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HR Software 2006 Providers Shares in France Payroll, HCM, Time Management

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The content of this focus is an extract from the PAC 2007 market report on HR Software and Services in France (HR 2007). All figures and analyses in this document are based on PAC's segmentations for HR Software and Services, detailed below:

Software vendors / services providers:

- Products (Licenses and Maintenance & Support), Services (IT Consulting, Integration, Outsourcing).

Functional field/segment:

- Payroll, Human Capital Management, Time Management.

Vertical sector:

- Manufacturing, Banking, Insurance, Telcos, Transport, Utilities, Administration, Retail, Services.

A comprehensive, qualitative, and quantitative analysis for all of the segments quoted above is available in the HR 2007 report. It also includes a competitive analysis, based on 10 detailed profiles of leading companies in the HR Software and Services field (financial performance, analysis of strategy, offering and partnerships, main references, and SWOT).

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PAC's highlights

The HR Software market remained dynamic in 2006 since its growth accelerated about three years ago. The Human Capital Management (HCM) segment, driven by a strong demand for “qualitative” HR solutions, achieved a double digit growth in 2006 as payroll and time management segments saw moderate growth.

The competitive landscape is concentrating around major ERP actors like Oracle, SAP, and Cegid or generalists like Sage. HR Access Solutions is the only HR specialist in the top 5 of HR Software vendors (the ranking is based on Products revenue). The top 5 account for 49% of this market, so we can say that it is a very concentrated market. ERP vendors playing on the HR market are benefiting from corporate choices of large customers adopting an ERP. The « integrated » argument is relevant for companies aiming to rationalize their management around one unique solution. International capabilities seem also to be crucial determinants, which can explain the good growth of international actors.

HR Software market highlights in France:

- A growth of 6.6% in 2006 and 7.3% in 2007 for HR Products sales;
- A CAGR of 5.9% for HR Products sales by 2010;
- Oracle is the leading software vendor in terms of Licenses revenue in 2006, ahead of SAP, Sage, HR Access Solutions, and Cegid, with a market share of 10%;
- SAP ranked first in terms of Products revenue in 2006, with a market share of 10%;
- HR Access Solutions, the only specialist belonging to the top HR software vendors, ranked third in terms of Products revenue in 2006, with a market share of 10%;
- The HCM segment grew 11.3%, the greatest growth in the HR Software market;
- The Time Management segment grew 4%, while the Payroll segment achieved growth of 4.8%.

Market Overview

The HR Software market in 2006

The software and services market in Human Resources is continuing to rise, and confirms trends that appeared in previous years. The year 2006 posted growth of 7.7% for a market volume of €1,433 M.

In 2006, software sales (licenses and maintenance & support) accounted for about 19% of this market (€273 M). License sales remained dynamic and reached €155 M in a progression of 7.3% compared to 2005. PAC forecasts a CAGR of 5.9% by 2010.

This remarkable growth was driven by functionality extensions in client base and the renewal of HR software applications.

The Payroll segment is mature, and new opportunities lie in the equipment of SMBs. Large companies are well-equipped; the growth of this segment was fuelled by HR projects in Administration (Chorus project largely attributed to SAP, ranked third on this market with a €11.9 M

revenue in 2006). The equipment of SMBs also contributed to the boost of this market as indicated by the good positions of Sage and Cegid, ranked first and second respectively on this market.

Regarding **Time Management**, the market demand is mostly oriented toward niche players like GFI Chrono Time and Horoquartz, the two leaders of this market. With Bodet, three specialists belong to the top 5. SAP and HR Access respectively ranked third and fourth in 2006.

The **HCM** segment is currently the most dynamic one. Since a large majority of users are already equipped with payroll solutions, the demand is now oriented towards more qualitative solutions: skills management, career management, employee and manager self services, etc. The demand is mainly driven by benefits brought through new technologies (HR portals, ESS-MSS, etc.), searching for solutions to answer demographic stakes (“war of talents”) or the rise of the strategic role of HR executives. On the HCM segment, Oracle is the leader with €18.2 M in software revenue, far ahead of SAP (€11,1 M). Furthermore, the company is the leader in HR software revenue in vertical sectors such as Finance, Telcos, and Utilities.

