Continental Europe BPO Market Forecast: 2012 - 2016

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Market Assessment

August 2012

About NelsonHall

NelsonHall is a specialist BPO analyst company. NelsonHall provides buy-side and sell-side organizations with deeper research and analyses in front office, mid-office and back office BPO than any other research firm in the world. The company's subscription-based model provides subscribers with robust market analyses, case studies, vendor assessments, contract analyses, market reports and access to a content-rich BPO contracts database. The firm covers a wide range of industries including financial services, government and utilities sectors, and tracks worldwide and regional BPO activity. NelsonHall's home page is www.nelson-hall.com.

The company tracks business services activity. In particular, NelsonHall focuses on the following business services and process areas:

❑ Front-office customer management services

❑ Middle office industry-specific processing services such as card processing services

❑ Back office support services such as HR services and finance & accounting services

NelsonHall provides information to its clients in a variety of forms, including within:

❑ NelsonHall's BPO subscription services, to assist organizations in identifying the most promising areas of BPO activity

❑ Workshops, to assist organizations in identifying the most appropriate areas of BPO for their organization

❑ Custom assessments, to assist buy-side organizations in benchmarking individual processes and to assist vendors in successfully taking BPO concepts to market.

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Abstract

The purpose of this study is to provide vendors and users with a market forecast of the EMEA BPO market by geography and service type.

The study complements the market assessments and analyses that are produced within NelsonHall's BPO Subscription Services, and is designed for:

❑ Marketing, sales and business managers developing strategies to target service opportunities within the BPO market

❑ Executives in purchasing organizations seeking an understanding of:

   ❑ BPO services offered

   ❑ BPO market development within specific processes

   ❑ Vendor capabilities in each BPO service type.

❑ Consultants advising clients on vendor selection

❑ Financial analysts specializing in the support services sector.

The term business process outsourcing (BPO) is defined as the outsourcing of business functions or processes. In order to qualify under this definition BPO contracts must involve the vendor taking responsibility for operational management of the business activity. For the purposes of this definition, IT services do not count as a business function.

Potential BPO activities include:

❑ Front-office services

   ❑ Customer management services including billing services

   ❑ Document management services

❑ Middle-office administration services

   ❑ Industry-specific processing services e.g. card processing services

❑ Back-office support services

   ❑ Finance & accounting services, including purchase-to-pay, order-to-cash, and record-to-report

   ❑ HR Services including payroll services, HR administration services, managed recruitment services and training provision and administration

   ❑ Services for procurement of indirect goods and services

Table of Contents

List of Exhibits

Chapter
1

Introduction

A

Objectives

The purpose of this study is to provide vendors and users with a view of the current and future market size across service types and regions within the EMEA business process outsourcing marketplace.

The study complements the market assessments and analyses that are produced within NelsonHall BPO Subscription programs, and is designed for:

❑ Marketing, sales and business managers developing strategies to target service opportunities within the BPO market

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B

Scope and Definitions

This study covers business process outsourcing (BPO) in its entirety, covering both the relatively fast growing market for multi-process BPO as well as many of the more mature and slower growing markets such as payroll services, as well as emerging single-service opportunities and industry-specific BPO services such as payments processing.

The term business process outsourcing (BPO) is defined as the outsourcing of business functions or processes. In order to qualify under this definition BPO contracts must involve the vendor taking responsibility for operational management of the business activity. This means that the service provider is directly responsible for service provided to the client's customers (or internal personnel in the case of processes such as HR and finance & accounting) and does not just provide technology for use by client personnel. For the purposes of this definition, IT services do not count as a business function.

BPO can be divided into two principal streams:

- ❑ White-collar BPO, involving office and contact center personnel
- ❑ Blue-collar BPO, including areas such as facilities management and engineering services.

"White-collar" BPO activities include:

Front-Office Services

- ❑ Customer management services, covering the outsourcing of call and contact center services
- ❑ Document management services, including inbound document management such as mailroom services and outbound document management services such as transactional print & mail services

Middle-Office or Industry-Specific BPO

- ❑ Industry-specific services i.e. outsourcing based on a specific business process unique to that sector, such as mortgage processing or check processing in the banking sector, insurance policy administration, etc.

Back-Office Support Services

- ❑ Finance & accounting outsourcing
- ❑ HR outsourcing including for example payroll services, HR administration services, recruitment process outsourcing , and learning services
- ❑ Indirect procurement: services for procurement of indirect goods and services.

