

NEAT EVALUATION FOR CIELO:

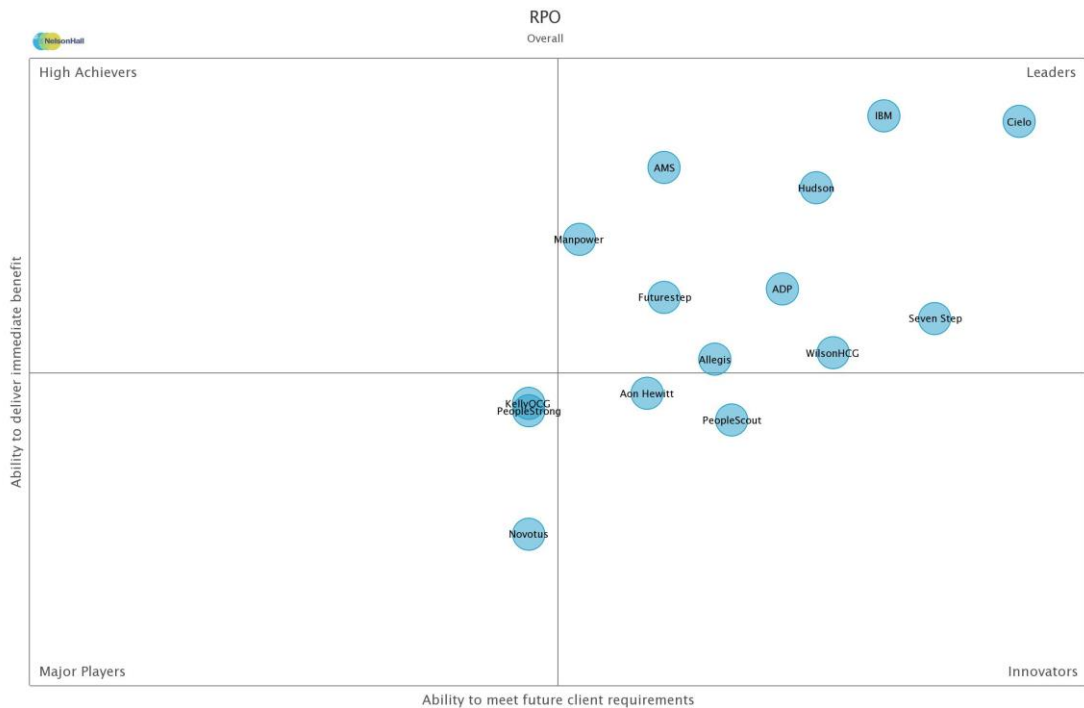
Recruitment Process Outsourcing

Market Segment: **Overall**

This document presents Cielo with the NelsonHall NEAT vendor evaluation for Recruitment Process Outsourcing (Overall market segment). It contains the NEAT graph of vendor performance, the latest market analysis summary for RPO, and a summary vendor analysis of Cielo in RPO. An explanation of the NEAT methodology is included at the end of the document.

The vendors researched are: ADP RPO, Alexander Mann Solutions, Allegis Global Solutions, Aon Hewitt, Cielo, Futurestep, Hudson, IBM, KellyOCG, ManpowerGroup Solutions, Novotus, PeopleScout, PeopleStrong, Seven Step RPO, and Wilson HCG.

NEAT Evaluation: RPO (Overall)



Recruitment Process Outsourcing (RPO): Market Summary

Buy-Side Dynamics

The top drivers of RPO are:

- Cost reduction (for first time RPO buyers)
- Improving quality of hire to address poor retention
- Agility and scalability
- Process transformation and modernization of tools
- Improved compliance
- Improved workforce effectiveness.

The principal benefits derived from RPO are:

- Reduce time to hire
- Cost savings from 25%-50%, largely attributed to a reduced reliance on agencies
- Improved hiring manager satisfaction
- Improved agility to support business expansions
- Improved diversity and attrition
- Greater visibility of workforce profile from which to drive greater workforce effectiveness
- Reduction of backlog and the development of talent pipeline to support future workforce requirements.

