



Paychex Next Generation Payroll Services

Vendor Assessment
Report Abstract

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11 pages

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Who Is This Vendor Assessment For?

NelsonHall's Payroll Services Vendor Assessment for Paychex is a comprehensive assessment of Paychex payroll services offerings and capabilities designed for:

- Sourcing managers monitoring the capabilities of existing suppliers of payroll outsourcing and identifying vendor suitability for payroll services RFPs
- Vendor marketing, sales, and business managers looking to benchmark themselves against their peers
- Financial analysts and investors specializing in the support services sector
- HR and payroll decision makers.

Key Findings & Highlights

Paychex, founded in 1971, and headquartered in Rochester, NY, is a provider of payroll, HR, and benefits managed services, and HR technology for small to medium-sized business primarily in the U.S. In 1983 Paychex began trading on the NASDAQ stock exchange under the ticker PAYX.

Today, Paychex actively supports ~650k clients, and 1.4m worksite employees through its HR service and technology offerings and generated ~3.4bn in revenues in FY 2018.

Paychex offers both partial and fully managed payroll services solutions and including the following scope:

- Payroll processing, which is offered to small and mid-sized clients and includes:
 - Calculation, preparation, and delivery of payroll checks
 - Production of internal accounting records and management reports
 - Preparation of payroll tax returns
 - Collection and remittance of clients' payroll obligations
- Payroll tax administration services including:
 - Preparation and filing of quarterly and year-end tax returns
 - Electronic transfer of funds to tax or regulatory agencies (including federal, state and local authorities)
 - Electronic collection of payroll taxes
 - File tax returns and prepare tax remittances
 - Manage regulatory correspondence, amendments, and penalty and interest disputes
- Employee payment services including:
 - Payment of employees by direct deposit, payroll debit card, a check drawn through a Paychex account, or a check is drawn on an employer's account

- Regulatory compliance services including:
 - Employer shared responsibility services to comply with the Affordable Care Act
 - New hire reporting services to comply with federal and state requirements
 - Garnishment processing service
- Other services include:
 - PEO services (co-employment model),
 - HR outsourcing solutions
 - Retirement planning services (Paychex is the No. 1 401(k) recordkeeper in the U.S. as defined by the number of plans)
 - Insurance services (Paychex is the 20th largest insurance broker in the U.S.)

Paychex' payroll services are offered in bundles of progressing levels of scope and services, delivered on its proprietary Flex HCM platform, including:

- Express Payroll: (DIY service)
 - Includes the Paychex Flex platform, including Flex mobile app
 - Payroll processing
 - Direct deposit and/or pay card services
 - Tax reporting and administration
 - New hire reporting
 - 24/7/365 phone/chat support
- Paychex Flex Select: (DIY or outsourcing)
 - All services included in Express
 - Dedicated payroll specialist
 - Additional payment methods (e.g., paper checks, check signing, or check logo service)
 - Flex learning management
- Paychex Flex Pro:
 - All services included in Select
 - GL services
 - Workers Compensation reporting
 - State unemployment insurance (SUI) services
 - Reporting and analytics
 - Garnishment services
 - Flex onboarding

- Employee background screening
- Flex learning management
- Flex time and attendance essentials
- Paychex Flex Enterprise:
 - All services included in Pro
 - Custom reporting and analytics
 - Flex HR administration (Core HR)
 - Flex time and attendance

Paychex offers two payroll platform technology solutions to its client base:

- Paychex Flex (leveraged by over 75% of Paychex clients): is a mobile-enabled, HCM platform offering, built on a unified framework, and delivered as a SaaS-based, multitenant solution. The current configuration supports the U.S. only and includes both English and Spanish languages. Paychex Flex consists of modules covering HR records (HRIS), payroll, recruiting and applicant tracking, onboarding, performance management, learning management, time and attendance, expense management, benefits, and retirement
- Paychex also offers an online payroll service for small business clients. The SurePayroll SaaS solution offers a DIY self-service and mobile application for small business to process and manage their payroll.

Paychex has an employee base of ~14k employees, ~8.5k are dedicated to supporting payroll services across more than 100 locations in the U.S. (>50 states), paying one out of 12 American private sector employees. It also has operations and Northern Europe (Denmark, Germany, Norway, Sweden) from its recent (January 2018) acquisition of the Lessor Group in Denmark.

Paychex targets the small to lower middle market client (generally below 3-5k) for its managed payroll services offering. However, its solutions and Flex platform are capable of scaling to support larger middle market clients (5k+).

As of May 2018, Paychex was supporting ~650k clients, with ~99% based in the U.S. and all of its contracts are single country in scope. Its Lessor Group (acquired 2018) subsidiary, contributes ~1% of its client base, all from the DACH region and primarily two or more countries in scope. Its overall client retention for FY 18 was ~81% (unchanged from FY 2017).



Scope of the Report

The report provides a comprehensive and objective analysis of Paychex' Next Generation Payroll services offering, capabilities, and market and financial strength, including:

- Identification of the company's strategy, emphasis, and new developments
- Analysis of the company's strengths, weaknesses, and outlook
- Revenue estimates
- Analysis of the profile of the company's customer base including the company's targeting strategy and examples of current contracts
- Analysis of the company's offerings and key service components
- Analysis of the company's delivery organization including the location of delivery locations.

Contents

1.	Background
2.	Revenue Summary
3.	Key Offerings
4.	Delivery Capability and Partnerships
5.	Target Markets
6.	Strategy
7.	Strengths & Challenges
	7.1 Strengths
	7.2 Challenges
8.	Outlook

Report Length

11 pages

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Next Generation Payroll Services Vendor Assessments also Available for:

Accountor
activpayroll
Adam HCM
ADP
Alight
Ascender
AscentHR
BDO
Ceridian
CloudPay
Excelity Global
Immedis
Infosys
Kronos
Neeyamo
NGA HR
OSV
OneView HR
Ramco
Safeguard Global
SD Worx
WNS
Zalaris