Industry-specific services are usually part of the means by which the organization delivers services to its own clients, for example mortgage processing in the banking sector, policy administration in the insurance sector, revenues & benefits in U.K. local government, and warranty administration in high-tech manufacturing.

Front- and back-office services are more generic in nature and in general apply, and are offered and delivered, across a range of industry sectors. Front-office services are generally customer facing such as contact center and mail handling services. Back-office services cover the internal support functions of finance & accounting, indirect procurement, and HR services.

Each of these BPO services can be broken down further as shown below. This segmentation follows the structure used within NelsonHall's Global BPO Market Forecast reports.

Front-Office BPO Services

Front-office BPO services include:

- ❏ Customer management services, covering the outsourcing of call and contact center services

- ❏ Document management services, including inbound document management such as mailroom services and outbound document management services such as transactional print & mail services.

Customer Management Services

Customer management services is defined as the outsourcing of customer handling functions such as call and contact center services, including use of Work-at-Home Agents (WAHA). It covers the outsourcing of single or multi-channel inbound and outbound customer contact, covering for example the following channels: inbound and outbound agent-based voice, IVR, inbound and outbound email handling, inbound and outbound SMS, and web chat. It also includes social media monitoring and engagement services.

The market is segmented into:

- ❏ **Cost-effective customer support**, covering contact center outsourcing services where the emphasis is primarily on the provision of customer care for existing products and services, with little or no value-add in terms of cross-selling or up-selling

- ❏ **Support for new market entry**, covering the outsourcing of customer handling services primarily in support of new product introduction and new geography market entry. Also includes customer handling support for new businesses such as establishment of online retailing. In either case, the customer handling is in support of a new market initiative by the client

- ❏ **Increasing customer retention/value**, covering the outsourcing of customer handling services where the focus goes significantly beyond simple customer care or technical support and there is a major emphasis on assisting the client to retain customers or use incoming calls as the basis for cross-selling and up-selling

- ❏ **Customer care transformation**, where customer management services vendors are also involved in replacing the customer handling infrastructure of the client e.g. using contact center services based on a hosted contact center platform

Beyond traditional contact center services, the market now includes:

- ❏ Social media services, covering social media (e.g. twitter and Facebook) monitoring and engagement services. Social media monitoring is conducted both in standalone form, for example to drive customer, product, and competitor insight, and as part of wider "engagement services" where social media monitoring is followed up by outreach using either social media or traditional channels in support of brand management, customer service, or customer acquisition

- ❏ WAHA (Work-at-Home Agent) Services, a delivery model employed by customer management services (CMS) suppliers whereby services are delivered by agents located at home, rather than in a contact center (in-center)

Document Management Services

Document management services is defined as the outsourcing of a document-related process to a third-party. Document management services is segmented into four areas covering managed print services, inbound document acquisition & storage, the printing & multi-channel distribution of transactional documents such as invoices and statements, and the sourcing and distribution of print materials:

❑ **Managed Print Services**, involving the management of one or more printer fleets on behalf of an organization

❑ **Inbound Document Capture**, verification and distribution, covering the outsourcing of one or more of:

   ❑ Mailroom operations, e.g. mail opening and scanning

   ❑ Data capture, processing and distribution e.g. data verification and input into workflow systems for subsequent processing

   ❑ Document storage & retrieval

❑ **Outbound Transactional mail**: outsourcing the printing & distribution (both physical and electronic) of transactional mail such as invoices and statements

❑ **Outbound Print Management**, covering the outsourcing of print sourcing and procurement, warehousing and distribution of marketing materials and corporate documentation.

Industry-Specific BPO

Healthcare Payor and Insurance BPO

Life BPO

This service line focuses on BPO activities associated with life, annuities, and pensions (LA&P) policy processing within both open and closed blocks.

Activities covered within Life BPO include the outsourcing of new business administration, policy administration, and claims & exits.

The Life BPO market is segmented into four areas:

❑ Cost-focused policy administration, where the service is principally focused on policy administration, policy exit and regulatory BPO services of closed life blocks. The primary objective is significant cost reduction whilst maintaining current service levels to policy holders

❑ Service-focused policy administration covers both closed and open blocks of business and is focused on a more comprehensive range of BPO services including policy acquisition, policy administration, policy exit, and distribution management. The primary objective of the service is typically improving customer service levels to policy holders and distributors

❑ Support for new product introduction covers life insurers, operating in mature markets, introducing new products e.g. growth of the 'at retirement' segment. Primary objectives are reduced capital investment requirements and reduced time-to-market around new product introduction, typically 1 to 3 months.

