NEAT EVALUATION FOR ZELLIS:

Payroll Services

Market Segments: Digital Payroll Capability,
Extended Services Capability

Introduction

This is a custom report for Zellis presenting the findings of NelsonHall's 2024 NEAT vendor evaluation for *Payroll Services* in the *Digital Payroll Capability* and *Extended Services Capability* market segments. It contains the NEAT graphs of vendor performance, a summary vendor analysis of Zellis for payroll services, and the latest market analysis summary.

This NelsonHall Vendor Evaluation & Assessment Tool (NEAT) analyzes the performance of vendors offering payroll services. The NEAT tool allows strategic sourcing managers to assess the capability of vendors across a range of criteria and business situations and identify the best performing vendors with digital payroll capability, multi-country payroll capability, and extended HR capability.

Evaluating vendors on both their 'ability to deliver immediate benefit' and their 'ability to meet client future requirements', vendors are identified in one of four categories: Leaders, High Achievers, Innovators, and Major Players.

Vendors evaluated for this NEAT are: activpayroll, ADP, Ascent HR, CloudPay, Deel, isolved, Neeyamo, Papaya Global, Paybix, Paychex, PwC Consulting, Ramco Systems, Safeguard Global, SD Worx, Strada, TMF Group, UKG, Vistra, and Zellis.

Further explanation of the NEAT methodology is included at the end of the report.

