

NEAT EVALUATION FOR MERCANS:

Payroll Services

Market Segment: Multi-Country Capability

Introduction

This is a custom report for Mercans presenting the findings of the NelsonHall NEAT vendor evaluation for *Payroll Services* in the *Multi-Country Capability* market segment. It contains the NEAT graph of vendor performance, a summary vendor analysis of Mercans 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 comprehensive payroll capability, digital payroll capability, and multi-country payroll capability.

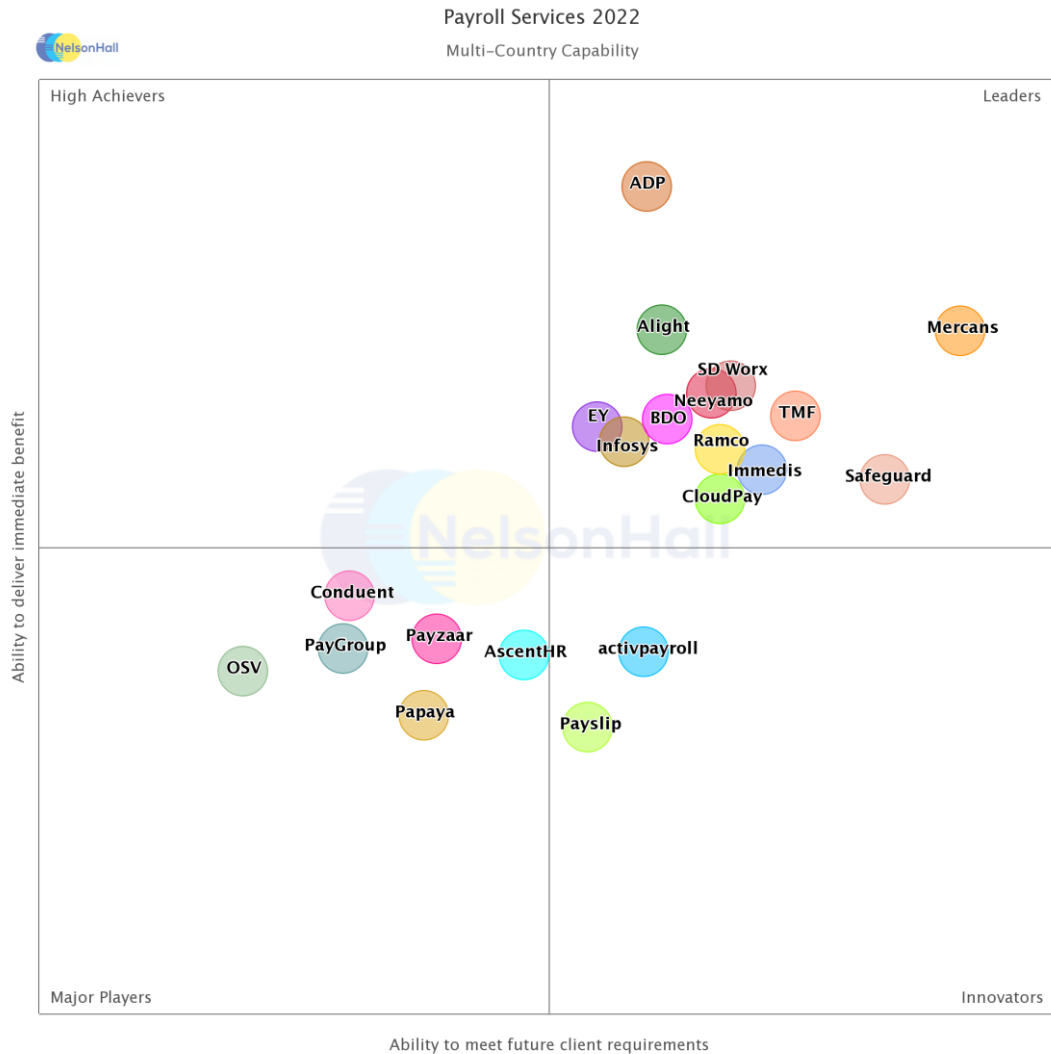
Evaluating vendors on both their 'ability to deliver immediate benefit' and their 'ability to meet client future requirements', vendors are identified in one of four categories: Leaders, High Achievers, Innovators, and Major Players.

Vendors evaluated for this NEAT are: activpayroll, ADP, Alight Solutions, AscentHR, BDO, CloudPay, Conduent, EY, Immedis, Infosys, isolved, Mercans, Neeymo, OneSource Virtual, Papaya Global, Paychex, PayGroup, Payslip, Payzaar, Ramco Systems, Safeguard Global, SD Worx, TMF Group, and UKG.

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



NEAT Evaluation: Payroll Services (Multi-Country Capability)



NelsonHall has identified Mercans as a Leader in the *Multi-Country Capability* market segment, as shown in the NEAT graph. This market segment reflects Mercans’ ability to meet future client requirements as well as delivering immediate benefits to its payroll services clients with specific capability around multi-country 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 (*Multi-Country Capability*) [here](#).