❑ Support for new market entry, services in support of life insurers developing presence in emerging markets of China, India, Eastern Europe, Middle East and Latin America.

Property & Casualty BPO (P&C BPO)

This service line covers BPO activities associated with property and casualty (P&C) products such as home, auto, flood, pet etc., and commercial general insurance and more specialized areas such as marine, aviation and transportation. Typically services provided include first notice of loss (FNOL) and claims management. BPO services in support of workers' compensation are also included. Third-party administrator activity is included within the market. This service does not cover health, or life insurance.

The P&C BPO market is segmented into four areas:

- ❑ Claims management, covering management of whole or part of the claims process. Activities include first notice of loss (FNOL), loss adjusting, subrogation, investigation, settlement etc. Primary objectives are to reduce settlement and operational costs whilst improving customer experience of a claim to drive retention

- ❑ Policy acquisition & administration, supporting in-force policy administration (e.g. address change, endorsements etc.) and activities associated with new business generation such as policy renewal, retention or acquisition (e.g. quotation, pre-issue validation, basic underwriting, application acceptance, policy issuance, policy renewal etc.) directly to customers or via brokers

- ❑ Comprehensive policy servicing, covering management of the majority of P&C insurance activities for existing product lines within current geographic markets. Comprehensive policy servicing typically includes the service elements encompassed within the claims management and policy acquisition and administration segments described earlier

- ❑ Virtual insurance company, the outsourcing of all IT infrastructure and operational activities required to offer new insurance product either in support of affinity groups and brandassurers or within a new geographic region.

Health Insurance BPO, or Healthcare Payor BPO

This service covers outsourcing of member management, claims management, provider management, and member care management in support of healthcare payers in both the public sector and private sector.

The Healthcare Insurance market is broken down into two main segments:

- ❑ Public Sector, which includes healthcare payor related BPO activities carried out on behalf of both the U.S. Federal and State governments. The main sub-segments within public sector health insurance are:

  - ❑ Medicare Program: BPO activities funded through the Center for Medicaid and Medicare Services (CMS) in support of the federal Medicare program

  - ❑ Medicaid Program: BPO activities funded both by federal and state level government in support of Medicare program

  - ❑ Other publically funded programs: BPO activities funded by federal and state government in support of programs such as Veterans Association (VA), CHIP, American Indian/Alaska Natives, SCHIP etc.

❑ Private Sector, which covers healthcare payer related BPO activities carried out on behalf of private commercial healthcare insurers, not-for-profit (NFP) health plan providers (e.g. some BCBS organization, charitable organizations, industry or trade groups) and self-insured organizations such as employers, unions or trade associations. The main sub-segments within private sector health insurance are:

  ❑ National healthcare payer: healthcare payer that operates on a U.S. national or multi-state basis and can include commercial insurers, BCBS association members and NFP organizations offering FFS, HMO, PPO, CDH or hybrid plans. Examples of national healthcare payers include Aetna Health, CIGNA, Humana & UnitedHealthCare

  ❑ Regional healthcare payer: healthcare payer that operates on a regional or single state basis and can include commercial insurers, BCBS association members and NFP organizations offering FFS, HMO, PPO, CDH or hybrid plans. Examples of regional healthcare payers include Dean Health Plan (Wis), FirstCare (Abilene, Amarillo, Lubbock, Waco) Grand Valley Health Plan (Mich.), Vermont Health Plan, Presbyterian Health Plan (Mich.)

  ❑ Self-insured Organization: Employers or groups that meet costs of health care directly and utilize a BPO service provider to administer healthcare activities – administration services only (ASO)

Banking Industry-Specific BPO

Mortgage BPO

This service line consists of BPO services in support of mortgage origination and administration services for prime residential, sub-prime residential, and commercial mortgages. The Mortgage BPO market is broken down into two segments:

  ❑ Origination Services, covering the outsourcing of customer acquisition, underwriting services account set-up and data entry, and credit and compliance checking

  ❑ Mortgage Administration or mortgage servicing, covering the outsourcing of:

    ❑ Maintenance and customer services, including name changes, customer service and correspondence handling, and delinquency services

    ❑ Payment services, including collections, payment processing, loan accounting, and foreclosure services

    ❑ Secondary market services, including securitization, portfolio servicing, and investor reporting.