NEAT Evaluation: Payroll Services
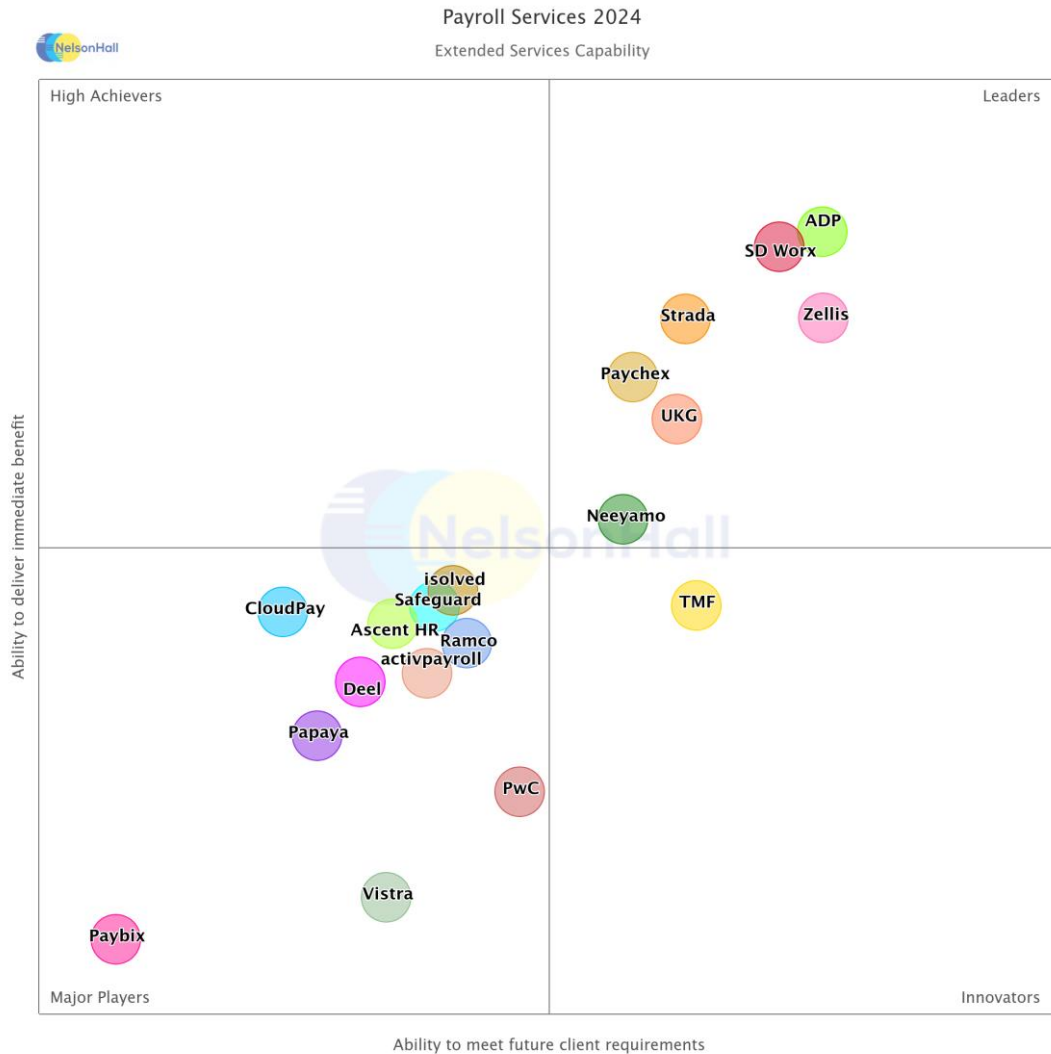# (Digital Payroll Capability)
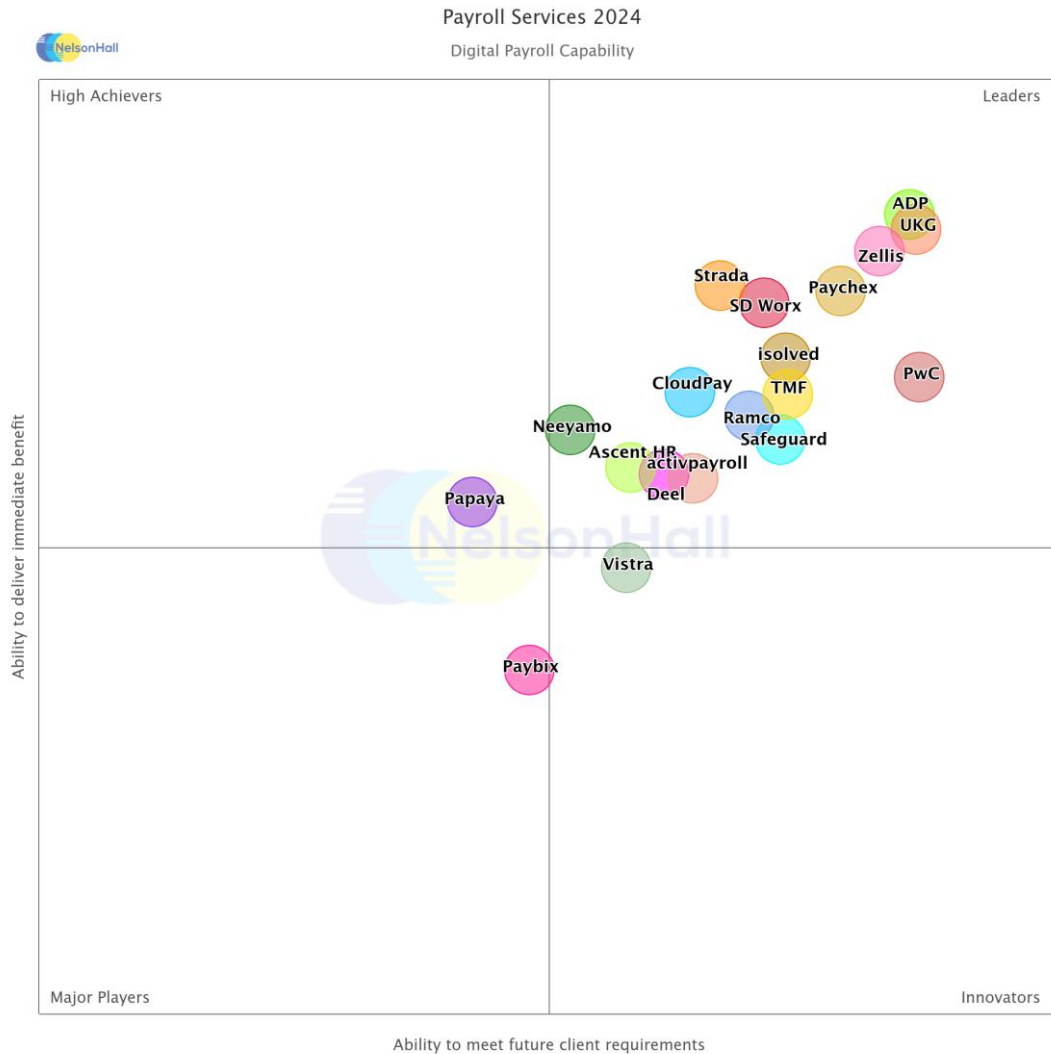
NelsonHall has identified Zellis as a Leader in the *Digital Payroll Capability* market segment, as shown in the NEAT graph. This market segment reflects Zellis' ability to meet future client requirements as well as delivering immediate benefits to its payroll services clients with specific capability in digitalizing and transforming payroll operations.

