2022 Overview of the Payroll Software Market

Presented by:
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In Partnership With:
NPFM

Agenda

1. **Intro to OutSail**

2. Payroll Software Market
    1. Types of Solutions
    2. Key Vendors

3. How To Buy Payroll Software
    1. Internal Alignment
    2. Vendor Shortlist
    3. Evaluations

4. Questions & Discussion

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OutSail's **free services** help businesses acquire the **right tools** to **move their organization's forward**

FOUNDED

2018 in Denver, CO

PIONEERED

HR Software broker model

PARTNERS

220+ software vendors

CLIENTS

600+ satisfied buyers

The Broker Model

OutSail receives a **referral commission** from any of our **220+ partners** when our clients make a **successful purchase**

- **Collaborative Shortlisting**
- **No Preferred Vendors**
- **No Hidden Fees**
- **Satisfaction Guarantee**

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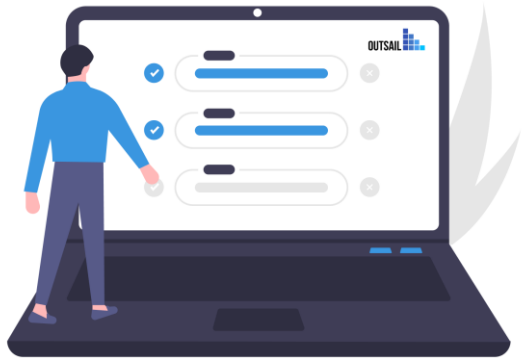
Payroll Vendor Landscape

What do payroll vendors provide?

Software

- Payroll processing – tax calculations, deductions & garnishments
- Custom-mapped general ledger files
- Benefits enrollment software
- Time collection and scheduling tools
- Performance and compensation management tools
- Digital employee onboarding
- Employee self-service



Services

- Tax filing support
- Software troubleshooting & training
- New state registrations
- Build integrations with other systems
- Compliance guidance and resources

Payroll Vendor Landscape

Why invest in Payroll Software & Services

Big Picture: Automate tedious work to free up strategic efforts

- Fewer errors
- Less manual data entry
- Automated tax filings
- Employee self-service
- Automatic state registrations
- Automated deductions
- Better reports
- Audit trails

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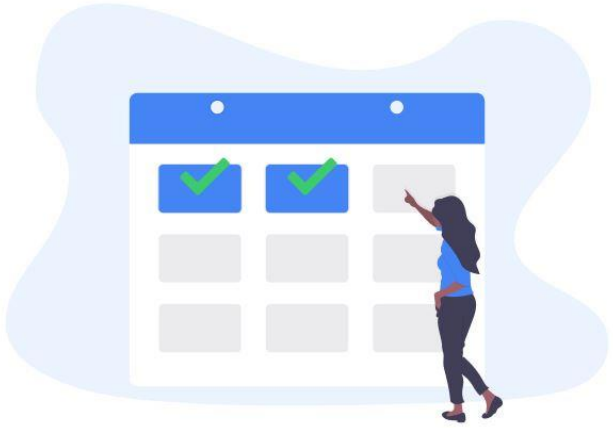
Payroll Vendor Landscape

The PEO (Professional Employers Organization) Model

Pros

- Bundle insurance, payroll and HR
- Cost savings and/or better plans for employee benefits
- Outsource HR and keep headcount lean
- Offload compliance management
- Outsource state registrations



Cons

- Inflexible
- Costly as you scale
- Benefit cost savings are becoming less & less
- Limited employee experience

Key Vendors

Vendors to know in the PEO space

Payroll Vendor Landscape

The Payroll Software Approach

Pros

- Typically low cost options
- Quickly automates the payroll processing workload
- Ready-made reports for accounting
- Many options for service models

Cons

- May require data entry from other systems
  - Benefits & time
- May not scale with your growing needs
- Limited employee self-service
- Doesn’t impact employee experience significantly

Key Vendors

Vendors to know in the payroll space

Payroll Vendor Landscape

The HRIS + Payroll Approach

Pros

- Highly scalable systems
- Bundle significant amounts of HR & Finance into one system
    - Performance, Recruiting, Onboarding, Benefits, Time, Compensation
- High degrees of employee self-service
- Highly defined employee experience

