

NEAT EVALUATION FOR VELOCITY GLOBAL:

Global Employer of Record Services

Market Segment: Overall

Introduction

This is a custom report for Velocity Global presenting the findings of the NelsonHall NEAT vendor evaluation for *Global Employer of Record (EoR) Services* in the *Overall* market segment. It contains the NEAT graph of vendor performance, a summary vendor analysis of Velocity Global for global EoR services, and the latest market analysis summary for global EoR services.

This NelsonHall Vendor Evaluation & Assessment Tool (NEAT) analyzes the performance of vendors offering global EoR 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 overall.

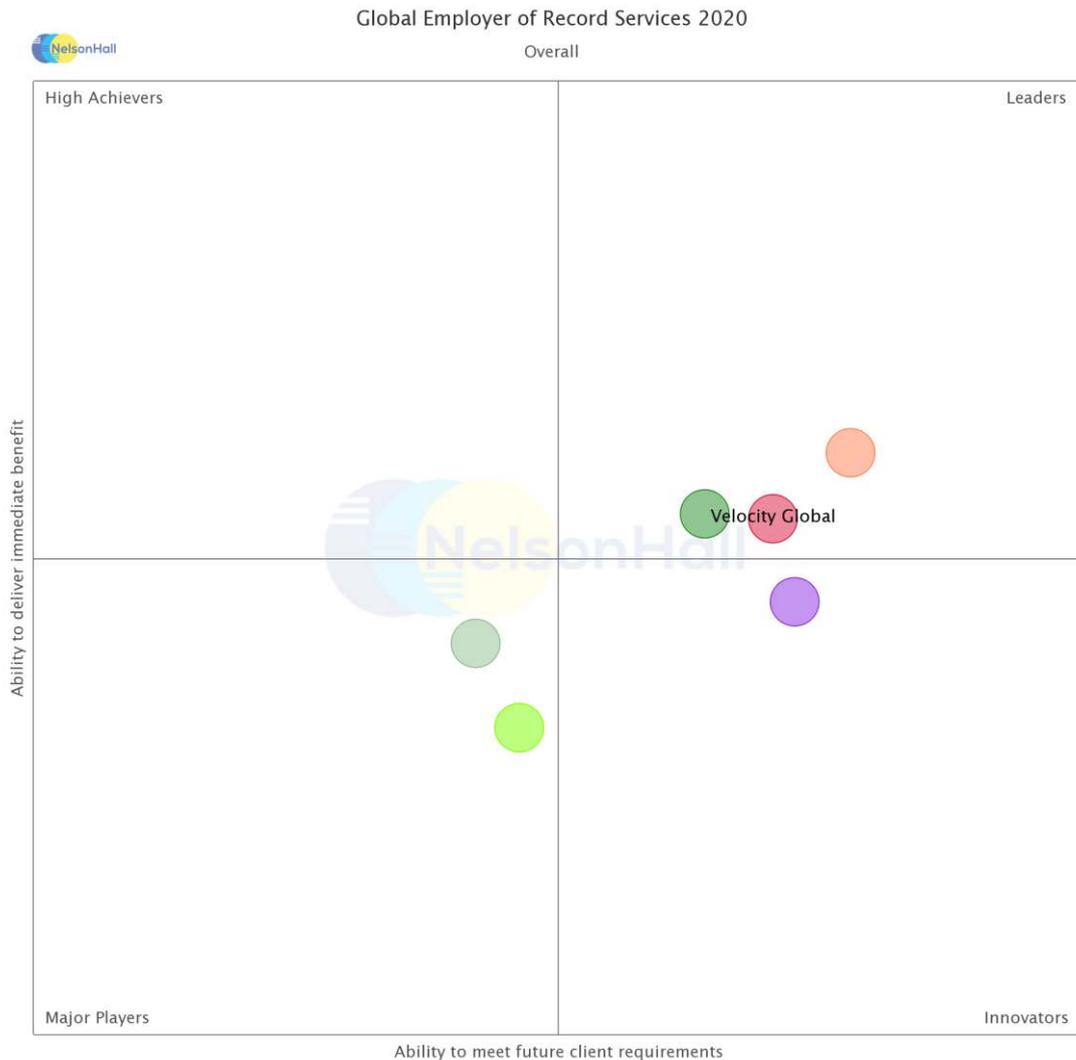
Evaluating vendors on both their 'ability to deliver immediate benefit' and their 'ability to meet client future requirements', vendors are identified in one of four categories: Leaders, High Achievers, Innovators, and Major Players.