Vendor Analysis Summary for Mercans

Overview

Mercans is a technology-enabled payroll and managed payroll service provider. The company was founded in 2003 to address gaps in multi-country payroll services across the globe. In 2004, the company opened its office in Dubai to support Middle East expansions; later, in 2009, it expanded its operations to Latin America.

Mercans' service lines include:

- Employer of Record (EOR)
- Global Payroll Managed Services
- Software-as-a-Service for Payroll and HR Management: HR Blizz and Mesaar (recruitment)
- Global Mobility & Talent Management: recruit and supervise personnel worldwide
- BPO Services including:
 - Business set-up and logistics, including office spaces rental, bank formalities, activity licensing, HR and payroll, transportation; with total compliance with local tax & legal requirements
 - Administrative tasks and paperwork related to relocation and immigration procedures, including visas and work permits for ex-patriates
 - Front-Office: From government relations to accounting, secretarial and administrative services, and customer relationships management (CRM)
- Advisory & Compliance.

Since its inception, Mercans has developed proprietary tools and has two proprietary platforms, HR Blizz and Mesaar, which it uses for the delivery of all its services. Across all these lines of business, Mercans supports ~8,000 clients in ~160 countries. The company focuses on minimal use of subcontractors and third-party providers. It has ~850 employees.

Financials

Mercans is a privately held organization and does not publicly report its revenues. NelsonHall estimates for the calendar year ending December 31, 2021, that Mercans' managed payroll revenues were ~\$115.0m. NelsonHall estimates 2021 payroll services revenue by region as:

- North America, 35%
- EMEA, 30%
- APAC, 23%
- LATAM, 11%.



Strengths

- Substantial country coverage, supporting 160 countries with a broad multi-country managed payroll solution, including treasury services
- Experience and credibility with significant logo clients such as Accenture
- Minimal use of third-party payroll subcontractors, offering direct management to support service levels
- Broad functional capabilities, workflows, document management, case management
- SaaS (for SMEs) as well as a managed payroll service
- Local language capability with ~75% of countries supported by in-country payroll experts
- Government contracting experience to provide CAS, FAR knowledge & compliance
- Ability to support EOR as well as payroll services
- Well-established partnerships and HRIS integrations with SAP SuccessFactors, Ceridian, Workday, UKG, and Darwinbox
- Expanded information technology & cybersecurity services and broad industry and data security certifications, including ISO20000, ISO27001, SOC 1, SOC 2, and OWASP ASVS 3.0 with geofencing for Russia and China infrastructure.

Challenges

- Limited capability to support add-on services such as skills, talent, and learning functionality. However, this is offered through partnerships and integrations with third-party HCM platforms
- Some HCM partners may consider the Mercans HCM functionality competitive. Several HCM software providers have recently acquired global managed payroll providers, so partnership opportunities could be more limited
- Lack of a mobile app offering.

Strategic Direction

Mercans plans to enhance its cloud-based HR Blizz platform to attract multi-country payroll buyers with the strategic approach that payroll is a technology industry and the future is payroll on demand. Payroll on demand is Mercans' future strategic ambition, whereby payroll is no longer calendarized but could be initiated by the client at any time.

Mercans, over the next 12 months, will focus on digitizing with the following themes:

- Developing HCM technology channel partners to support growth in the SMB segment with a joint go-to-market HCM-global payroll offering. It already has HCM partners with UKG, Darwinbox, and other leading HCM players



- Automated and digitized HR outsourcing and managed payroll processes to increase operational efficiency and data security. Mercans looks to differentiate by offering a single payroll technology to support processing across 160 country payrolls. This enables a more simplified HCM/payroll integration and a simplified technology landscape, better able to support business changes and growth. Mercans' Global Payroll technology platform is agnostic to clients' chosen HCM platform. The Mercans Global Payroll offering can be enabled on any HCM platform to support a payroll engine with a single deep integration model.

Data analytics, reporting, and dashboards are part of the standard offering and are enhanced regularly.

Outlook

Mercans is well-positioned for growth in 2022. As its SaaS offering matures, NelsonHall expects it to develop this offering to support larger mid-market sized organizations, attracting a broader spectrum of clients than just those looking for managed payroll services. Further, its growth trajectory is expected to be accelerated, where it can develop more channel partners with a broader network of HCM providers and complement them with HR Blizz.

Mercans is expected to keep its local presence delivery approach and ongoing roadmap enhancements within the HR Blizz platform supporting payments and payroll on demand. It is expected to maintain a high level of client interest.

NelsonHall expects Mercans to achieve revenue growth for its payroll services of ~40% in 2022.

Payroll Services Market Summary

Overview

With inflation and cost of living challenges gripping the world, the effectiveness and accuracy of payroll processes are again in the spotlight and no organization can afford payroll errors. Furthermore, business leaders are laser focused on the visibility of payroll costs, and accuracy and compliance are top of the agenda.

