail and financial services, jointly representing 37% of the market. Retail and energy and utilities are likely to show the greatest growth as margin pressures drive these industries to maximize payroll efficiencies through greater digital services.

Success Factors

The leading vendor selection criteria are:

- Compliance, with quality of service offering high payroll accuracy and timeliness
- HR/payroll integrated technology capability, particularly to support HCM SMAC or integration with HCM system
- Ability to provide the best value for money, typically taking into account the HR technology bundled with the payroll service
- With the risk of project overruns, particularly on T&M projects, buyers look for ability to execute and deliver a project within expected timeframes.

The critical success factors for Payroll Services Outsourcing are:

- Close alignment between HR software/provider and payroll software/provider to keeping up to date with integrations between products
- Invest in user experience and mobile solutions, measure and manage user adoption with client engagement
- Invest in a case management system to effectively service clients from remote locations and to support continuous efficiency improvements
- To demonstrate using client metrics, the percentage reduction of tickets and cases raised by the HR administration/payroll function. Such metrics can support a business case for the benefits of mobile and self-services. Many vendors still report benefits from pure technology consolidation (an IT transformation benefit), and not necessarily a HR process improvement benefit
- Build scale in target geographies and avoid third parties due to the additional management fees that are otherwise incurred.

Future

Over the next few years:

- Payroll Services growth will continue at ~6.6% CAAGR from 2014 - 2019, and is solid across all regions, but highest in Asia Pacific and Latin America, followed by EMEA. Growth will be driven by the need to drive increased efficiencies in HR/payroll service delivery through HR transformation projects
- Continued focus on compliance and greater demand for cloud integrated HR/payroll transformation
- Continued appetite for governments to add e-filing capability and digital services, likely to drive greater acceptance of cloud based payroll services as organizations move away from on-premise model
- Mid-market to represent ~10bn by 2019, based on a 6.8% CAGR, primarily driven by globalization and compliance needs
- In the next year, we are likely to see retail and energy and utility sectors with the greatest growth, as margin pressures drive these industries to maximize payroll efficiencies through greater digital services. Manufacturing to sustain its growth and service industries to show moderate growth as they look for payroll consolidations
- Full payroll services market will represent ~\$5.2bn by 2019, driven by multi-country and compliance needs. The partial payroll market will show slightly lower growth at CAGR 5.8%, however the market size will represent ~16bn by 2019
- In the next three years, the cloud HR software market will be crowded with vendors lacking payroll capability in key local markets, spurring increased acquisition activity and a demand for integration services as part of the payroll service
- Selection criteria will increasingly include agility to support business changes, and variable volumes. Moving to cloud based technologies commonly offers just technical agility, however expect second generation payroll cloud service buyers to look for more agility to support volumetric changes

- As custom developments are limited in cloud HR products, buyers will require greater due diligence of the functional fit, which drives up the length of the sales cycles for both HR and payroll
- Increase in complementary offerings expected for time and benefits, recognition and recruitment
- Industry offerings to deepen as cloud based services allow for greater scope for specialization; this is expected in service specific industries as well as where high compliance needs arise, including employee certifications for high tech and pharmaceuticals.

NEAT Evaluations for Payroll BPO

NelsonHall's (vendor) Evaluation & Assessment Tool (NEAT) is a method by which strategic sourcing managers can evaluate outsourcing vendors and is part of NelsonHall's *Speed-to-Source* initiative. The NEAT tool sits at the front-end of the vendor screening process and consists of a two-axis model: assessing vendors against their 'ability to deliver immediate benefit' to buy-side organizations and their 'ability to meet client future requirements'. The latter axis is a pragmatic assessment of the vendor's ability to take clients on an innovation journey over the lifetime of their next contract.

The 'ability to deliver immediate benefit' assessment is based on the criteria shown in Exhibit 2, typically reflecting the current maturity of the vendor's offerings, delivery capability, benefits achievement on behalf of clients, and customer presence.

The 'ability to meet client future requirements' assessment is based on the criteria shown in Exhibit 3, and provides a measure of the extent to which the supplier is well-positioned to support the customer journey over the life of a contract. This includes criteria such as the level of partnership established with clients, the mechanisms in place to drive innovation, the level of investment in the service, and the financial stability of the vendor.

The vendors covered in NelsonHall NEAT projects are typically the leaders in their fields. However, within this context, the categorization of vendors within NelsonHall NEAT projects is as follows:

- **Leaders:** vendors that exhibit both a high ability relative to their peers to deliver immediate benefit and a high capability relative to their peers to meet client future requirements
- **High Achievers:** vendors that exhibit a high ability relative to their peers to deliver immediate benefit but have scope to enhance their ability to meet client future requirements
- **Innovators:** vendors that exhibit a high capability relative to their peers to meet client future requirements but have scope to enhance their ability to deliver immediate benefit
- **Major Players:** other significant vendors for this service type.

The scoring of the vendors is based on a combination of analyst assessment, principally around measurements of the ability to deliver immediate benefit; and feedback from interviewing of vendor clients, principally in support of measurements of levels of partnership and ability to meet future client requirements.

Exhibit 2

‘Ability to deliver immediate benefit’: Assessment criteria

Assessment Category	Assessment Criteria
Payroll offerings	<ul style="list-style-type: none"> Range of processes covered Payroll compliance delivery maturity Range of mobile offerings Scalability of payroll technology Application of analytics Usability and end-to-end process experience Interfaces/integration with HR cloud platforms Willingness to take over client payroll operations Wider HR service provision beyond payroll
Payroll delivery capability	<ul style="list-style-type: none"> Payroll process change management Delivery capability in support of U.S. payroll Delivery capability in support of U.K. payroll Delivery capability in support of Continental European payroll Delivery capability in support of Rest of EMEA payroll Delivery capability in support of LATAM payroll Application of payroll benchmarking Multi-country payroll delivery
Customer presence in payroll	<ul style="list-style-type: none"> Scale of large company presence (more than 15k employees) Scale of mid company presence (500-15k employees) Scale of small company presence (less than 500 employees) Scale of payroll presence in U.S. Scale of payroll presence in U.K. Scale of payroll presence in Continental Europe Scale of payroll presence in Rest of EMEA Scale of payroll presence in APAC Scale of payroll presence in LATAM
Payroll benefits achievement	<ul style="list-style-type: none"> Level of cost savings achieved Multi-channel approach to employee interaction Speed to apply regulations Single governance

Exhibit 3

‘Ability to meet client future requirements’: Assessment criteria

Assessment Category	Assessment Criteria
Suitability to deliver future benefit	<ul style="list-style-type: none"> Payroll market momentum Perceived mechanisms in place to deliver innovation Perceived suitability to meet future needs Achievement of service and delivery innovation Ability to challenge and be proactive Level of focus on payroll operations development Level of focus on payroll technology development Vendor service culture Flexibility to support client specific configuration of client rules Level of investment in analytics and payroll reporting Momentum of rollout of mobile integrated HR/payroll process improvement Support for new country entry and investments in multi-country solutions Perception of ability to make technology improvements to support client needs

For information on other NelsonHall NEAT evaluations, please contact the NelsonHall relationship manager listed below.



research.nelson-hall.com

Sales Enquiries

NelsonHall will be pleased to discuss how we can bring benefit to your organization. You can contact us via the following relationship manager:

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