Competitive analysis : a focus on License sales

Table 1 : Top HR Software Providers in France (Licenses revenue in € Million)

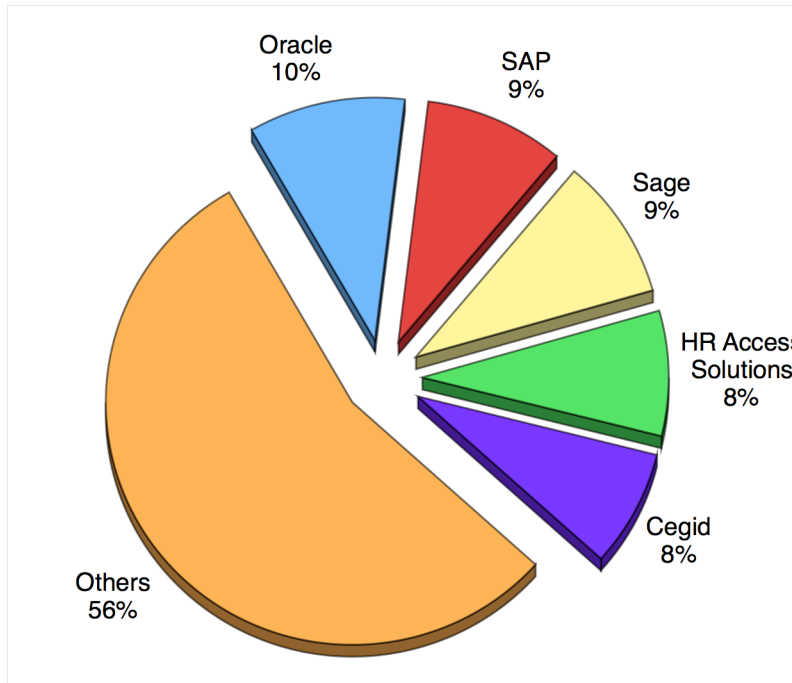
Top HR Software Providers in France - Licences revenue in Million euros					
Rank	Company	Nationality	2005	2006	Market shares
1	Oracle	US	11.5	12.0	10.2%
2	SAP	Ger	9.4	11.0	9.3%
3	Sage	UK	10.3	11.0	9.3%
4	HR Access Solutions	US	9.8	9.8	8.3%
5	Cegid	F	8.4	9.3	7.9%
	Others			64.9	55.0%
Total				118.0	100.0%

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Table 1 displays Top HR Software providers in terms of Licenses revenue, which is a representative indicator of the dynamism of a Software vendor.

- Oracle positioned first among HR software providers in terms of Licenses revenue with a €12 M revenue. Thus, its market share reached 10.2%.
- SAP performed well in 2006 thanks to large projects in Administration (Chorus project: development of core HR system, projects in ministries, etc.).
- Sage achieved a good growth, benefiting from the dynamism of SMBs’ demand regarding HR solutions in 2006.

- HR Access Solutions didn't grow in 2006: the company mostly focused on its international development but remained very present in France with a market share of 8.3% in License sales.
- Cegid is still benefiting from the reinforcement of its HR offering since the purchase of Ccmx in 2005. The company achieved a growth of 10.7% in License sales, which is quite good performance.



Market shares in 2006 (HR License revenue in France)

Oracle can address business issues that goes from Payroll, Time Management until HR. In addition Oracle is the undisputed leading company regarding HR modules.

As Oracle HCM solutions remained dynamic, the company consolidated its Peoplesoft customer base, which adopted the new release with new modules (Michelin, Lafarge, Societe Generale, Ineum). Recruiting and mobility for EDF, L'UNEDIC and Danone, e-performance for Schneider Electric and Dassault Systemes, ELM (Enterprise Learning Management) for France Telecom, and international HR for PSA, the Peoplesoft solution remains the spearhead of Oracle's offering on the HR market, especially on the HCM segment.