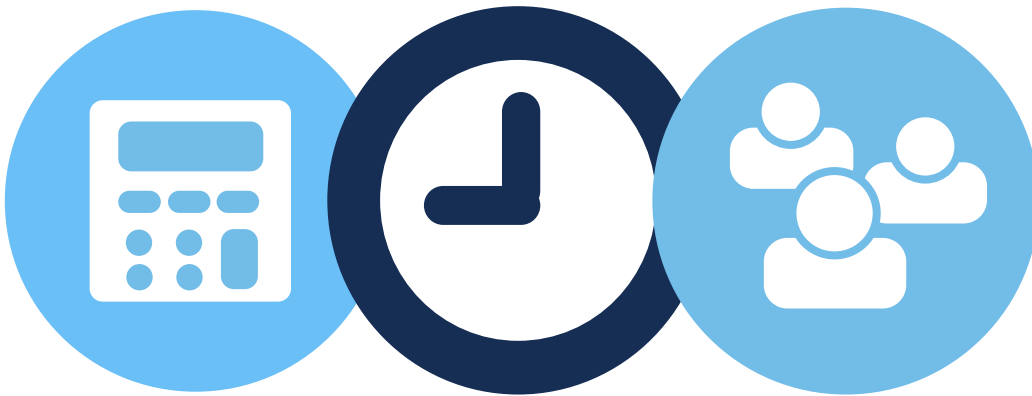

Why NOW is the Best Time TO BE IN THE PAYROLL INDUSTRY

An Apex Research Series



This white paper outlines why now is a great time to be in the payroll industry. Economic data, technology advancements, and the expansion of human capital management services, indicate that the payroll industry stands ready for exceptional growth.

WHY NOW IS THE BEST TIME TO BE IN THE PAYROLL INDUSTRY

Executive Summary	4
Part I: US Economic Growth Benefits the Payroll Industry	5
Part II: Cloud Technology Benefits the Payroll Industry	6
Part III: HCM Trends Benefit the Payroll Industry	9
Conclusion: Our Industry is Changing FOMO	13
About Us	15

THE INDUSTRY

The payroll services industry has grown significantly over the last several years, due in part to the growth of cloud-based technology platforms, the expansion of human capital management services, and the outsourcing trend from in-house payroll to third party payroll vendors. This entrepreneurial growth will no doubt open great opportunity for many payroll providers to grow their client base and revenue. Moreover, with ever growing complexity of payroll regulations and taxation, local, state, and federal, third party payroll vendors will capitalize on companies seeking alternative solutions to provide an easier, more seamless, outsourced payroll experience. In addition, companies are seeking an all-in-one software experience, for providing ancillary HR and HCM services, once again creating the opportunity to drive revenue growth. Service bureaus must act now to catch this new technology wave and capture new clients. **As the HCM movement grows, payroll service providers will realize the opportunity to expand into new territories in the Human Resource sector.** Doing so will allow companies to provide a larger set of financial solutions, all integrated in the desired all-in-one suite product of payroll and human capital management (HCM) services.

Part I: US Economic Growth Benefits the Payroll Industry

The Barnes Economic Industry report shows the number of US businesses will grow 2.4% next year, which is the highest it's been in 4 years.

As the number of businesses in the United States grows each year, the payroll industry's customer base grows as well. In 2015 an IBM market applications and software study showed the Global Human Capital Management industry generated over \$15 billion in license, maintenance and cloud subscription revenues; by 2020 IBM predicts that number to grow to \$19 billion. Some believe IBM's forecast is far too conservative given the growing trends of businesses subcontracting back-office administrative activities, such as payroll and broader Human Resource functions. Businesses today increasingly prefer to outsource non-core, business tasks in order to focus on their product and clients and to take advantage of strengthening economic conditions. Kiplinger reports that business investment, ie hiring, will rise 3%-4% in 2017 through 2018 compared to flat business sector spending in 2015-2016. The outsourcing trend, coupled with an expansion of employment hiring, provides a two pronged economic growth situation for payroll service providers.