Cons

- Support is hit-or-miss with big firms
- Benefits and insurance are not bundled
- Compliance management falls on HR team

Key Vendors

Vendors to know in the HRIS + Payroll space

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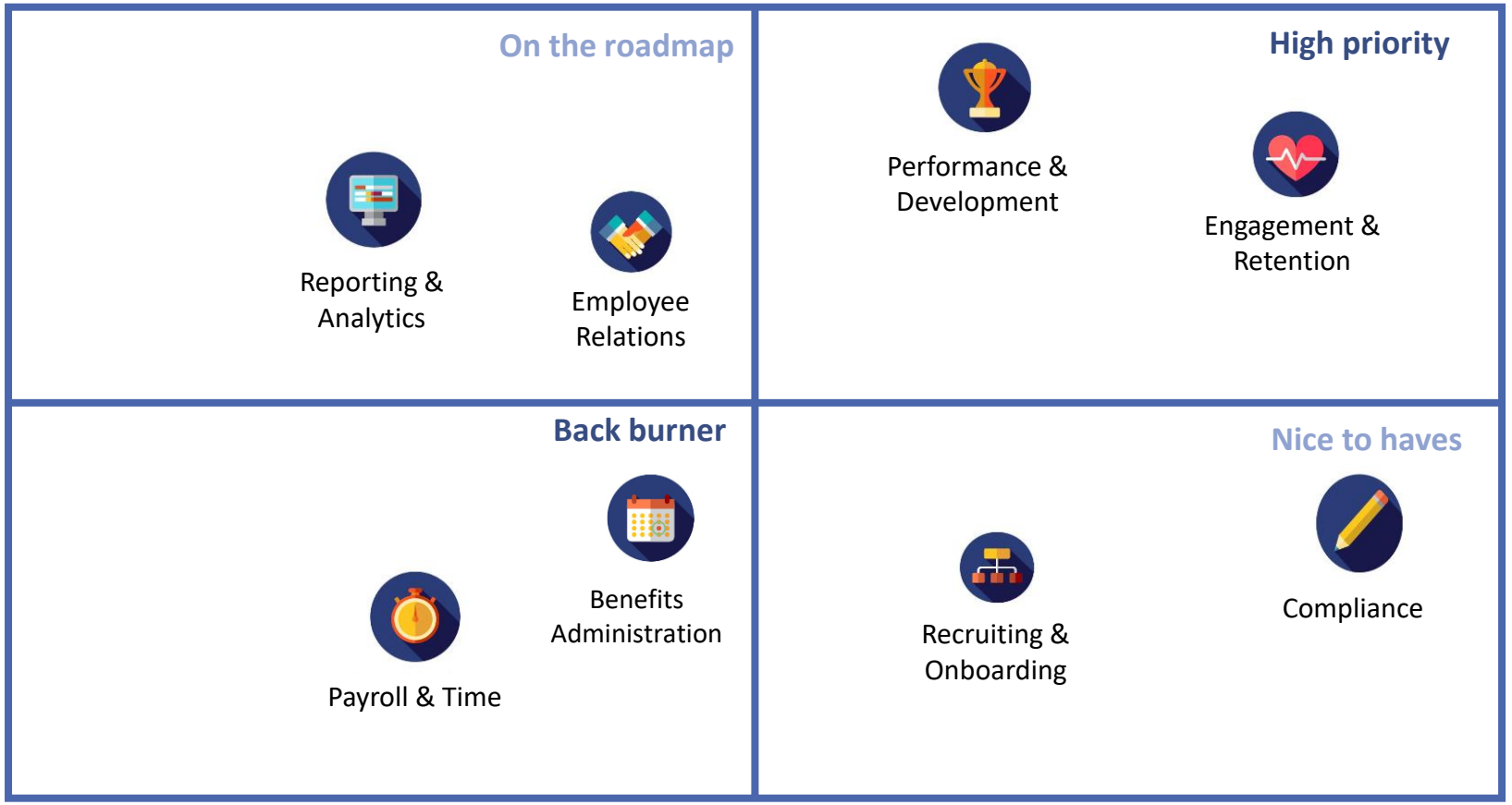
Alignment: Prioritization

Don’t try to boil the ocean; build a roadmap that works for you



Alignment: Build Consensus

Project Kick-Off meetings can get your key stakeholders together early on, and help build urgency

Project Manager

Involvement:

- On all calls and email chains
- Leads requirements building
- Leads shortlist review / finalist selections
- Leads vendor discovery and demo meetings
- Manages scorecard usage
- Leads vendor selection meeting

Project Influencer

Involvement:

- On some calls and email chains
- Participates in requirements building
- Participates in finalist selection
- Participates in some discovery and all demo calls
- Completes full scorecard after demos
- Participates in vendor selection meeting

Domain Owner

Involvement:

- On a few calls and email chains
- Contributes to requirements doc for their domain
- Participates in domain-specific aspects of demos
- Completes scorecard for domain-specific areas

Alignment: Secure Budget

Build a simple cost savings or ROI model; vendors will help refine later in the process

Opportunity: Company is experiencing moderately high turnover, including some high value employees leaving unexpectedly.

Benefits of addressing performance & engagement: Company can save $1.5M a year in turnover. Company can reduce turnover by identifying and rewarding high-performers and flight risks. see historical data on manager and employee quality. Company can become more aligned behind goals. The review and promotion process can become more standardized.

	Team Size	Attrition*	Average Salary	Cost of Attrition**
Without performance & engagement	210 employees	55 employees / year **(26%)**	$40K / year	$3.3M / year
With performance & engagement platform	210 employees	30 employees / year **(14%)**	$40K / year	$1.8M / year

*National averages for attrition are ~15%. Hospitality, retail and call centers are closer to 30%.
**Industry estimates are that it costs 1.5x salary to recruit, onboard and re-train a new hire

Alignment: Build Requirements

Focus on your high-level needs; don't lose the forest for the trees

Define 8-10 desired high-level outcomes

- Better reporting capabilities
- Lower cost of ownership
- Less manual processes and re-entry
- Better integrations with other systems
- Scalable with our future growth
- More employee utilization and self-service
- Capable of supporting us internationally

Make a list of key functional requirements

- Which modules are included in this purchase?
  - Payroll, HRIS, ATS, Onboarding, Time & Attendance, Ben Admin, Performance, Engagement, LMS
- Within each module, what key business processes need to be supported?

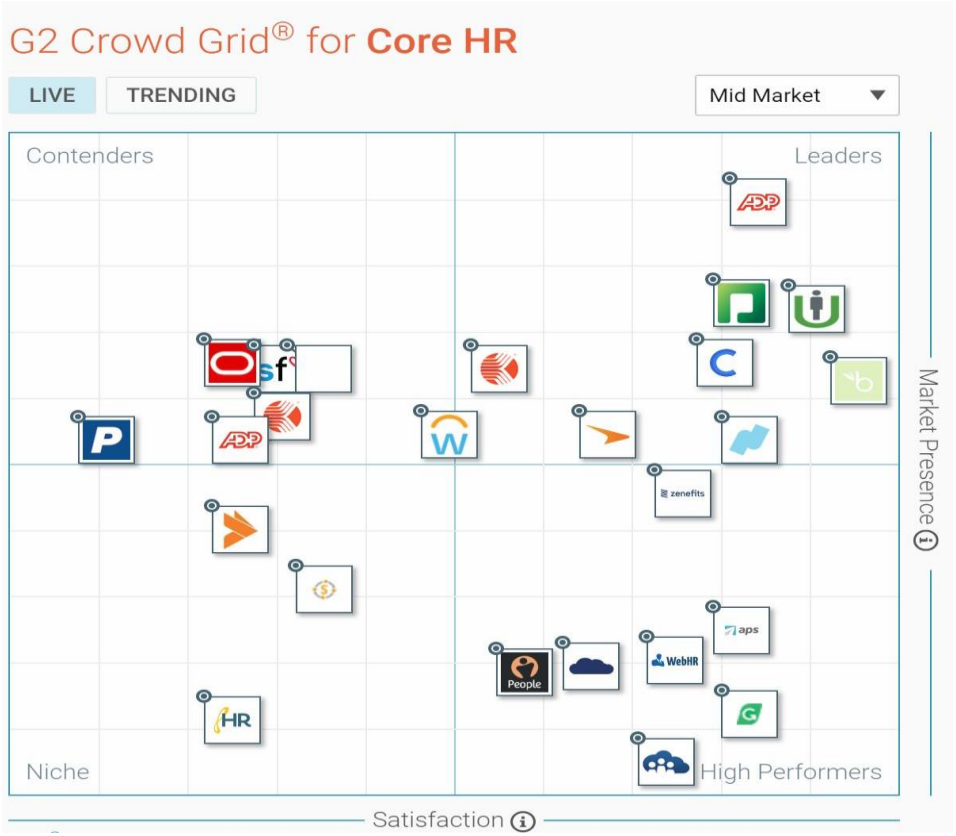
Shortlisting: Start Broad

Start compiling a vendor list by talking to colleagues, peers and searching online