Payment Processing

This service line consists of the outsourcing of those processes involved in banking payment processes including support for customer initiation and vendor validation of payment request, transmission of payment to target institutions, and crediting of target accounts. The payments processing BPO market is broken down into three segments:

  ❑ Check processing, covering outsourcing of transaction capture, transaction execution including check presentment, and transaction posting and reconciliation

  ❑ Credit card processing, covering outsourcing of card issuing and merchant acceptance services in addition to transaction capture, execution, and posting services

  ❑ EFT services, covering the outsourcing of transaction capture, execution, and posting for electronic funds transfer such as debit and credit transfers and ATM outsourcing.

Securities Processing

Securities processing BPO consists of outsourcing elements of the processing of financial securities such as shares. Securities processing BPO is broken down into two segments:

❑ Portfolio Services, including the outsourcing of transfer agency, fund accounting and administration, and custody services

❑ Trade Services, including the outsourcing of trade execution & capture, order routing, and trade matching and settlement services.

Core Banking BPO

Core banking BPO covers the outsourcing of core account administration in support of deposit services, client data services (CIF), general ledger services, loan services, and reporting services. However, the outsourcing of account administration services in support of mortgage processing, payments processing, securities processing, and channel management services are specifically excluded from core banking BPO and are included elsewhere within these definitions.

Government Industry-Specific BPO

Government industry-specific BPO covers all the white-collar industry specific BPO activities within state & local government, federal/central government, defense, and public sector education with the exception of public sector healthcare payer BPO, which is included within health insurance BPO. However, non-white-collar activities such as buildings facilities management or real estate outsourcing, and highways services are excluded from this definition. The principal activities covered here by type of organization are:

❑ State & local government, covering activities such as the outsourcing of child support services, employment/welfare-to-work services, revenues & benefits, and housing administration

❑ Federal/central government, covering activities such as the outsourcing of departmental application & case management and associated processing

❑ Defense, covering activities such as the outsourcing of supply chain management in support of army, navy, or air force facilities

❑ Education, covering activities such as outsourcing the processing of student applications.

Healthcare Provider Industry-Specific BPO

Healthcare provider BPO covers industry specific services in support of healthcare providers or health care systems such as hospitals and primary care trusts. Examples of services include medical transcription services, and revenue cycle management.

KPO

Knowledge process outsourcing is defined as the acquisition, storage, and presentation of secondary data. The major use of KPO is by investment banking firms where it is used by financial sell-side and buy-side firms in support of activities such as pitch book preparation and investment research. KPO also covers the outsourcing of secondary research such as competitor monitoring.

Other Industry-Specific BPO

Other middle-office or industry-specific BPO covers the outsourcing of white-collar industry-specific services not covered elsewhere such as service provisioning in the telecoms sector, R&D services, supply chain management in and direct procurement in the manufacturing sector, legal process outsourcing in the legal sector, and pharmacovigilance and clinical data management in the pharmaceuticals sector.

Back-Office BPO

NelsonHall defines back-office BPO not as non-customer facing activity as in the banking sector, but as the outsourcing of all or elements of organizational support functions such as finance & accounting, human resources, and indirect procurement.

Human Resource ("HR") Outsourcing Services

NelsonHall defines human resources outsourcing services as the operation of human resource processes for an organization by a third party supplier. These processes can include both mainstream service delivery processes such as payroll provision or training delivery or they may be administrative processes related to these mainstream processes such as training administration services. In some cases, the in-house personnel previously operating or administering the specific HR process transfer to the outsourcing supplier.

In summary, HR outsourcing services is the total market for outsourced services within the HR function, combining all the HR process elements defined in the sections below.

NelsonHall does not include stand-alone consulting services associated with some HR processes within the company's definition of HR outsourcing services. For example, benefits consulting relating to the design of a retirement plan for an organization would not be included, unless this consulting was part of a wider arrangement where the supplier also provided administration services for the plan.

Within HR outsourcing services, HR processes can be outsourced as either:

- ❑ Single HR point services
- ❑ Multi - process HR BPO services.

Single HR point services services are defined as those provided by a third party supplier to another organization across a single HR process. Processes which can be managed in this manner include:

- ❑ Payroll Services
- ❑ Benefits Administration
- ❑ Recruitment Process Outsourcing
- ❑ Learning BPO
- ❑ Other HR Services, HR services other than those listed above, such as administration of employee performance and development or provision of relocation services.