Part II: US Cloud Technology Benefits the Payroll Industry

Over the last several years even those not IT savvy now recognize that cloud-based technology is the dawn of a new era. Tablets and smart watches can now seamlessly sync to athletic gadgets and phone accessories, medical devices that share real time data with doctors and healthcare providers, and Netflix binges can be seen on just about every device. This illustrates in the most unambiguous way the reach of the Cloud, and how cloud-computing technology now weaves itself into many aspects of our daily lives.

Similarly, cloud technology now penetrates into the payroll industry.

A recent Intuit study showed that in 2014 almost 40% of small businesses had fully adapted to cloud computing, and by 2020 that number will double to 80% of the country's small business segment.

Cloud computing enables organizations to shed non-core tasks and focus more on their core business, concentrating on product development, service delivery and customer acquisition.



Cloud technology also allows companies to scale the business needs seamlessly as they grow, instead of constantly purchasing new hardware or expensive software. “Instead of spending time and effort on the nuts-and-bolts of finance, or marketing and human resources, cloud-adapted small business will plug into cloud-based providers who deliver comprehensive, tailored solutions, giving small business operators the ability to focus on mission-critical areas of business.” – Emergent Research, for Intuit. Unconstrained capacity offers organizations this kind of flexibility and scalability, which is a huge selling point to organizations worried about the constant change.



Cloud computing fundamentally improves the agility of a business and reduces costs associated with time delays. Companies now invest in third party Human Capital Management services based on new features and capabilities that will replace existing costly legacy systems. Cloud technology will enable small business payroll service providers to compete head-to-head with major firms, utilizing the rising number of Human Capital Management platforms and plug-in services to reach markets once only accessible to large corporations.



“The Cloud is a game changer, not a fad or just a buzz word”

- Bask Iyer

Cloud based payroll software, also offers employees immediate access to information wherever they work or play given an internet connection. Instead of being restricted to a static workstation in the office, you can now review the information anywhere; a true expansion from the antiquated in-house payroll option. From a liability standpoint, organizations that use service bureaus do not need to worry about keeping up with continuing changes to payroll regulations, standardizations and legislation variations, because all that is handled within the cloud system itself.

From a cost standpoint, cloud computing enables no upfront capital expenditures and costs are realized incrementally, saving organizations money. Organizations taking advantage of Cloud offerings see direct savings in hardware, software, network management, and overall IT expenses. Service bureaus enabling clients to use third party hardware, IT systems, and software like this, also removes the responsibility to maintain those systems from the client to the service bureau, another selling point for many businesses. Most importantly, organizations only pay for what they use.

Given the success of the cloud in delivering consumer services, it seems a natural progression for this technology to now enter the business world, and specifically, the payroll industry. “The Cloud is a game changer, not a fad or just a buzz word . . . Cloud makes resources that were once limited to major enterprises not only accessible, but also affordable [to smaller businesses].” – Bask Iyer, CIO & Executive VP, Dell and VMware.