Online websites like G2 and Capterra can help

- Don’t get too bogged down on ratings
- Focus on quantity of reviews & reviewer’s company size

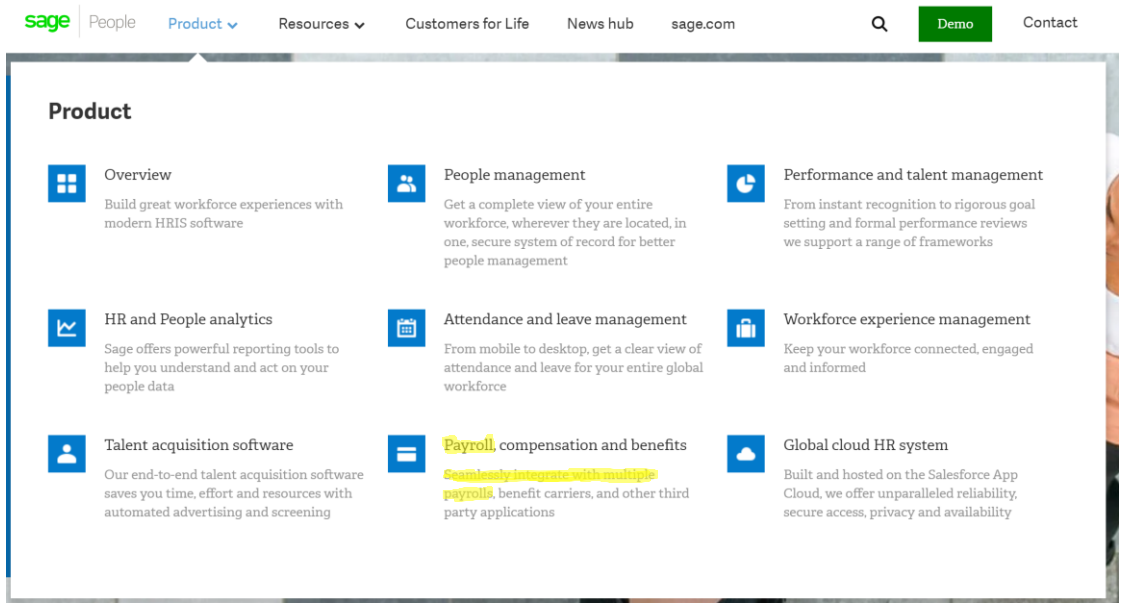
Getting input from colleagues can save extra work down the road