Payroll is increasingly required to support mobility processes through onboarding new employees in far-flung locations. Vendors' global payroll delivery expansions are being enabled through onshore locations as buyers seek deep localized expertise and support capability.

The global marketplace for payroll service providers is a complex web with many subcontractor and partnership arrangements that enable providers to extend service offerings to additional countries. EOR vendors are investing heavily in the creation of payroll engines to one platform from which they now offer global payroll services for an even longer list of countries.

The global payroll market has traditionally been heavily dominated by vendors who offer managed services, and SaaS-type global payroll offerings are emerging where buyers are not required to change local payroll vendors to support a global service delivery model.

Integration to HCM technology is essential in delivering a touchless and accurate service. Global payroll vendors are often filling white spaces to meet payroll data entry and HR needs, and supporting this through mobile data entry.

Mobile advancements are being made, offering greater access to information including self-explaining payslips, investments in pay card and earned wage access offerings.

Buy-Side Dynamics

The top 5 drivers for payroll service transformation include:

- Increased efficiency, quality and employee satisfaction
- Supporting business change
- The payroll function is evolving and becoming more strategic
- Evolving technical landscape
- With legislation changes so frequent, the service provider needs to be ready to implement such changes with modern technology.

The top 5 payroll transformation initiatives are:

- Improving payroll data entry, interfaces and the experience
- Acquisition integration
- Reporting and analytics
- Vendor consolidation
- Replacing on-premise systems.



The top 5 vendor selection criteria sought from buyers of payroll services are:

- Integration experience with technology similar to the organization's
- Advanced analytic reporting capability, dashboards and decision support
- Total cost of ownership of the platform and ease of configuration to support changing needs
- Level of pre-configuration tools offered and speed to deployment
- Ability to offer multi-country payroll services.

Market Size & Growth

NelsonHall estimates the global standalone payroll services market to be worth ~\$22.2bn in 2021, with growth driven by the need to support business change, consolidate and upgrade technology and/or vendors and digitalize processes whilst providing a rich employee experience.

The growth of multi-country service adoption is currently outpacing single country adoption ~4x and being driven by the demand to support a common operating model and greater control of payroll processes globally.

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:

- Delivering on compliance and quality
- Improving the user experience, inclusive of an omnichannel support model, dedicated account managers, and underpinned by a proactive client engagement model focused on client satisfaction, value creation, partnership, and recurring revenue retention
- Delivering advanced analytics.

Outlook

Over the next five years, NelsonHall expects:

- The standalone payroll services market to grow at ~4.2% CAAGR, reaching ~\$27.5bn by 2026, driven by improving efficiencies from digitalization
- The mid-market buyer will remain the largest adopter
- Multi-country service adoption growth will continue to outpace single country adoption as organizations see their footprints pulled to new countries of operations, as work from home/anywhere and globally-source talent are normalized in the workforce



- Highly localized managed payroll service capabilities and in-country expertise will be favored over heavy offshore delivery models, as vendors seek to differentiate through richer services powered by technology
- Formal payroll API marketplaces and a broad range of curated complementary third-party solutions, will be standard in payroll offerings, particularly as they relate to benefits, financial wellness and financial services offerings
- Long-term success in the payroll services space will require a modern platform-based offering (tech and services), with a flexible delivery model that can meet the needs of the changing business environment.



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 client future 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 client future 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 |
|---------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Offerings | <ul style="list-style-type: none"> Breadth of payroll services offerings Payroll analytics, dashboard and benchmark offering Digital payroll service enablement Multi-country payroll offering Ability to offer HR complementary services Payroll technology Integrated HCM/Payroll proprietary technology offering Payroll offering enables existing investments in integrated HCM/payroll platforms Payroll platform interface offering to third party HCM platforms and applications |
| Delivery | <ul style="list-style-type: none"> Client engagement model maturity Extent and maturity of digital HR/payroll enablers Payroll compliance maturity Third party partner program maturity Robustness of technical architecture |
| Presence & Scale | <ul style="list-style-type: none"> Overall scale based on number of clients/client employees supported Multi-country payroll client base and employees supported Large/enterprise client/employee presence (>15K employees) Mid-sized client/employee presence (500 -15K employees) Small business client/employee presence (< 500 employees) Client/employee presence in North America Client/employee presence in Latin America Client/employee presence in EMEA Client/employee presence in APAC |
| Benefits Achieved | <ul style="list-style-type: none"> Improved accuracy and timeliness of payroll results Improved compliance and payroll controls Improved employee 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 |
|---------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Service Culture | Service culture Perception of proactive payroll innovation Perception of improving digital services Calibre of personnel Agility and flexibility |
| Investments | Perception of level of investments in payroll service offerings Perception of commitment and investments in automation, analytics & AI Perception of commitment and investments in multi-country payroll offerings |

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:
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