Leaders are vendors that exhibit both a high capability relative to their peers to deliver immediate benefit and a high capability relative to their peers to meet future client requirements.

Buy-side organizations can access the *Payroll Services* NEAT tool (*Digital Payroll Capability*) here.

NEAT Evaluation: Payroll Services
(Extended Services Capability)

Payroll Services 2024
Extended Services Capability

NelsonHall has identified Zellis as a Leader in the *Extended Services Capability* market segment, as shown in the NEAT graph. This market segment reflects Zellis' ability to meet future client requirements as well as delivering immediate benefits to clients looking for a payroll service supplemented by additional HR services.

Buy-side organizations can access the *Payroll Services* NEAT tool (*Extended Services Capability*) here.

Vendor Analysis Summary for Zellis

Overview

Zellis Holdings Limited (Zellis) is a U.K.-and-Irish provider of payroll and HR software and services, plus global benefits management software. Its strategic payroll proprietary platforms include:

- Zellis HCM Cloud and Zellis Payroll BPaaS – for HCM and payroll supporting both public and private sector organizations with more than 1k employees and up to 50k or more employees in the U.K. and Ireland markets

- Moorepay – HCM and payroll software and services designed for the SME market, organizations with less than 1k employees. Moorepay has ~4.8k clients.

Zellis has ~55 years of expertise in HR and payroll. It was founded in the U.K. as Peterborough Data Processing. The Zellis name was established in 2019 due to the divestiture of the NGA Human Resources U.K. and Ireland domestic payroll business, including its HCM and payroll platform, ResourceLink, and Moorepay. Bain Capital privately owned the organization, and in April 2024, Apax Partners LLP announced a definitive agreement to acquire the Zellis Group.

Zellis offers payroll services through a SaaS or managed services model, delivered through Zellis proprietary technology, supported by transformation consultancy, HR and payroll expertise, and best practice payroll delivery. Specific payroll services include (with estimated client adoption rate):

- Zellis-led managed services (80% client adoption)

- Co-sourced managed service offering (10%)

- Custom services (10%).

Zellis processes ~65m payslips each year and pays ~5m client employees. The company has ~2.4k employees, with ~570 FTEs dedicated to its payroll and HR administration services based in the U.K. (~220 FTEs), Ireland (~45), and India (~300).

In June 2024, Zellis launched Zellis HCM AIR, a major product upgrade that deploys AI and introduces real-time payroll calculation for enhanced functionality and user experience.

Financials

For FY 2023, ending 30 April 2024, Zellis reported revenues of GBP £226.6m (approx. $283.2m), up 12.5%.

NelsonHall estimates Zellis' payroll service revenues by region are 95% U.K., 5% Ireland.

Strengths

- Long history (>55 years), deep expertise, and capability to provide a highly resilient and fully-managed payroll service, scalable to support clients of all sizes, including significant flexibility to support complex client needs

- Innovation in driving more flexible payroll processes; for example, the removal of cut-off dates

- Significant U.K. capability, paying around one in every six working people in the U.K.

- Offers a flexible, fully-managed payroll service, including gainshare options, flexible SLA, and payroll contact center for employee payroll inquiries to support the needs of SME organizations, as well as large complex organizations

- Offers a cloud platform for fully integrated solutions for processing payroll with the ability to extend to HCM capability

- Industry-specific accelerators for onboarding

- Payroll benchmarks are offered through its Payroll Insights product, including monthly trend analysis by payment types, such as net pay, gross pay, overtime, bonus, mileage, underpayments, overpayments, expenses, and pension

- Ability to partner for change management

- Strong commitment to driving greater AI, including automated payroll anomaly management through its technology to support improved accuracy and efficiency.

Challenges

- Heavy reliance on multiple platforms to process payrolls; however, this is expected to diminish over time as it rolls out its Zellis HCM AIR

- Lack of adoption of its virtual agent offering with limited experience of warm hand-offs to live agents

- Some of the ratings of its mobile app functions have room for improvement; MyView (for Zellis HCM Cloud) is currently rated 2.3 on Google Play and 3.4 on the Apple Store

- Whilst some of the very large Zellis clients have custom solutions, innovations are more difficult to scale across clients

- Payslip functionality is limited but is on the roadmap for improvement.