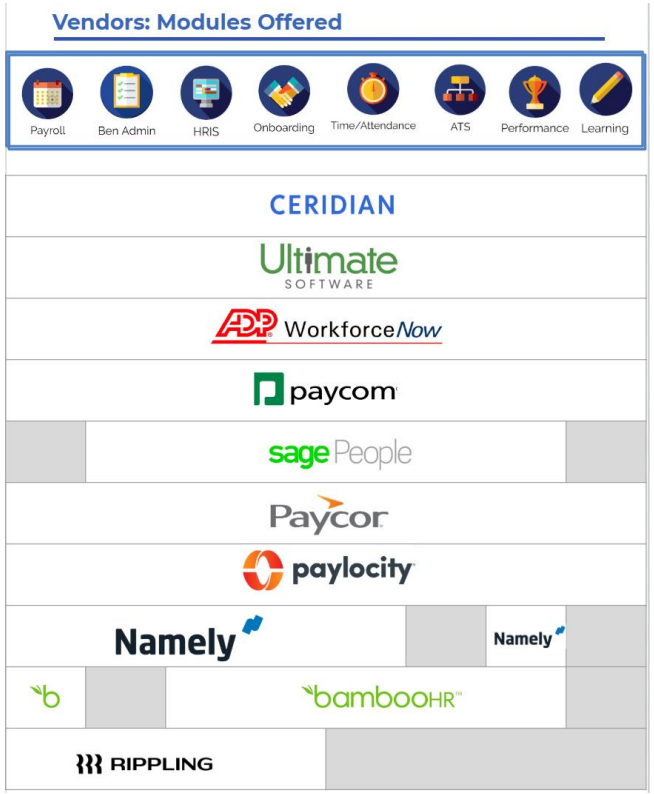
Shortlisting: Rule Out Quickly

Knockout Criteria #1: Missing Functionality

Visit Vendor Websites



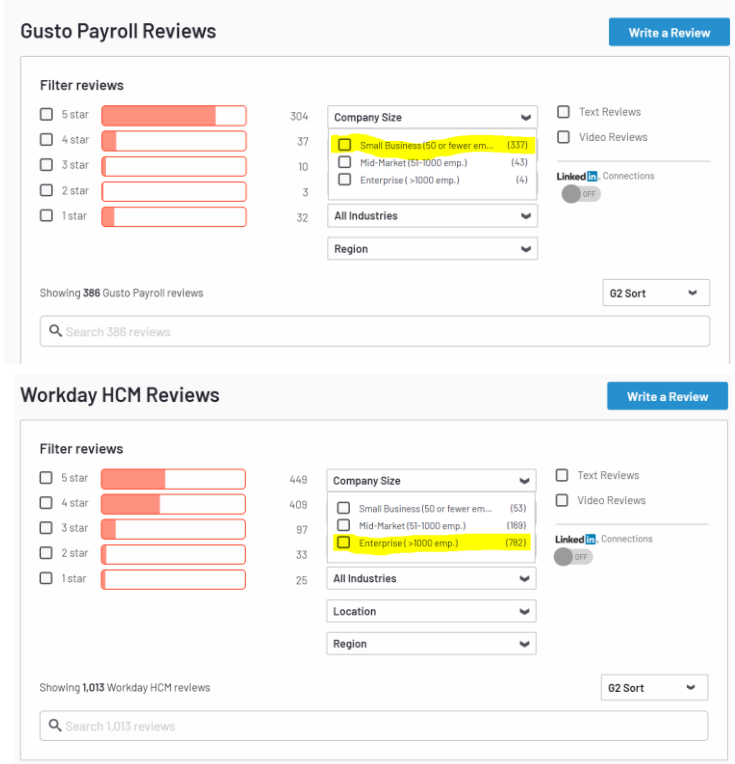
Ask OutSail for a vendor report



Shortlisting: Rule Out Quickly

Knockout Criteria #2: Size Match

Use software review websites, like G2



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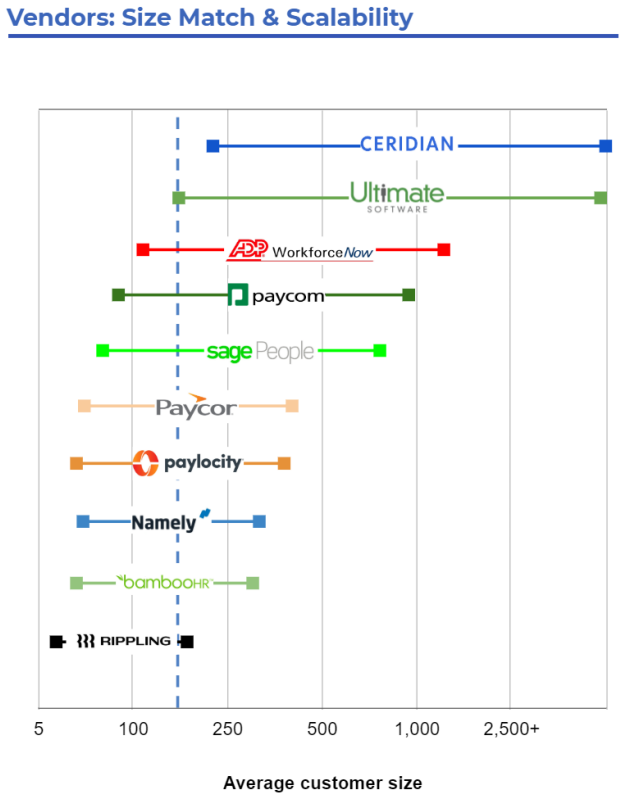
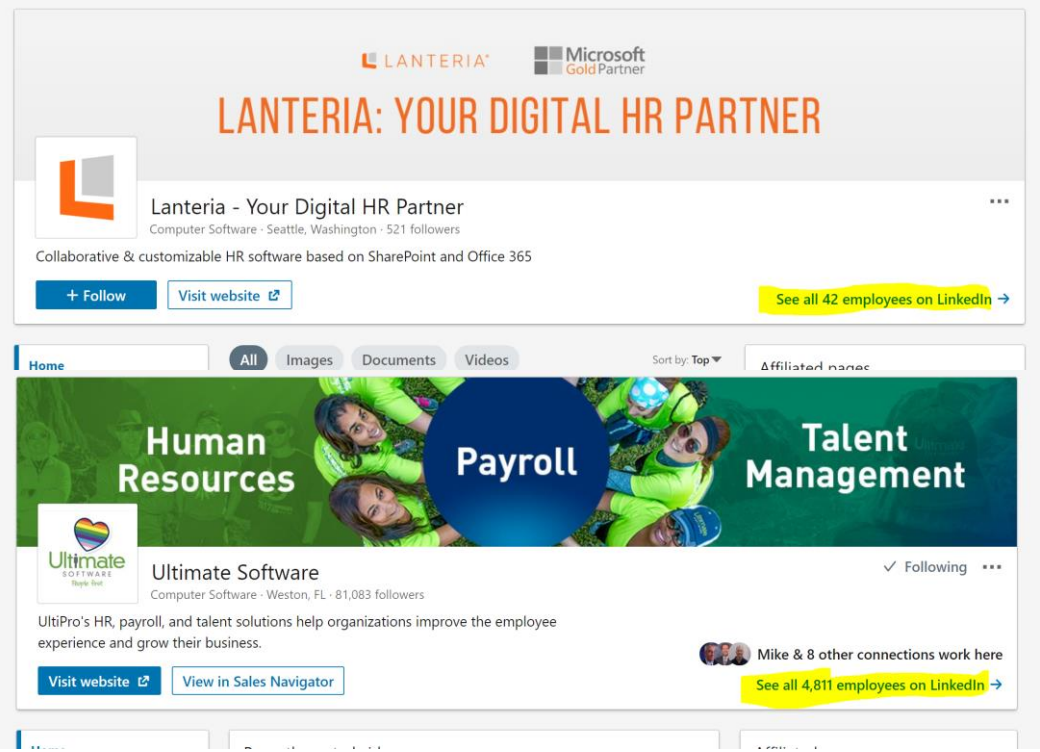


Shortlisting: Rule Out Quickly

Knockout Criteria #3: Low Market Presence

Indicators: employee count, quantity of online reviews



Ask OutSail for a vendor report

Vendors: Strengths & Gaps

	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Size Match	7	8	9	9	9	10	10	10	9	8
Scalability	10	10	9	9	9	8	8	7	7	6
Established	10	10	10	9	7	8	9	8	9	7
Robustness	10	10	10	9	9	9	9	8	8	7
Ease of Use (Admins)	9	8	7	8	8	8	7	8	9	9
Ease of Use (Employees)	8	8	8	9	8	8	8	10	9	10
Integrations	8	8	9	6	8	8	8	9	9	10
Reporting	9	9	9	8	9	8	8	7	7	6
Value	8	8	7	8	9	9	9	8	10	8
Customer Support	8	7	6	8	9	8	8	7	9	10
Total Score (out of 100)	87	86	84	83	85	84	84	82	86	81
Software Costs	$22-28 PEPM	$23-30 PEPM	$21-28 PEPM	$18-25 PEPM	$10-14 PEPM	$14-19 PEPM	$15-19 PEPM	$18-25 PEPM	$8-12 PEPM	$10-18 PEPM

