

Top Payroll Deals of 2006

Payroll outsourcing as we know it no longer exists, thanks to bundled offerings and smaller deals. The result is a market that is ever changing. By Denise Doig

Last year could be called the year of the mid-market or even the year of mid-market payroll, but it will definitely not be remembered as the year of payroll. What gives?

For the past few years, *HRO Today* has tracked and compiled a list of major payroll outsourcing contracts. What started as a listing of payroll-only deals quickly morphed into multi-process contracts that include components of payroll outsourcing. According to Advantec's senior VP of sales, Steven Cohen, "The growing need for access to powerful HRIS, administrative support, and HR compliance services has forced payroll service providers to deliver solutions with more value to their clients."

As the HR BPO market has matured, buyers of HRO services are more knowledgeable and demanding. At the end of the day, it is the customer who is driving the market, so it makes sense not to bite the hand that feeds you. This may be the reason for the dearth of standalone payroll deals. Many larger providers were reticent when asked about these discrete deals, but we were still able to confirm a number of these discrete service contracts.

This time last year, Lisa Rowan of IDC astutely wrote in the March issue of *HRO Today* the following: "Despite the maturity and robust nature of the market, many larger firms still pursue a strategy of managing payroll in-house, harking back to their mainframe days... The result is that the propensity to outsource payroll continues to be tied to organization size. The smaller the firm, the more likely it is to outsource. This situation is not a surprise because smaller organizations

have fewer IT resources than those at the higher end of the market."

According to Stan Lepeak, managing director of research at EquaTerra, small-sized payroll deals are easier to get off the ground because fewer complexities are involved. He added that although enterprise buyers have outsourced payroll services across multiple geographies (this is especially true in Europe), the deals have been on a country-by-country basis, creating a series of smaller-sized deals as opposed to one large deal with a single service provider.

At *HRO Today* we define the mid-market as organizations with more than 500 but fewer than 5,000 employees. Over the years, we have made many predictions about the mid-market—some realized and some not. But it is becoming apparent that as HRO moves down stream, the once ignored small fries are becoming the big guys, Lepeak explained.

"There is also a more competitive and robust supplier market targeting smaller deals and the mid-market than existed in the past. Smaller buyers are also in general doing more outsourcing, both in payroll as well as other HR process areas," he said.

As you may have noticed, 2006 brought even fewer deals than in previous years. Every market experiences a slowdown. As things wind down in the states, payroll outsourcing is ramping up in the still nascent European HRO market. It is possible that we may never see the huge payroll deals of yesteryear. But as the market evolves, so will the deals.

So what can we expect to see in the coming years? At Advantec, trends are pointing towards a need for payroll processing in

Canada. Cohen added, "We are also learning that our clients find value in being able to see gross-to-net payroll calculations prior to finalizing their payroll production."

On the advisor side, Lepeak believes the focus will remain on smaller payroll deals; there will be more bundling with payroll suppliers offering bundled services. For larger, enterprise-level buyers there will be a shift to consolidate payroll outsourcing across multiple countries and geographies.



TOP ENTERPRISE-LEVEL PAYROLL DEALS

BUYER	PROVIDER COMPANY	CONTRACT DATE	NUMBER OF EMPLOYEES	LENGTH
IKEA Description of Services Covered: Payroll, HR, ESS/MSS delivered on a single-source platform—GlobalView combines the expertise of local HR and payroll professionals with knowledgeable, multilingual, multicurrency services and compliance from regional service centers located around the globe in 40 countries.	ADP	July 2006	90,000	N/A
Central Leasing Management Description of Services Covered: HR technology, hosting, and management, including all HRIS applications (payroll, personnel, benefits, etc.) is managed by the Georgia-based provider.	PlatformOne	Jan. 2006	13,000	N/A
Seagate Description of Services Covered: The technology solutions provider will have its payroll, time and attendance, and call center needs addressed by Ceridian.	Ceridian	June 2006	7,500	5 yrs

SMALL AND MID-SIZED PAYROLL DEALS

BUYER	PROVIDER COMPANY	CONTRACT DATE	NUMBER OF EMPLOYEES	LENGTH
Intercontinental Hotel Resorts & Casino (IHG) Description of Services Covered: Convergys service centers in Bangalore, India; Kuala Lumpur, Malaysia; and Dalian, China, will provide HR data administration and payroll services for IHG corporate and reservations center employees in the Asia-Pacific region.	Convergys	Dec. 2006	2,500	6 yrs
Business Advantage Description of Services Covered: The transition project required a complete conversion of payroll, benefits, and HR data records from various internal systems and vendors to PlatformOne's integrated HR information system. Under the contract comprehensive HR-BPO (payroll, HR/personnel, and benefits) and full-service FAO, including all technologies, administrative services, and employee service center was administered.	PlatformOne	Feb. 2006	1,100	5 yrs, with options to extend
NXP Description of Services Covered: The semiconductor company was re-energized with payroll, HR administration, time and attendance, health and welfare, recruitment process outsourcing, and call-center services.	Ceridian	Sept. 2006	1,735	5 yrs
Twin Oaks Bloc, Inc. Description of Services Covered: Payroll Plus services include online payroll, onsite paycheck printing, downloadable reports, time and attendance interface, paid-time-off tracking, direct deposit, unemployment cost control, tax filing, year-end W2 processing, HRM system, employee self-service, manager self-service, client intranet, tools for compensation analysis, employee handbooks/manual, job descriptions. Payroll Plus also provides HR Library, employee benefit administration, and COBRA administration.	CheckPoint HR	July 2006	900	1 yr
Park N' Fly Description of Services Covered: For almost 40 years, this mid-market organization has been innovative in the airport parking business. Operating in 20 facilities in 12 markets across the country, PlatformOne will deliver comprehensive HR-BPO (payroll, HR/personnel, and benefits), including all technologies, administrative services, and employee service center.	PlatformOne	Sept. 2006	700	5 yrs, with options to extend
Stellar Partners Description of Services Covered: With more than 100 attorneys practicing in 30 fields along with other support staff, the company was a perfect candidate for outsourcing. PlatformOne will offer comprehensive HR-BPO services (payroll, HR/personnel, and benefits), including all technologies, administrative services, and employee service center. HRO	PlatformOne	Oct. 2006	250	5 yrs, with options to extend