Strategic Direction

Zellis plans to attract new buyers by investing in digital transformation to drive a high-quality service. Core to its business growth is developing its payroll services using AI to enhance efficiency and accuracy and support its help desk services.

Zellis looks to attract new clients by focusing on the end-to-end pay process experience and reinventing how payroll is processed through its continuous calculation capability. In this mode, there is no concept of a payroll cut-off date.

Looking ahead, Zellis plans to:

- Deploy Zellis HCM AIR to new and existing clients, supported by its customer experience methodology

- Enable its managed service AIR proposition in addition to the Zellis HCM AIR technology assisted by Zellis Portal to offer enhanced service levels leveraging the ServiceNow platform and bringing actionable service insights

- Further develop the most common payroll anomalies into the Zellis HCM AIR platform to enhance the number of automated payroll validations, e.g., duplicate payment details

- Further develop the user experience of Zellis HCM AIR on the MyView App for HCM functionality.

Outlook

2023 and the first half of 2024 have been pivotal years for Zellis as it released its next-generation Cloud AIR platform, which offers a continuous payroll calculation engine and AI-enabled features such as anomaly detection for the U.K. and Irish markets. NelsonHall expects Zellis to achieve double-digit growth over 2024 as its solutions bring a differentiated process to the U.K. market, which will likely be attractive to organizations of all sizes.

NelsonHall expects Zellis to focus on organic revenue growth and achieve revenue growth of 12-17% over the calendar year 2024.

Payroll Services Market Summary

Overview

Today's payroll services have the capability for real-time processing, faster cycle times, and error-free and integrated experiences with flexible payments, where users are aided by GenAI-embedded conversational tools.

The payroll services market is broadly driven by buyer needs to achieve improved accuracy and compliance, primarily removing risk of manual errors as well as helping to navigate changing legislation through improved anomaly detection.

Organizations looking to transform payroll are driven by the need to digitalize, consolidate and scale services across their enterprise, often beyond a single country, to bring efficiency gains and improved experiences, as well as supporting agility, resiliency and business change.

The multi-country payroll market continues to outgrow domestic payroll markets by ~2.5x. Growth is driven by net new multi-country buyers and underpinned by the expanding needs of existing buyers. The majority of vendors offering multi-country services continue to invest in in-house direct delivery once they have scale, rather than relying on local partners.

Vendors are investing in major technology upgrades and replatforming projects to better support advanced insights, analytics, integrations and faster processing. Vendors' global payroll delivery is expected to radically change as GenAI use cases continue to be applied to the process and as the market matures and consolidates to better support multi-country needs.

Looking ahead, NelsonHall expects the payroll function will become a more dynamic and more 'front-of-house' function, with customer and employee feedback sentiment and surveys being increasingly used as key metrics to evaluate the service. Payroll service integrations into HR platforms will become deeper and the service will be evaluated on more sophisticated criteria (e.g., first-time resolution) than just metrics relating to payroll accuracy and timeliness, although these will remain core.

Payroll simulations will be offered to corporate functions as well as employees, helping fine-tune budgets and cashflows.

Payroll service SLAs will increasingly be integrated within payroll technologies. HCM and payroll technologies will become even more integrated, where payroll processes can be fully initiated from within HCM technologies.

Mobile application delivery is key for payroll, and these will offer enhanced security features such as 2FA.

GenAI solutions will increasingly be used to support payroll processes in the following areas:

- Payroll calculation engines, through analysis of legislation and standard practices

- Documentation and configuration (including mapping of wage types) of customer payroll rules and parameters based on reading payroll results. For instance, creating and updating policy handbooks based on system configuration and vice versa

- Coding and testing automation

- Case management, communications, and query management, incorporating relevant policies and legislation.

Buy-Side Dynamics

The top five drivers for buyers looking to reinvent payroll services are:

- Modernization of payroll technology and integration with newly adopted HCM platforms

- Transformation and digitalization of the payroll function to support continuity, agility, and greater operational efficiencies

- Mobile enablement for digital employee experiences

- Consolidating payroll to a single integrated solution, modernizing reporting, and analytics

- Professionalization of operations, with guaranteed service levels.