High investment in an organization's recruiting process and technology, and a related perception of high internal expertise, are the main inhibitors to RPO adoption. Another inhibitor is potential clients wanting to maintain control.

Standalone RPO contracts average three years in length.

Market Size & Growth

A healthy market growth in RPO of +17% in 2014 has resulted from both new contract activity and geographical expansion of services provided to existing clients.

Technological developments and mobile adoption has driven service developments as speed to source and effective sourcing strategies are a key to success. Examples include an increase in uptake of employer branding services, greater use of mobile sourcing, and an emergence of the use of gamification in RPO to attract candidates. The outlook for RPO in 2015 is very positive in the light of the increased hiring demands of companies, and in the light of the recent downward trend of unemployment rates in key markets.

Recruiting companies continue morphing into talent specialist companies as services expand to include onboarding, year 1 engagement, branding, and talent community development.

Packaged RPO offerings including technology services are increasing, particularly to support integrating tools (where investments have not already been made) as well as to support a single delivery experience when servicing both RPO and MSP. While vendors are principally investing in RPO platforms and analytics platforms, technologies used to deliver services include an increasing number of point solutions such as ATS platforms, CRM, RMP, video interviewing platforms, labor market insight portals, and analytics/workforce planning platforms.

Blended RPO/MSP offerings are provided by ~40% of RPO vendors; these represent ~11% of total RPO contracts. Analytics, including labor market insights, are increasingly relevant for effective service delivery.

Although service delivery remains largely onshore, with ~80% of RPO FTEs, nearshore and offshore centers are increasingly being used to drive economies of scale. Typical offshore activities include sourcing, market research and back-office administration. The proportion of service provider personnel on client sites is 35% (a decrease of 8% from 2012), as standardization of process is driven across clients, to drive greater process effectiveness and efficiencies.

Multi-country contracts represent ~36% of all RPO contracts, with 6% being global contracts covering three or more regions. Vendor consolidation continued in 2014, primarily to support geographical expansions.

The global RPO market reached \$3,279m in 2014 and is forecast to grow at 15.4% per annum, to reach \$6,701 in 2019. North America is the largest RPO market, with just under 50% revenue share, followed by Europe, Asia Pacific region and Latin America. The U.S. had strong growth in 2014 and is predicted to continue due to the ongoing tightening of the labor market.

The largest purchaser of RPO is the manufacturing and engineering sector (21% share), together with the financial services, life sciences and healthcare, and technology sectors.

RPO provider revenue per hire averages ~\$1,340, down 12% y/y, and revenue per FTE averages \$119k, up 15% y/y. These changes can be attributed to an increased use of technology coupled with broader service offerings that can be leveraged across clients.

Success Factors

The leading vendor selection criteria are:

- Recruitment capability
- Scalability and agility to support business change
- Cost.

The critical success factors for RPO are:

- Increasing hiring quality and timeliness
- Engaging in workforce planning discussions to increase visibility of recruiting challenges to adequately support the business
- Providing RPO consulting services that include talent pool development and employment branding, gamification, and convincing clients of better results through candidate engagement.

Outlook

Over the next few years:

- Improving candidate experience and brand positioning will remain important, with need for longer term workforce planning and management becoming increasingly important RPO requirements
- Analytics, workforce planning and labor market data will increasingly be available to clients online, and will improve hiring manager visibility of the market dynamics relevant for their industry/geography
- Service offerings will develop in the areas of analytics and assimilation of labor market data, to support sourcing choices, as well as in the increasing use of online communities, including engagement with contingent worker communities
- Further vendor consolidation and partnerships will continue as RPO companies strengthen capability across multiple regions to meet demand for multi-country RPO. Multi-country contracts to represent ~50% of all contracts by 2019
- Blended RPO/MSP will increase to 17% of RPO contracts by 2019
- Service delivery onshore will reduce to ~60% of RPO FTEs by 2019.