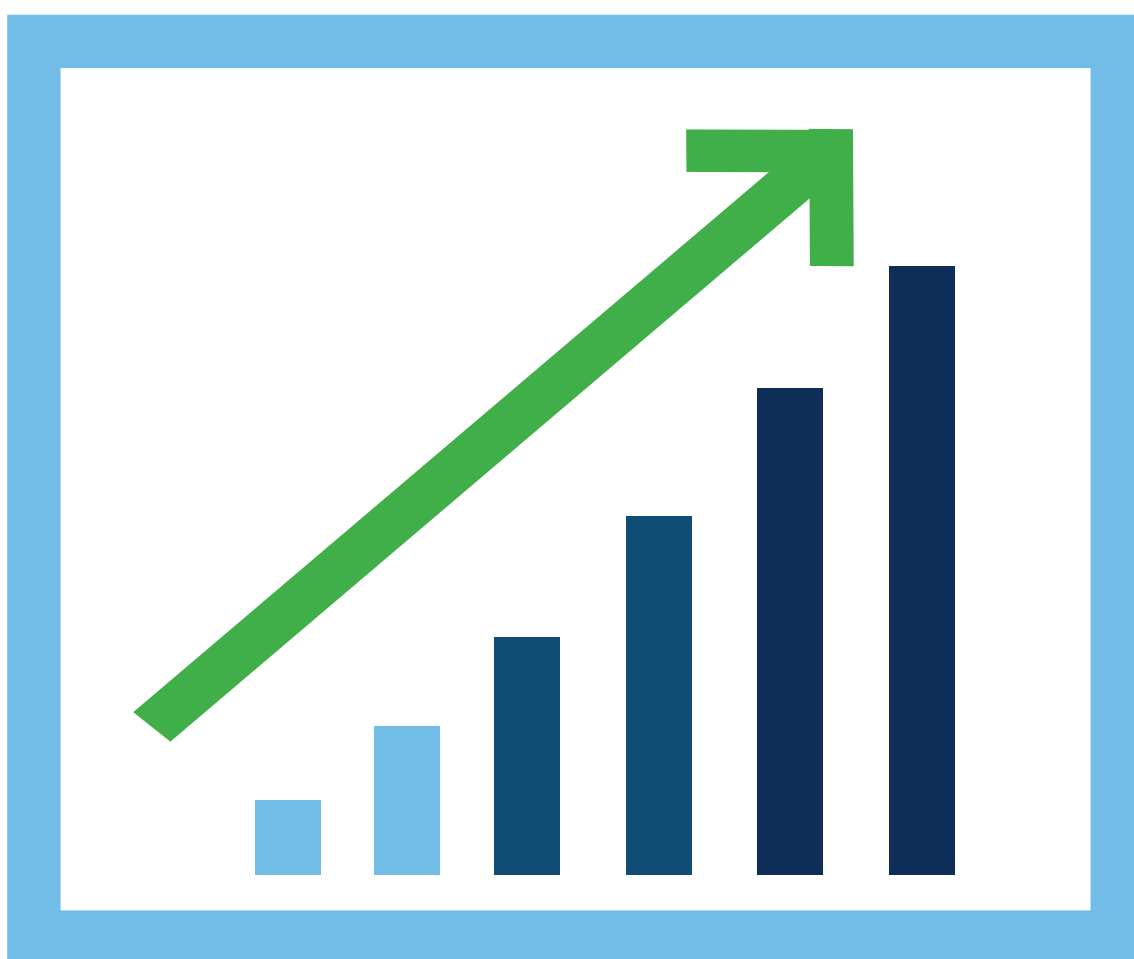
Part III: HCM Trends Benefits the Payroll Industry