Payroll Services

Payroll services is the operation of an organization's payroll process by a third party supplier. Typically, this is provided either as a bureau service, or as a fully managed payroll service.

Bureau service: The third party processing of an organization's payroll, but the bulk of the service remains in-house. Typical service elements managed within this type of arrangement include:

- ❑ Data processing
- ❑ Provision of payroll stationery
- ❑ Backup daily
- ❑ Disaster recovery services.

Clients retain responsibility for entering payroll data into whichever system is used to manage the payroll within the organization.

Bureau services contracts do not include the transfer of staff to the outsourcing supplier.

Fully managed service: The management by a third party for the whole of the payroll function within an organization, usually involving the transfer of staff to the supplier and includes data input and employee call center support. Additional service elements within this type of contract include:

❑ Production of payroll analysis reports

❑ Payment transmissions to staff

❑ Check printing

❑ Time and attendance

❑ Electronic payslip history

❑ Reconciliations

❑ Liaison with third parties, e.g. tax organizations, medical providers, etc.

❑ Management of associated tax issues

❑ Provision of payroll-related call center services.

Benefits Administration

Benefits administration is the operation of an organization's employee benefits function by a third party supplier.

This includes:

❑ Pensions and retirement services

    ❑ Pensions administration, e.g., defined benefit (DB) plans

    ❑ Retirement administration, e.g., defined contribution (DC) plans

    ❑ Stock plan administration

❑ Health and welfare (H&W) services

    ❑ H&W administration, e.g., benefit plan eligibility and enrollment, event processing, verifications, total reward statements, etc.

    ❑ Reimbursement account administration, e.g., health services accounts (FSA, HRA, and HSA), child care reimbursement, education / tuition reimbursement, fitness reimbursement, and commuter / transportation reimbursement

    ❑ Benefits continuation administration, e.g., COBRA and HIPAA administration

    ❑ Leave of absence (LoA) administration for medical and non-medical leaves including FMLA in the U.S., e.g., eligibility determination, leave tracking, compliance monitoring, benefits coordination, return-to-work programs, and clinic monitoring of medical absences and leaves

    ❑ Employee assistance programs (EAP), e.g., assessment, short-term counseling, and referral services to deal with personal problems that might adversely impact work performance, health, and well-being such as addictions, substance abuse, marital problems, financial pressures, etc.

    ❑ Health, wellness, and productivity / occupational health services, e.g., risk assessments, biometric screening, wellness intervention strategies, health coaching, on-site fitness centers, clinical services for non-occupational injuries and illnesses, immunizations, etc.

❑ Flexible benefits / cafeteria benefits administration

Recruitment Process Outsourcing

NelsonHall defines recruitment process outsourcing (RPO) as the operation and/or administration of employee recruitment for organizations by a third party supplier. It is the transfer of operational responsibility for one or more recruiting functions, including recruitment administration, from the client to a services provider. RPO does not include standard recruiting services provided by a recruitment agency on a project-by-project basis

Potential recruitment services covered include:

- Graduate recruitment
- Temporary, contract, and seasonal recruitment
- Online recruitment services
- Permanent recruitment
- Executive search and selection
- Outplacement services
- Associated recruiting and staffing-related call center services.

The recruitment process itself typically includes:

- Job requisition administration
- Internal & external job posting
- Resume management
- Position management
- Sourcing
- Screening
- Selection
- Hiring
- On-boarding
- Administration services, e.g. production and distribution of contract letters.

Learning BPO

Learning BPO is the management of core learning administration services by a third party alongside one or more of the other critical learning functions, i.e. content development, delivery and technology.

Full LBPO includes management of all aspects of learning, selective LBPO includes a combination of administration and one or two other learning function process areas e.g. Technology and Admin.

Services provided can include:

- Training assessment
- Training content delivery, management, and sourcing
- eLearning administration, e.g. administration of eLearning courses, but not just the hosting of eLearning applications and content
- Training administration, e.g. course bookings
- Associated learning and training-related call center services
- Technology implementation and/or management.

Learning BPO can encompass management of learning for a company's employees (Enterprise) or a company's customers and/or channel partners (Extended Enterprise).

Learning arrangements carried out as part of IT outsourcing, facilities management and engineering services contracts are excluded from NelsonHall's definition of Learning BPO.

Other HR Services

These include:

- ❑ Workforce development services
- ❑ Relocation services

Workforce Development Services

Workforce development is defined as the administration of an organization's employees' performance and development by a third party organization.