Vendor Analysis Summary for Cielo

Overview

Cielo is an RPO and talent specialized provider operating across North America, Europe, Asia Pacific and Latin America. It has ~1,200 RPO dedicated employees serving ~94 RPO clients across 68 countries. In 2014 Cielo had 28 RPO wins and ten large contract renewals or extensions. In 2014 it performed ~109k hires, of which 53% of its business was in North America, 44% in EMEA, and the rest in Asia Pacific and Latin America. Also in 2014 it added five additional countries and created a presence and a new legal entity in Singapore to build capability in Asia Pacific. Service offerings include:

- RPO (90% share of business)
- Executive search services (9% share of business): through Moorland Gray
- Talent consulting (>1% share of business).

RPO services include: sourcing (active and passive candidate pools), screening, interview scheduling, background checks, onboarding, technology management and analytics. Its Talent Relationship Manager (TRM) platform works alongside client ATS systems and offers:

- Automated sourcing
- TalentPipes (analyzes traits of top performers in a specific role and then matches candidates with these traits for the recruiters to use)
- Mobile enabled candidate marketing
- Email campaigning
- Self-service interview scheduling
- Integrated video interviewing
- Text campaigning
- Online reference checking.

Cielo offers a high-touch candidate service through dedicated candidate centers for queries to support a faster phone response service. One of these centers, the Impression center, is currently offered in the U.S. from Cielo's center in Brookfield. Part of the service includes dedicated teams supporting candidates at the offer stage, to provide a formalized support until their first day.

Complementary RPO services provided by Cielo include:

- Labor market analysis: using its Talent Intelligence system
- Consulting: supports branding, workforce planning, diversity and social recruiting processes
- Executive search service (C1 to C2), Cielo Search Solutions.

As well as end to end RPO services, Cielo also offers project based RPO and recruiter co-sourcing.

Over 2014, Cielo completed the internal rollout (across the whole organization) of RecruitU, centers of expertise, Empowering Excellence, and global governance.

Cielo targets organizations by industry, targeting the healthcare, financial services and manufacturing industries. Cielo has two global RPO clients, covering three or more regions.

Increasing investments in analytics are being made through its rollout of Tableau, to enable analytics of recruiting performance to support Cielo's review of its process efficiency and effectiveness.

Financials

Cielo does not publicly report financials, but NelsonHall estimates that in 2014 Cielo's RPO revenues were ~\$126m, up ~25% from 2013. Growth has primarily been driven from a higher revenue per hire, due to a greater proportion of senior and business critical hires.

Exhibit 1

Cielo: Estimated RPO Revenues – 2014

Region	Revenues (\$m)
North America	80
EMEA:	44
<i>U.K.</i>	25
<i>Rest of Europe</i>	9
Asia Pacific	1
Latin America	1

Strengths

- High level of client satisfaction, averaging 96% customer satisfaction
- Experienced recruitment teams who average nine years' experience and have a 92% rate of retention
- High-touch candidate care, through its 96% first call resolution and an average call back time of three minutes.
- Industry specific knowledge and continuous improvement programs using segment analysts and supported by Tableau. Cielo hires RPO leaders with an industry focus and appoints them as its business leaders using a 'promote from within' approach
- Sourcing and recruitment process strength using its Talent Intelligence offering and its branding and talent pooling capability
- Cielo's technology intellectual property and its focus on evaluating and launching new recruiter tools to support the speed and efficiency of the process. The TRM platform features include video interviewing, social media and email and text campaigning. For example, at Bristol-Myers Squibb, the self-scheduling tool saves recruiters an average of 10-20 hours of work per week
- Transition capability including change management services.

Challenges

- The U.K. is not typically the most cost-efficient location from which to service Europe. Cielo is looking to leverage technology and shared services to achieve additional scale in its operations
- Lack of contingent workforce and MSP capability. Though being a pure play RPO specialist is a strength, potential buyers may also be looking for contingent workforce and/or MSP services. Approximately 10% of RPO contracts in the RPO market in 2013 are blended with MSP services
- Consistency of services and Cielo methodologies more difficult to support where Cielo partners for the delivery in key Asia Pacific markets of India and Australia
- Although it has a number of insurance clients, it has limited experience in delivering RPO to banks, as well as limited experience in the oil and gas and energy sectors
- Cielo's high touch delivery model is a strength but could be cost inhibitive for companies which simply look to reduce costs.