The top five vendor selection criteria used by buyers of payroll services are:

- Level of compliance support and self-service compliance tools

- Experience integrating technology similar to that in the buyer's own organization

- Ability to offer a managed payroll service

- Visibility of the platform's TCO and ease of configuration

- Ability to offer multi-country payroll services.

Market Size & Growth

NelsonHall estimates the global payroll services market to be worth ~$29.5bn in 2024, growing at ~5.9% CAAGR to reach ~$39.4bn by 2029.

Challenges & Success Factors

Key challenges faced by payroll service providers include:

- Buyers lacking a defined payroll strategy, with payroll often treated as the afterthought of HR transformation

- Meeting buyer pricing expectations

- Lack of buyer organizational readiness to undertake transformation.

Key success factors for payroll service providers include:

- Strong controls and compliance processes to ensure timely and accurate payroll results and strong execution for each country in scope

- Speed to market of digital technologies to support greater payroll efficiencies and faster payroll cycles while also minimizing human errors

- For global payroll providers, providing global quality oversight of all countries and assigning strong governance and improvement plans where there are underperforming countries in local regions to ensure the same quality of service across all countries, whether operated through in-house payroll delivery teams or through partners.

Outlook

Over the next five years, NelsonHall expects:

- The payroll services market to grow at ~5.9% CAAGR, driven by the need to modernize technology, typically as a result of integration needs with newly adopted HCM platforms

- The mid-market will remain the largest adopter

- Multi-country service adoption will continue to outpace single-country adoption as organizations see their corporate footprints expand to support growth

- Highly localized managed payroll service capabilities and in-country expertise will be favored over heavy offshore delivery models

- Vendors will seek to differentiate through complementary services such as financial wellness, expenses, time, payment options and benefits

- Formal payroll API marketplaces and a broad range of curated complementary third-party solutions will be standard in payroll offerings

- Continued development of modern payroll platforms (tech and services) with a flexible delivery model to meet changing buyer needs.

NEAT Methodology for Payroll Services

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 future client 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 1, 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 future client requirements' assessment is based on the criteria shown in Exhibit 2, 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 capability relative to their peers to deliver immediate benefit and a high capability relative to their peers to meet future client requirements

- **High Achievers**: vendors that exhibit a high capability relative to their peers to deliver immediate benefit but have scope to enhance their ability to meet future client requirements

- **Innovators**: vendors that exhibit a high capability relative to their peers to meet future client 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.

Note that, to ensure maximum value to buy-side users (typically strategic sourcing managers), vendor participation in NelsonHall NEAT evaluations is free of charge and all key vendors are invited to participate at the outset of the project.

Exhibit 1

'Ability to deliver immediate benefit': Assessment criteria

Assessment Category	Assessment Criteria
Offering	Reinvented payroll and payment process offerings
	Breadth of payroll services offerings
	Digital payroll service enablement
	Payroll analytics, dashboard and benchmark offering
	Multi-country payroll offering
	Ability to offer HR complementary services
	Payroll technology
	Integrated HCM/Payroll proprietary technology offering
	Enables existing investments in integrated HCM/payroll platforms
	Payroll platform interface offering to third party HCM platforms and applications
Delivery	Compliance support with digital job aids and digital co-pilots
	Client engagement model maturity
	Extent and maturity of digital HR/payroll enablers
	Capability to support industry-specific solutions
	Robustness of delivery architecture
	Third party partner program maturity
Presence	Overall
	Multi-country
	Large/enterprise market (>15K employees)
	Mid-sized market (500 -15K employees)
	Small market (< 500 employees)
	North America
	Latin America
	EMEA
	APAC
Benefits Achieved	Improved accuracy and timeliness
	Improved compliance and controls
	Improved experience
	Improved analytics and visibility of data
	Enhanced digital tools and frictionless processes
	Perceived value

Exhibit 2

'Ability to meet client future requirements': Assessment criteria

Assessment Category	Assessment Criteria
Investments	Payroll service offering roadmap
	Multi-country roadmap
	Automation, predictive analytics & AI and GenAI roadmap
	Extended Services
Service	Service culture
	Perception of payroll innovation
	Perception to advance digital services
	Caliber of personnel
	Agility and flexibility

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

Sales Inquiries

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

Guy Saunders at guy.saunders@nelson-hall.com

research.nelson-hall.com