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HRO Supplier Segmentation Means Fewer Choices for Buyers, According to Everest Research Institute

Hewitt Leads Market Share in North America; Accenture Leads Europe

DALLAS, December 19, 2007 — Outsourcing of human resources functions is expected to top \$2.85 billion by the end of this year and regain momentum in 2008; however, companies will have fewer choices in human resources outsourcing (HRO) suppliers due to clear segmentation in the supplier market, according to an analysis of the HRO supplier marketplace by the [Everest Research Institute](#).

According to the Institute study, [Human Resources Outsourcing \(HRO\) Global Supplier Landscape](#), HRO suppliers are making progress in building leverage across buyers by pushing for more standardized processes and moving towards multi-client platforms, a critical necessity for them to achieve profitability and serve buyers' needs.

"Suppliers are focused on meeting the needs of buyers who are either looking for strategic benefits by transforming their entire HR organization or solely interested in cost take-out solutions," said [Monica Barron](#), Vice President, Everest Research Institute. "Our assessment shows clear differences among suppliers on overall HRO delivery capabilities across scale, scope, technology capacity and geographic delivery footprint. When a buyer decides what processes, geographic scope and HRO technology platform is needed and, most importantly, the extent to which they desire global HR transformation, that buyer will have very specific choices due to the clear segmentation of HRO suppliers."

The study, which analyzed the top 15 global HRO suppliers, included an examination of market share and supplier delivery capabilities. Study highlights include:

- [Hewitt](#) remains the overall Human Resources Outsourcing (HRO) market leader in terms of number of transactions, total contract value and actual contract value, followed by [Accenture](#), [ACS](#), [Convergys](#) and [IBM](#).
- **Large-market (15,000-plus employees):** Hewitt leads the large-market, but its share dropped 13 percent from 2005 to July 2007. Meanwhile, Accenture, Convergys, and IBM gained significant market share, during the same time period, in terms of total contract value.
- **Mid-market (3,000-15,000 employees):** [ADP](#) signed the largest number of transactions, whereas Accenture and IBM signed fewer deals but have higher contract value.
- **Targeting both segments:** Suppliers such as Accenture, ADP, and [Northgate ARINSO](#) target both the mid-market as well as the large market.

- **Geographic market share:** Hewitt leads the North American market while Accenture is the clear leader in Europe. Convergys holds the highest market share in both the Asia-Pacific and Latin America regions.

Emerging trends addressed in the study include:

- The HRO market saw **increased merger and acquisition activity** from most leading suppliers that sought to build additional capabilities, which is expected to continue.
- **New suppliers entered the market**, including [Infosys](#), [Tata Consultancy Services \(TCS\)](#) and [Wipro](#), that are firming up plans to offer multi-process HRO solutions within a defined target segment and with a technology strategy in place.
- **Suppliers are leveraging offshoring in 68 percent of HRO transactions** in the large-market segment, compared to only 23 percent of transactions in the mid-size segment.
- **Suppliers catering to the large-market segment are expanding their delivery footprint to key offshore locations** with India emerging as the most common location.

“We expect suppliers to continue to build capability to gain market share and invest in access to new customer segments, delivery footprint, process expertise and technology capability,” said **Rajesh Ranjan**, an Everest Research Institute Senior Research Analyst and co-author of the report. “As a segment of buyers decides to pursue an HRO strategy, suppliers will need to ensure that their offerings are scalable and that they have the desired capabilities so as to be the supplier of choice. Suppliers must also continue to guard against capacity constraints and resource shortages and, as other suppliers enter the market, retain their HRO experts.”

The [Human Resources Outsourcing \(HRO\) Global Supplier Landscape](#) report is the second of a two-part study of the HRO market. The first study, [Human Resources Outsourcing \(HRO\) Annual Report](#), was released last month. For additional information and extracts of the Institute’s HRO reports, please visit www.outsourcing-center.com. You may also call 214-451-3110 to schedule a personal briefing appointment.

About Everest Research Institute

[Everest Research Institute](#) (www.everestresearchinstitute.com) serves as a central source of independent and objective strategic intelligence, analysis, and actionable insight for leading corporations, service providers, and investors in the global outsourcing and offshoring marketplace. The Institute addresses both business process and information technology sourcing topics, providing the global outsourcing and offshoring community with information that empowers highly productive, sustainable sourcing strategies and relationships. The Institute’s distinguished [Board of Advisors](#), senior executives and thought leaders oversee the Institute’s research agenda to ensure that it fully supports the business needs of corporations, service providers and investors.

Everest Research Institute [members](#) receive access to unparalleled analytical and advisory services, including access to Everest analysts, in-depth [reports](#) on major outsourcing and offshoring topics, [white papers](#) on market-shaping events, and [Webinars](#) designed to provide insight and information about important market trends.

The Institute's wealth of knowledge and experience provides members with unique perspectives into today's marketplace and the competitive edge required to take advantage of emerging opportunities.

[Everest Group](#) is a global operational strategy consulting firm with offices in such leading business centers as Dallas; Gurgaon, India; London; Amsterdam; New York; Toronto and Melbourne. An industry leader since 1991 when we created the sourcing consulting category, Everest Group has earned a worldwide reputation for ongoing innovation as we help clients achieve maximum value from their operations, which includes sourcing strategy and implementation. Everest created the [Everest Research Institute](#) (www.everestresearchinstitute.com) as the central source of industry information. Please visit www.everestgrp.com and www.everestresearchinstitute.com for more information.

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