Components within this process include:

- ❑ Competency management
- ❑ Appraisal management and administration
- ❑ Performance management
- ❑ Succession Planning
- ❑ Career planning
- ❑ Workforce skills management
- ❑ Compensation management
- ❑ Disciplinary and grievance management
- ❑ Associated workforce development-related call center services.

Relocation Services

NelsonHall defines relocation services as the administration of the relocation of employees within an organization by a third party supplier.

Processes provided include:

- ❑ Employee leaving arrangements such as visa and permit procurement, home sale or property management, rental lease cancellation, etc.
- ❑ Employee arrival and destination management such as searching for a new home, language assistance, school placement, and spouse career assistance
- ❑ Logistics associated with the relocation such as travel management and pet transportation
- ❑ Administration services such as expense tracking and reporting, supplier management and reporting, etc.
- ❑ Expat administration
- ❑ Associated relocation and expat-related call center services.

Multi-process services include:

❑ Multi-Process HR Outsourcing ("MPHRO")

❑ Professional Employer Organization ("PEO") Services

Multi-Process HR Outsourcing ("MPHRO")

NelsonHall defines a further market within HR outsourcing relating to the provision of multi-process HR outsourcing services.

This is defined as the provision of one or more of these individual HR point processes by the same third party supplier in a longer term (typically 3-10 years) contractual relationship plus employee care/HR administration, which includes employee data management, workforce administration, and employee contact services which extend beyond the employee data and support associated with a single HR service.

Professional Employer Organization ("PEO") Services

PEOs provide employment administration services such as employee benefits, payroll processing and tax administration, workers' compensation, etc. to SMEs with up to 2,000 employees that either do not have a HR department or want to be relieved of the administrative burden of HR through a co-employment model. PEOs either assume or share employer liabilities including employment liability insurance, safety, termination assistance, substance abuse prevention, employee relations, etc.

Essentially, PEOs become the employer of record and as such, it can pool together the total number of employees supported from multiple PEO contracts to get better rates on health care and workers' compensation coverage.

Finance & Accounting Outsourcing

Finance and accounting outsourcing is similarly separated into multi-process F&A outsourcing and single-process F&A outsourcing.

Purchase-to-Pay (P2P)

P2P covers the outsourcing of one or more of the following accounting functions:

❑ Invoice entry, matching, and resolution

❑ Payment processing

❑ Vendor master data maintenance and P-card administration

❑ Travel and expense management.

Order-to-Cash (O2C)

O2C covers the outsourcing of one or more of the following accounting functions:

❑ Order entry, credit management, and billing

❑ Collections and dispute management

❑ Payment application and sales ledger maintenance including maintenance of customer master data.

O2C activity tends to be dominated by standalone collections activity and so NelsonHall also defines multi-process O2C which covers elements from one or more of the above activities.

Record-to-Report (R2R)

R2R covers one or more of the following accounting functions:

❑ General ledger journal entry and processing

❑ Fixed asset, project, cost and inventory accounting

❑ Inter-company accounting and reconciliation

❑ Support for monthly close process, financial consolidations and preparation of financial statements for internal, external, and regulatory reporting

Multi-Process F&A Outsourcing ("MPFAO")

Multi-process F&A outsourcing is defined as the outsourcing of finance and accounting process elements across more than one of purchase-to-pay, order-to-cash, and record-to-report and typically includes the outsourcing of purchase-to-pay and elements of order-to-cash.

Indirect Procurement Outsourcing

Indirect procurement outsourcing is separated into:

❑ Full-scope indirect procurement covering both sourcing and category management and associated accounts payable processing and supplier management

❑ Sourcing and category management.

Platform BPO/BPaaS Definitions

NelsonHall defines a 'Platform BPO Service' as a BPO service where the vendor is responsible for hosting the application software that enables their provision of BPO service(s). The software platform underpinning the BPO service is hosted by the vendor and must contain at least some element of process-specific functionality (e.g. fixed asset accounting in F&A, payroll processing in HR), and not just service-enabling technology (e.g. covering workflow, imaging, service monitoring and metrics etc.)

Platform BPO Services come in two forms:

Client-Specific Platform BPO: A vendor-hosted application and BPO service dedicated to a single client as a one-off implementation. This includes an application platform provided/developed by the vendor specifically for that client, or a platform developed and used by the client in-house prior to the adoption of the BPO service(s) but transferred for hosting to the vendor on award of the BPO contract

BPaaS or Multi-Client Platform BPO (MCPBPO): BPO services enabled by process-specific standard software applications hosted by the vendor supplying the BPO service, where the application software is intended for multi-client use and is characterized by a high level of standardization and low, if any, customization.