Vendors evaluated for this NEAT are: Acumen International, Globalization Partners, Papaya Global, Safeguard Global, Shield GEO, and Velocity Global.

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



NEAT Evaluation: Global Employer of Record Services (Overall)



Source: NelsonHall 2020

NelsonHall has identified Velocity Global as a Leader in the *Overall* market segment, as shown in the NEAT graph. This market segment reflects Velocity Global’s overall ability to meet future client requirements as well as delivering immediate benefits to its global EoR services clients.

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 *Global Employer of Record Services* NEAT tool (*Overall*) [here](#).



Vendor Analysis Summary for Velocity Global

Overview

Velocity Global, headquartered in Denver, Colorado, was formed by its current CEO Ben Wright in 2014 after identifying an opportunity in the marketplace for supporting businesses in navigating the complexities of global expansion initiatives.

By 2015, the firm had established its International PEO capabilities in support of 185 countries and experienced rapid adoption for its services, growing to >100 employees globally by 2017.

Since its inception, the firm has achieved significant organic year-on-year growth and debuted on the Inc. 5000 list of fastest-growing private companies in America in 2018, at #4 with a growth rate of 39,817%, followed in 2019 at #185 with a three-year growth rate of 2,112%.

Velocity Global offers a comprehensive set of services in support of companies seeking compliant global expansion, including:

- International PEO
- Merger and Acquisition services: support for facilitating global cross-border and carve-out transactions
- Global consulting: ad hoc consulting services for clients and prospective buyers (e.g. new market analysis, salary analysis, contractor conversion, HR consulting)
- Global Immigration: full facilitation of VISA obtainment for expats (as required)
- Treasury Services: global payment platform offering, and capability to trade 400 currency pairs and supporting payments to >185 countries
- Global Talent Acquisition: support for client talent sourcing in new locations (enabled through third-party talent acquisition firms)
- Global Payroll: support for extended managed payroll services (enabled through third-party global payroll providers)
- Entity Setup and Support: assistance for clients seeking legal entity establishment support (enabled through third-party global corporate services firms).

Velocity Global leverages a proprietary cloud-based platform technology that adheres to the principles and guidelines set forth in GDPR to enable its International PEO services. The application is built on the AWS platform and hosted on its public cloud in a private instance.

Velocity Global targets its International PEO services to growing multi-national corporations of all sizes, seeking global expansion support for small populations of workers and operations in new geographies. Its current client base is predominately derived from U.S.-based organizations, with most of its worker footprints derived from EMEA and APAC.

Today its ~240 employees serve >360 client businesses and support >1.9k workers in >100 countries globally.



Financials

Velocity Global is a privately-held organization and so does not report its revenues publicly. NelsonHall estimates Velocity Global's 2019 revenues attributable to its International PEO services (not including worker salaries) at ~\$33m, derived primarily from U.S. & Europe-based multi-national firms.

Strengths

- An early provider (established 2014) of international services with ~6 years' experience in the space, underpinned by deep expertise in the global expansion and compliance space, supported through legal entities in >20 countries (targeting to grow to 30 by the end of 2020)
- Able to offer emerging multi-national firms a "turnkey" compliant global expansion solution including a rapidly deployable, tech-enabled, HR and payroll delivery model in support of 185 countries with 70% of client workers managed through its legal entities
- Offers a modern technology platform for centralizing its International PEO services data and harmonizing the UX across clients and workers, supported by steady investments in roadmap initiatives to further enhance its capability
- Offers capability to support clients with mergers, acquisitions, and divestitures to help facilitate global cross-border and carve-out transactions in conjunction with its International PEO services model. This enables clients to achieve more timely deal execution and close.

Challenges

- Despite operating in the International PEO space for ~6 years, the service model in general is often overlooked or never considered, as the concept of International PEO/Global Employer of Record services, is still relatively unknown amongst buyers in the marketplace
- Much like its peers in the space, Velocity Global's brand is still relatively new and not widely known. However, it is increasing its investments in marketing initiatives (e.g. professional golf sponsorships), to educate buyers on the International PEO services concept and its offering
- International PEO/Global Employer of Record services are commonly adopted for a short term and for small populations in an exploratory manner for emerging locations, making long-term client and worker retention and stickiness inherently challenging
- Velocity Global's enabling technology lacks a gross-to-net payroll capability and key digital enablers (mobile, analytics, AI/ML) commonly desired by tech-savvy buyers. However, it has recently added a new CTO and supporting investments, and expects to enable enhancements to its platform experience in the coming 12 months and beyond.