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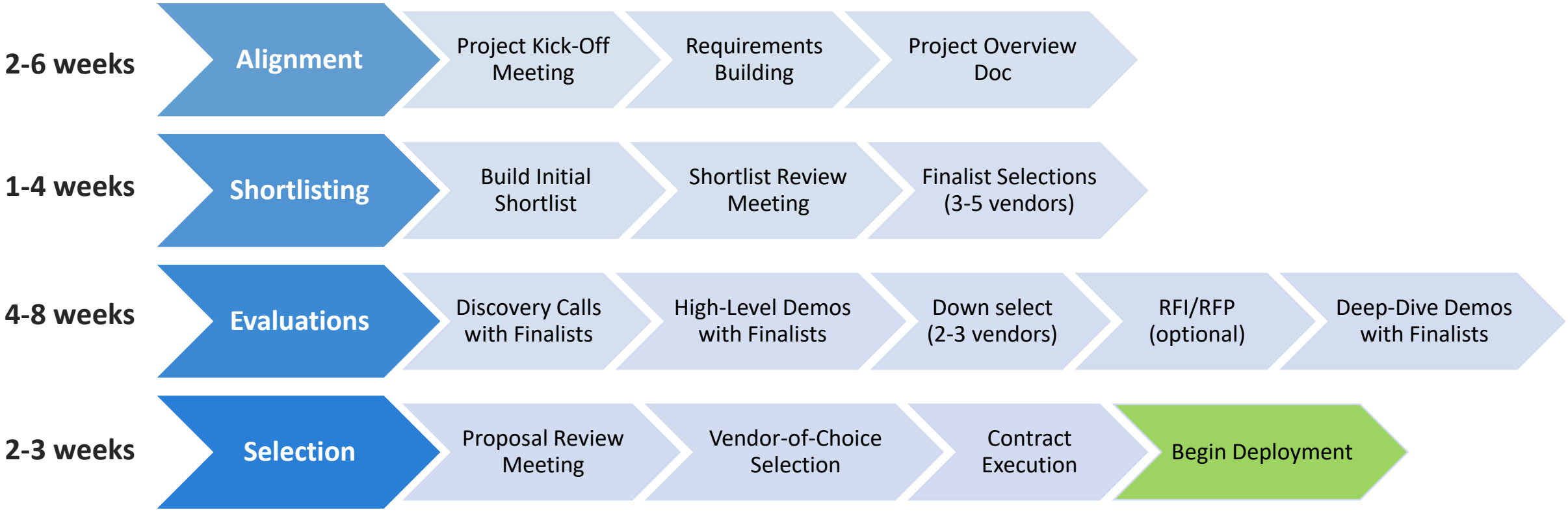
Evaluations: Make Yourself Available

Evaluations are the most time-intensive part of the process



- Timelines can vary, depending on availability and organization size.

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Evaluations: Create A Scorecard Tool

Keep your high-level criteria top-of-mind throughout your evaluations

CRITERIA SCORES	WEIGHT		VENDOR 1 WEIGHTED SCORE	VENDOR 2 WEIGHTED SCORE	VENDOR 3 WEIGHTED SCORE	VENDOR 4 WEIGHTED SCORE	VENDOR 5 WEIGHTED SCORE
1. Ease of Doing Business With	0.05		0.00	0.00	0.00	0.00	0.00
2. Organizational Match	0.05		0.00	0.00	0.00	0.00	0.00
3. Product Viability	0.20		0.00	0.00	0.00	0.00	0.00
4. Reporting	0.10		0.00	0.00	0.00	0.00	0.00
5. Employee Ease of Use	0.15		0.00	0.00	0.00	0.00	0.00
6. Administrative Ease of Use	0.15		0.00	0.00	0.00	0.00	0.00
7. Support & Deployment	0.20		0.00	0.00	0.00	0.00	0.00
8. Cost of Ownership	0.10		0.00	0.00	0.00	0.00	0.00
Total Score	1.00		**0.00**	**0.00**	**0.00**	**0.00**	**0.00**