Strategic Direction

Cielo is looking to develop in seven ways:

- Investing in talent consulting teams as a precursor to an RPO engagement
- Identifying and testing ways to hire talent that is difficult to find, e.g. search solutions to support level C1 to C2 level hiring
- Developing or extending its in-country presence in the emerging markets of Asia Pacific, India, China, Africa, Middle East, and Latin America. Currently Cielo uses partners in India and China. 35% of its clients are indicating a growing demand for expanding RPO services to Asia Pacific
- Rolling out its TRM technology to its non U.S. client base; ATS systems alone have not fully supported all routes to market, and the investment and rollout of a recruiting tool differentiates Cielo
- Increasing the effectiveness of recruiters in understanding labor market dynamics, e.g. using Talent Intelligence search engine to incorporate additional regions (U.K. and EMEA) as well as additional job families
- Rolling out new models to drive greater efficiencies of recruiter teams by using technology, e.g. online reference checking will be a priority to roll out to all clients in 2015
- Developing enhanced analytics using Tableau. Cielo will focus on developing algorithms to support video and audio predictive capability for use in sourcing.

Outlook

Cielo's capability to blend industry expertise, its high-touch service, a strong process and a continuous improvement framework supports a positive outlook for Cielo in the next three to five years.

It will achieve growth from clients seeking RPO specialists that can attract talent requiring a strong cultural fit, particularly those in the in the clinical, pharmaceutical and technology sector where core skills are challenging to find and where Cielo has significant experience.

Cielo's recruiting approach with high customer focus and its technology investments enable it to both differentiate its services and demonstrate its value.

With over seven years' presence in both of the largest RPO markets, the U.S. and the U.K., and with its geographical footprint and appetite to expand, Cielo is well positioned for continued double digit growth into 2015-2018.

NEAT Evaluations for Recruitment Process Outsourcing

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 2, 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 3, 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 ability relative to their peers to deliver immediate benefit and a high capability relative to their peers to meet client future requirements
- **High Achievers:** vendors that exhibit a high ability relative to their peers to deliver immediate benefit but have scope to enhance their ability to meet client future requirements
- **Innovators:** vendors that exhibit a high capability relative to their peers to meet client future 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.

Exhibit 2:

‘Ability to deliver immediate benefit’: Assessment criteria

Assessment Category	Assessment Criteria
RPO Offerings	<ul style="list-style-type: none"> Brand management Talent pool creation Candidate attraction Candidate care Wider talent management/HR capability
RPO Delivery	<ul style="list-style-type: none"> Delivery capability in North America Delivery capability in the U.K. Delivery capability in Continental Europe Delivery capability in Asia Pacific Delivery capability in Latin America Ability to scale operations ATS technology delivery Application of analytics Use of enabling technologies: social media Level of investment in talent communities Partnership approach Ability to benchmark process and offer roadmap Multi-country capability
RPO Presence	<ul style="list-style-type: none"> Scale of large company presence (more than 15k employees) Scale of mid company presence (500 – 15k employees) Scale of small company presence (less than 500 employees) Clients served globally Clients served in North America Clients served in the U.K. Clients served in Continental Europe Clients served in Asia Pacific Clients served in Latin America
RPO Benefits Achieved	<ul style="list-style-type: none"> Overall service performance Reduced time to hire Improved diversity Improved alignment with business Improved candidate experience Reduced cost of recruitment Support for new country entry Other benefits achieved

Exhibit 3:

‘Ability to meet client future requirements’: Assessment criteria

Assessment Category	Assessment Criteria
Suitability to Deliver Future Benefit	<ul style="list-style-type: none"> Impact of benchmark and roadmap methodology Perceived suitability of vendor to meet future needs Mechanisms in place to deliver client innovation Innovation commitment Innovation record Market momentum Perceived flexibility of approach Perceived support for multi-country Perceived support for increasing candidate attraction Investment in talent market research and analytics Investment in wider talent management capability

This is one of four separate NEAT market segment evaluations for RPO, which are:

- Overall
- Candidate Focus
- Global Focus
- Talent Management Focus.

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



research.nelson-hall.com

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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