Strategic Direction

Velocity Global is focused on maintaining its growth trajectory for its International PEO services offering and will continue to engage emerging multi-national firms of all sizes and sectors seeking support for compliant international expansion efforts, and will enable this through the following initiatives.

Firstly, the company will expand its global presence and coverage by increasing its legal entities in countries where it currently lacks nexus, seeking to enable up to 30 countries in total by the end of 2020. It will support this global expansion and client retention with additional account management resources, seeking to further its high-touch client care model globally.

It is also heavily focused on enhancing its enabling technology through ongoing investments and roadmap initiatives. Key to its technology roadmap is a focus on enhancing the CX/UX through deeper process automation, expanded mobile self-service to include full platform functionality for clients and workers, as well as expanding its integrations with third parties to fill offering whitespaces and provide clients with greater value.

Further, it expects to increase and deepen its targeting to engage with buyers in emerging, hyper-growth sectors (e.g. technology) seeking support for global expansion.

Outlook

To date, Velocity Global has achieved significant rapid growth. Despite multi-national firms slowing buying decisions due to COVID-19, it continues to see increasing demand for its International PEO services, as global organizations seek to minimize risk and access a more agile, compliant model for international expansion and growth.

Growth in 2020 will continue to be driven primarily from U.S.-headquartered firms with footprints in growth regions, including APAC, EMEA, and increasingly LATAM, which its expanded legal entity footprint will help to support and improve its control over its delivery model.

The platforming of its technology on AWS provides a modern foundation for enhancing its enabling technology UX, and roadmap initiatives to drive deeper automation and mobile, which should further improve its client retention and new client adoption as the platform's digital features mature. This should resonate with tech-savvy buyers seeking modern tech-enabled workforce solutions and drive positive adoption.

Additionally, its ongoing marketing efforts will increase its brand and offering awareness. This paired with its strategic targeting of hyper-growth technology firms (a key growth sector for international expansion activity), a sector with which it has deep client experience, will position it for steady growth with these buyers.

NelsonHall does not expect Velocity Global to make an acquisition in 2020 and will instead remain focused on organic growth. NelsonHall further expects Velocity Global will achieve revenue growth for its International PEO offering of >40% for the calendar year 2020.



Global Employer of Record Services Market Summary

Overview

With organizations of all sizes increasingly finding their brands expanding internationally, the need for compliant global HR and payroll operating models is steadily increasing. While co-employment services have historically been U.S.-centric, global co-employment offerings have emerged, providing multi-national firms an agile, turnkey support model for rapid, compliant international expansion.

Buy-Side Dynamics

Organizations of all sizes are more commonly expanding operations to new international locations and require modern solutions that can enable and support growth in targeted geographies. Despite the recent global economic impacts of the COVID-19 pandemic, buyers of global EoR services show no signs of stopping their expansion efforts, with EMEA and APAC key targets, with >80% indicating plans to undertake further international expansion in the next two years.

Top drivers of global EoR service adoption include:

- The continued globalization trend across sectors, pulling emerging firms into new geographies of operation
- Access to highly skilled talent outside of the home country of operation
- Reducing or eliminating the cost, effort, and risks in navigating the complex process of establishing business entities and operations in foreign countries
- Navigating and maintaining compliance with rapidly intensifying statutory HR and payroll regulations globally, particularly for countries where the firm lacks a presence and expertise
- The need to enable HR with greater agility through adoption of modern technology and solutions that can support strategic initiatives and business growth plans.

The top four vendor selection criteria sought by buyers of global EoR services are:

- Strong international HR and payroll domain expertise and process competency
- Personnel with relevant qualifications, certifications, and deep country-specific expertise
- Coverage and support for targeted countries
- Innovative pricing and commercial terms.

Market Size & Growth

The global EoR services market is estimated to be worth ~\$306m in 2019, and is estimated to grow at 28.4% CAAGR, reaching ~\$1.1bn by 2024, with APAC expected to outpace other geographies.