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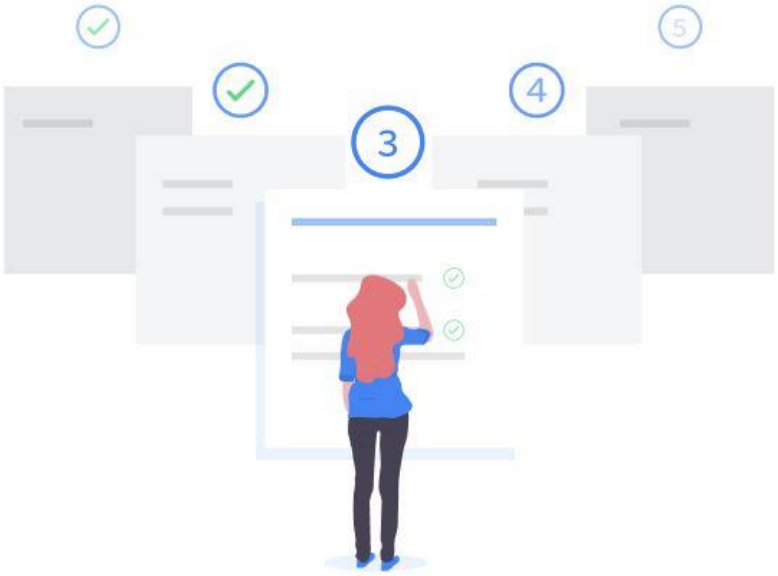
Evaluations: Build A Demo Guide

Make sure that you're the ones driving the demos; not the vendors

1. Create a meeting agenda to ensure vendors hit your key priorities
2. Identify critical business processes, and have vendors demonstrate those in real-time
3. Ask questions pertaining to your high-level scorecard criteria



Keys To Success

Expectations

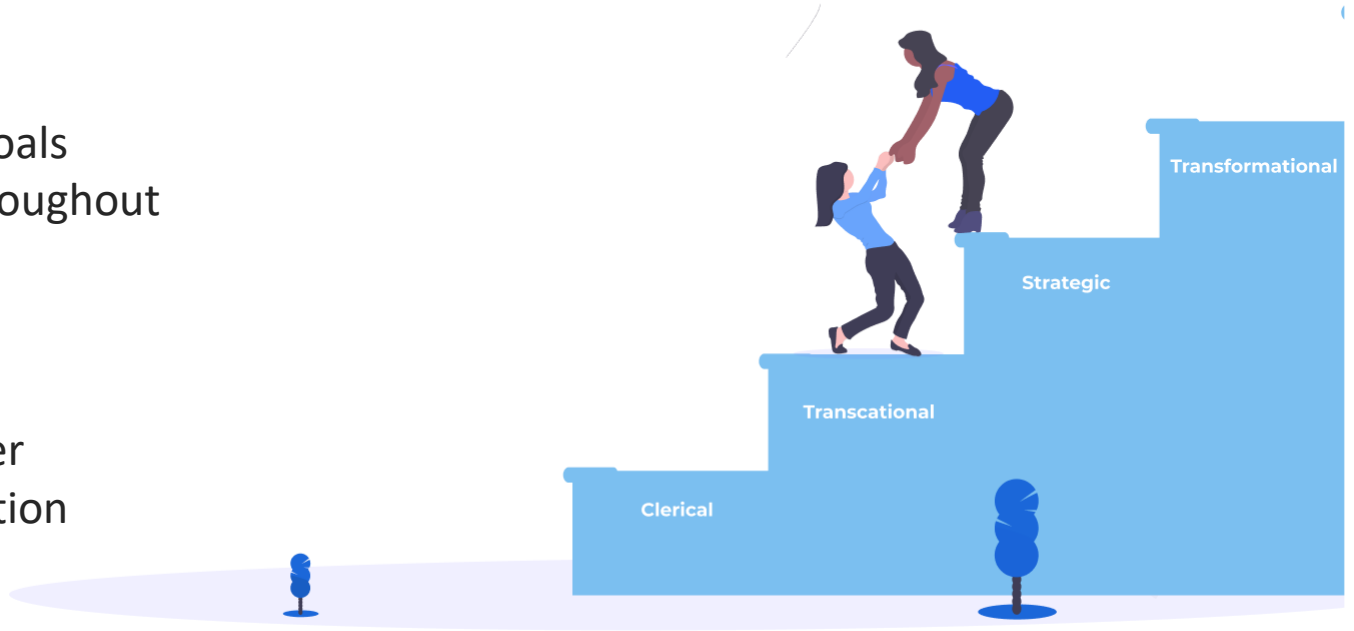
- There isn’t a perfect system
- Successful purchases = Making best set of tradeoffs for your org

Alignment

- Gain clarity early on about project goals
- Keeping those goals top-of-mind throughout

Ownership

- Extra work now = more freedom later
- Transparent and honest communication



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Questions & Discussion

FAQs

- Software Cost Expectations?
- Implementation Timelines and Costs?
- Skills / IT Resources Required?