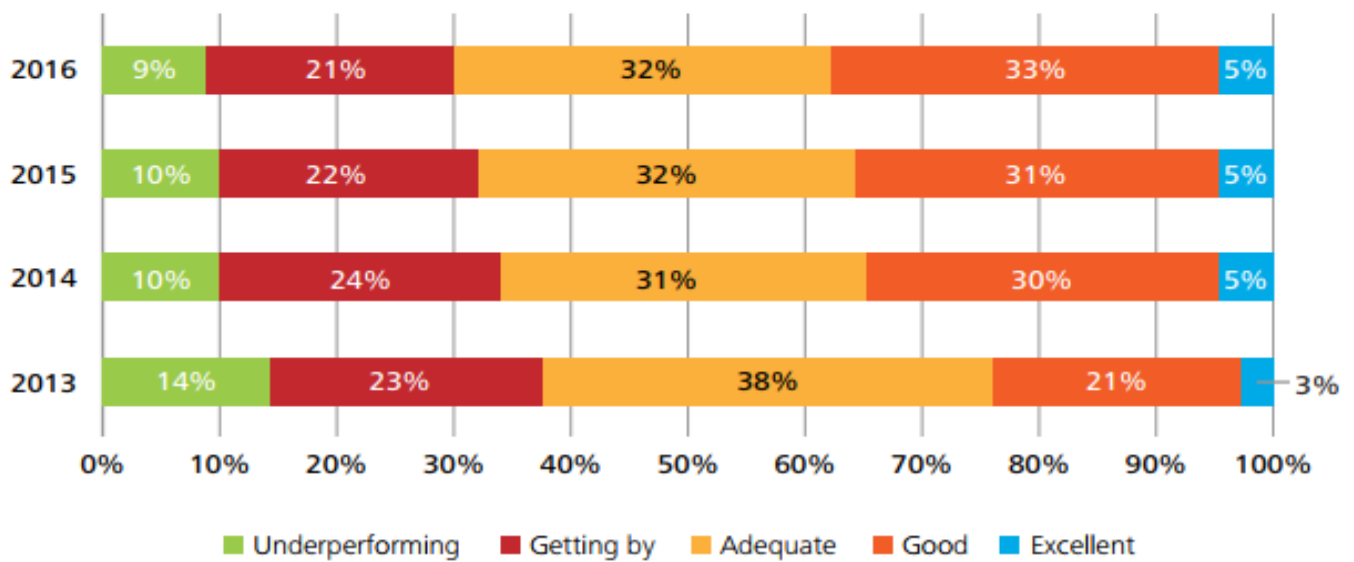
Human Capital Management is aligned into three major groups – **Workforce Acquisition, Workforce Management** and **Workforce Optimization**. Within those three segments are:

- talent acquisition,
- time and labor management,
- payroll
- HR information management
- talent management and forecasting
- benefits administration

The payroll software industry has operated over that last decade in just one small area of those segments; payroll. With the advancement of cloud computing, the industry as a whole is taking big strides to offer all-in-one services for clients. Amidst lowering unemployment in this country; **decreasing annually by an average of 0.75% for the last 5 years** according to the Bureau of Labor Statistics, coupled with a rapidly aging workforce, organizations are searching for the most effective technology solution for enhanced visibility into each stage of the Human Capital Management puzzle.

Given the growing pressure to acquire talent and retain talent in a low unemployment environment, HR executives at companies currently using antiquated in-house systems, will be challenged to succeed. Hence, a **growing trend of forward thinking HR executives** will seek out alternative cloud-based options to optimize a more seamless HR process.





Graphic: Deloitte University Press | DUPress.com

Business leaders often complain that HR is too administrative, bureaucratic and not innovative. According to a recent Deloitte poll however, that image is changing. The Human Resource field as a whole is becoming more focused on innovation, analytics, and the rapid adoption of cloud and mobile technologies to make the work experience better. In the graph above, you can see the growing trend of HR performance steadily improving over the past few years.

So what does this mean?

To get a better idea, let's breakdown what Human Resources actually covers for an organization. From hire to retire, HR owns some involvement in **every step** of that process. Focusing just on the beginning of the lifecycle, sourcing, recruiting and onboarding candidates, HR devotes effort to the marketing and promotion of new jobs created within a company. Applicant tracking and data forecasting have evolved with the use of cloud-computing technology, using real-time data to improve the accuracy of analytics used to make important and informed business decisions within an organization. Once an employee is hired, the life cycle moves to a more active role; day to day administration of benefits, compliance, payroll, pension and compensation.

Over the last several years trends are on the rise within the core HR competencies; turning away from a more service-provider outlook, and instead to a more employee-centered design structure. Building a better workforce for companies to rely on in the way of learning management systems, and implementation of value-centered culture, HR today is adapting to the new future of Human Capital Management. Accordingly, the 2017 HR Outsourcing Trends Survey conducted by PrismHR reported that **HR service providers grew revenue on average 27% in 2016**. This dramatic growth is predicted to continue and represents a real opportunity for payroll service bureaus that expand into HCM services.