NelsonHall defines BPaaS/MCPBPO as the provision of BPO services that are enabled by a standardized, multi-client, process-specific software platform hosted by the supplier of the BPO services, with low, if any, customization.

Accordingly, BPaaS /MCPBPO is characterized by:

❑ The software platform underpinning the BPO service is hosted by the vendor, or by a hosting provider acting as partner/subcontractor to the vendor

❑ The software platform must contain at least some element of process-specific functionality (e.g. fixed asset accounting in F&A, payroll processing in HR), i.e. not only service-enabling technology (e.g. covering workflow, imaging, service monitoring and metrics etc.)

❑ The platform technology/application can be proprietary to the vendor, or can be provided through a 3rd party (e.g. SAP, Oracle or specialist software players)

❑ The PBPO application has a high level of standardization, and negligible, if any, customization.

There are two categories of BPaaS/MCPBPO offering, dependent on the completeness of the scope of the BPO service provided in comparison to the scope of the hosted application software:

❑ **Full-service BPaaS**: where the vendor provides the agents that utilize the software in performing business processes across all the processes enabled by this software within the client organization

❑ **Hybrid BPaaS**: where, within a multi-process service, the vendor provides combined application hosting plus BPO services in support of some business processes, and other business processes are enabled by the hosted application but performed by client personnel. In this form of Platform BPO, some business functions enabled by the hosted application are carried out by vendor personnel and other business functions enabled by the hosted application are carried out by client personnel

Each of these categories can itself come in one of two forms, dependent on the nature of the software platform:

❑ **Multi-Tenant BPaaS**: vendor hosts the application with multi-tenant capability (i.e. more than one client running on a single instance of the application), hence a combined SaaS + BPO service is provided

❑ **Multi-Instance BPaaS**: the vendor hosts the same application for multiple clients with each client using a separate, dedicated instance of the application, but with the underlying software code not significantly altered for each instance.

Geographic Coverage

The geographic scope of the research is global, covering all regions:

❑ North America

- ❑ United States
- ❑ Canada

❑ EMEA

- ❑ United Kingdom
- ❑ France
- ❑ Germany
- ❑ Italy
- ❑ Other EMEA

❑ Asia Pacific

❑ Latin America

Methodology

NelsonHall's market sizing and forecasting for each service line is primarily carried out by analysts specializing in, and constantly researching, the service line through ongoing senior executive interviews and production of detailed service line market analyses and vendor assessments.

NelsonHall market sizing and forecasting is based on the following steps:

Establish base year BPO revenues for each vendor by service line

The first step in NelsonHall's methodology is to establish the base year (in this case 2011) global revenues for each vendor by service line.

These **base year vendor revenue figures are estimated for each service line in turn by the NelsonHall analyst responsible for that service line**. NelsonHall is unique in having analysts specifically dedicated to each BPO domain, e.g. HR outsourcing, F&A outsourcing, procurement outsourcing, banking industry-specific BPO, insurance industry-specific BPO, government industry-specific BPO, customer management services, with recent market analysis studies typically having been carried out within the major service lines within each BPO domain e.g. within HR outsourcing, NelsonHall has recently carried out market analyses and vendor assessments for each of payroll outsourcing, benefits administration, recruitment process outsourcing, and learning BPO.

The basis of the service line base year revenue estimate for each vendor is the following sources:

❑ Published financial information from annual reports, SEC filings, and financial analyst presentations. For example many of the leading customer management services vendors such as Teleperformance and Convergys publish financial accounts clearly showing their global CMS revenues. Elsewhere for example in many areas of industry-specific BPO, F&A outsourcing, and HR outsourcing, this published financial information is less available

❑ **Vendor senior executive interviewing by BPO service line, together with NelsonHall's vendor assessments and market analyses by BPO service line**. For example, each year a NelsonHall analyst interviews all the major RPO vendors obtaining revenue estimates for their RPO businesses as part of the production of RPO vendor assessments and the RPO market analysis. Similar senior executive interviewing by service line takes place within NelsonHall's HR Outsourcing program for payroll outsourcing, benefits administration, and learning BPO, with similar patterns of analyst activity across NelsonHall's other BPO programs. This coverage of the individual service lines within BPO at the market analysis and vendor assessment level is vital in supporting the base year vendor revenues by service line, since this senior executive interviewing by the analyst responsible for the service line is a primary source of vendor revenue data by service line. Accordingly NelsonHall has unequalled access to detailed vendor BPO service line revenues due to its dedicated analyst focus on each of these areas.