The current Global EoR services market is heavily dominated by North American-headquartered firms (~49% global share) seeking to support expanded footprints globally, most commonly for entrance to countries across Europe, and Asia.



While North America dominates the adoption of Global EoR services, EMEA and APAC hold ~80% off the workers supported by the service offering globally, with both geographies expected to be top expansion targets for growing MNCs.

Success Factors

Key success factors for global EoR service providers include:

- Proven experience (referenceable clients) and demonstrable leadership in HR and payroll execution and delivery in support of global employer of record services
- Capability to support most major countries of operation through vendor-owned legal entities, supplemented through a curated network of in-country partners in long-tail locations
- Enabling a ‘best in class’ client/user experience, inclusive of omnichannel support, dedicated account managers, and underpinned by a proactive client engagement model focused on client satisfaction, value creation, partnership, and retention
- Providing a platform-based, technology-enabled solution that offers a modern, intuitive, and engaging client/user experience
- Offering a ‘one-stop shop’ of global expansion enabling solutions, through a curated marketplace of integrated (API) partner services and technology to fill offering white spaces and extend client value
- Establishing and curating a deep pool of partners for integrated services and technology, as well as expanded sales channels for continued growth
- Ongoing investments in roadmap initiatives that drive innovation and digitalization of global EoR services.

Challenges

Key challenges faced by global EoR service providers include:

- Addressing the lack of awareness of the global EoR service model and vendor brand
- Differentiating service offerings in a growing marketplace
- Easing buyer “sticker shock” with the higher average PEPMs associated with a global EoR service model
- Retaining ARR (Annual Recurring Revenue) in a short term/exploratory service offering with high client/worker turnover.

Outlook

Over the next five years, NelsonHall expects:

- The global EoR services market to grow at ~28.4% CAAGR, reaching ~\$1.1bn by 2024
- North American-headquartered firms will remain the predominant target and adopter of global EoR services, while EMEA and APAC will provide strong pipelines for new client/new worker growth, as firms externally and within these growth regions expand their targeting of key countries there



- Global expansion initiatives by emerging small and mid-sized firms operating in high-growth sectors will continue to escalate over the next five years, driven by the continued trend in globalization, a desire to access evolving market opportunities in new geographies, and the need to access top talent globally, particularly as WFA ('Work from Anywhere') continues breaking down talent access barriers
- While global EoR service pricing will remain higher compared to other managed services, pricing will ease somewhat as the service becomes more widely adopted, technology platforms are matured, and vendors enable deeper process automation and digital enablers
- Long-term success in the global EoR services space will require offering a technology enabled 'one-stop shop' of global expansion enabling solutions, through a curated marketplace of integrated partner services and technology to fill offering white spaces and extend client value.



NEAT Methodology for Global Employer of Record 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"> Scope of global EoR Services offered Scope of countries covered by global EoR offering Scope of complementing managed services and tech offered beyond global EoR services Maturity of global EoR service enabling technology
Delivery Capability	<ul style="list-style-type: none"> Delivery capability and presence in support of North American-based workers Delivery capability and presence in support of EMEA-based workers Delivery capability and presence in support of APAC-based workers Delivery capability and presence in support of LATAM-based workers Scope (volume) of vendor owned legal entities offered globally Client perception for the caliber of delivery personnel
Client Presence	<ul style="list-style-type: none"> Overall client presence globally Overall client presence, North America Overall client presence, EMEA Overall client presence, APAC Overall client presence, LATAM
Benefits Achieved	<ul style="list-style-type: none"> Agility of HR in supporting future multi-country expansion initiatives Ease of entering new international locations Improved HR/payroll compliance for new international locations of operation Improved reliability for international worker payroll processing



Exhibit 2

‘Ability to meet client future requirements’: Assessment criteria

Assessment Category	Assessment Criteria
Service Innovation Culture	<ul style="list-style-type: none"> Perceived suitability to meet client future needs Vendor ability to deliver service innovation and process re-imagination Vendor partnership approach Ability to enable digitalization of global EoR processes
Level of Investments	<ul style="list-style-type: none"> Level of commitment and investments in global EoR services Level of commitment and investments in global EoR legal entity enablement Level of commitment and investments in global EoR service enabling technology Level of commitment and investments in global EoR service delivery Level of commitment and investments in global EoR service digitalization
Market Momentum	Global EoR services market momentum and growth trajectory

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



Sales Enquiries

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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