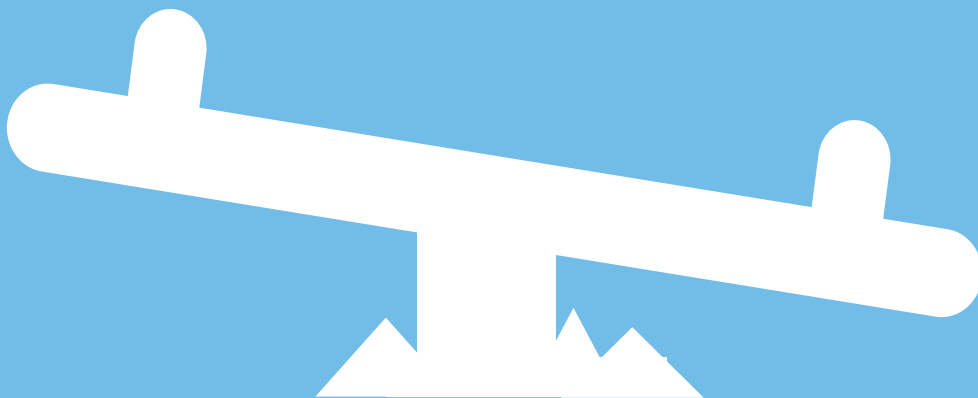
Conclusion: Our Industry is Changing FOMO



**Digital technologies are doing for human brainpower what the steam engine did for human muscle power during the Industrial Revolution”
- Andrew McAfee**

Harvard Business Review recently cited a contemporary change in our culture’s language; the new addition of “FOMO” to the Oxford Dictionary. The “Fear of Missing Out” has become a real point of anxiety in our culture, in part due to the rapidly evolving pace of the world and its technology, but also, because no one wants to be left behind. In this scenario, using a more corporate adaptation of FOMO might be more helpful: FOBO or, Fear of Becoming Obsolete. “Digital technologies are doing for human brainpower what the steam engine and related technologies did for human muscle power during the Industrial Revolution . . . allowing us to overcome many limitations rapidly and to open up new frontiers with unprecedented speed” stated Andrew McAfee, faculty members at the MIT Sloan School of Management. Failure to adapt to the ever changing technology advancement in our industry will cause some payroll business to perish in dust, much like what steam engines did to the decline and eventual disappearance of horsepower.

With the growth of cloud-computing, even small startups are on a more even playing field and can compete with larger established providers. Vendors can utilize the same tools larger payroll providers' use, since the most of these new cloud-based platforms allow for the option to only pay based on usage. **In the next five years leading into 2022, payroll and HCM services revenue is forecast to continue significant increase.** Companies in the payroll industry would be wise to leverage economic trends, cloud technology, and expanding HCM complexity to attract new customers. A revision of the words of Benjamin Franklin may be most applicable to the payroll industry, 'if your business fails to plan for the technology evolution, your business is planning to fail.' The advancements in new technology have increased the opportunities to avoid this, allowing vendors to create a seamless HCM process using their own ancillary products alongside verified and sustainable software applications, and to provide a one-stop-shop experience for their clients.



About Us:

Apex HCM provides a state-of-the-art software platform allowing our clients to take full advantage of the benefits cloud computing technology offers. We help organizations to escape the bindings of traditional software, including the hidden costs of protracted implementations. All the while we provide you the infrastructure and software without the worries of managing your infrastructure, data security, software upgrades, and everyday IT needs.

Apex HCM is a market leader in licensing cloud-based payroll, benefits and HR technology. Over 250 payroll service firms nationally use Apex's technology as the core of their business foundation. Their highly customizable and comprehensive suite of products and services include payroll & tax, time & attendance, benefits enrollment, ACA, human resources, mobile apps, reports & analytics, employee onboarding, applicant tracking and other business management tools normally reserved for large enterprises. Apex HCM's cutting-edge cloud-based software allows its customers to effectively compete feature for feature with larger established firms while dramatically improving their workforce productivity. For more information, please visit www.apexhcm.com or call 877-750-APEX (2739).