These base year figures by service line are then reconciled with the estimates of overall BPO revenues for each vendor to ensure that double counting or other sources of error have not occurred and final global BPO service line base year revenues are established for each vendor across all applicable BPO service lines.

Establish base year BPO revenues for each vendor by service line and geography

Once the global base year revenue for each vendor has been established by BPO service line, then the **NelsonHall analyst specializing in that service line allocates the global service line revenues for each vendor by geography**.

This allocation is based as before on:

❑ Published financial information from annual reports, SEC filings, and financial analyst presentations, where available

❑ Vendor senior executive interviewing by BPO service line, together with NelsonHall's vendor assessments and market analyses by BPO service line. **The NelsonHall analyst specializing in the service line will typically have already estimated vendor revenues by geography based on senior executive interviewing when producing market analyses and vendor assessments for that service line and this knowledge and experience is vital in establishing accurate vendor revenues by BPO service line and geography**

❑ Vendor contract activity by service line and geography. Here NelsonHall analysts capture all available (publicly or otherwise) contract data by service line and geography. Again the contracts are typically captured by the analyst specializing in, and dedicated to, the individual service line

Establish base year market sizes by service line and geography

The steps above deliver a series of vendor revenues for each combination of service line and geography. The next step is to produce base year market sizes for each combination of service line and geography.

This is done individually by country and service line with the NelsonHall market analyst specializing in that service line estimating the market concentration (i.e. market share accounted for by the known vendors in that market) for each combination of service line and geography. Again this is typically supported by the fact that that the analyst has recently produced a global market analysis covering the service line and so has already developed a perspective on the market concentrations within the service line for each country.

Where necessary however, the market concentration is adjusted at this stage and correspondingly the market size for the combination of service line and geography revised.

The individual service line market sizes by country and geography are then aggregated from the bottom up to give regional and global market sizes by BPO service line.

At this point the base year market sizes and vendor market shares by service line are established by country and region.

Establish market growth by service line and geography

The NelsonHall analyst specializing in each service line is responsible for establishing the revenue growth by country and service line.

These estimates are based on:

❑ Vendor senior executive interviewing by BPO service line, together with NelsonHall's vendor assessments and market analyses by BPO service line. **The NelsonHall analyst specializing in the service line will typically have already estimated market growth by geography based on senior executive interviewing when producing market analyses and vendor assessments for that service line and this knowledge and experience is vital in establishing informed market growth estimates by BPO service line and geography**

❑ NelsonHall buy-side surveys, indicating the extent and nature of business pressures together with BPO buying intentions

❑ NelsonHall's Quarterly Confidence Indices, in HR outsourcing, identifying changing revenue expectations and levels of confidence within BPO suppliers

❑ Vendor contract activity by service line and geography. Here NelsonHall analysts capture all available (publicly or otherwise) contract data by service line and geography. Again the contracts are typically captured by the analyst specializing in, and dedicated to, the individual service line

❑ Published financial information from annual reports, SEC filings, and financial analyst presentations, where available, showing prior levels of revenue growth

These growth estimates by service line and geography are applied to the base year market sizes by service line and geography at the country level to give country level market forecasts by service line. These country level forecasts are then aggregated to give regional and global BPO forecasts.

Subcontracting

Vendor revenues have been quoted including all revenues from contracts, including those where services are subcontracted to other BPO vendor organizations.

Estimates

All vendor revenues quoted within this report are NelsonHall estimates, and have been rounded as appropriate. In addition, all estimates are for the latest published financial year at the time the report data was gathered.

Exchange Rates

All exchange rates used within this report are $1.4 = €1 and $1.6 = £1

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Structure of the Report

The report is structured into the following chapters:

Chapter I: Introduction

Chapter II: BPO Market Forecast by Geography, including:

❑ Continental Europe

❑ France

❑   Germany

❑   Italy

❑   Rest of Continental Europe

Chapter III: Market Forecast by Service Type, including:

❑   BPO Market Overview

❑   Front Office BPO

❑   Middle Office BPO

❑   Back Office BPO, including:

    ❑   F&A Outsourcing

    ❑   Human Resources Outsourcing

    ❑   Procurement Outsourcing.

Appendix A – Reconciliation