



VENDOR PROFILE

Kronos Advancing Workforce Management in the Cloud

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IDC OPINION

Kronos Inc., founded in 1977 and headquartered in Chelmsford, Massachusetts, delivered the first microprocessor-based time clock in 1979. Since that time, Kronos has grown into a \$1 billion worldwide organization that is recognized as the leader in workforce management solutions (as reported in *Worldwide Human Capital Management Applications 2014 Vendor Shares: Total Market, Core HR, Workforce Management, Recruiting, Learning Management, Performance Management, and Compensation Management*, IDC #257111, July 2015) by continuing to innovate in the cloud and through product capabilities and ease-of-use advancements to help employers around the world better manage their most strategic asset – their employees. Highlights of this document include:

- Kronos serves customers of all sizes in over 100 countries and is used by 35 million people every day.
- Kronos has developed an impressive group of more than 27,000 customers worldwide, including more than half of the Fortune 1000 companies. Kronos has seen more than half of the Kronos global customer base turn to the Kronos Cloud for its deployments.
- Kronos' workforce solutions include the company's flagship product Workforce Central for which there are a variety of industry-specific solutions, Workforce Ready for small and midsize organizations, and Workforce Analytics.
- Kronos is routinely honored as a "best place to work" by independent organizations around the globe. As of October 2015, glassdoor.com gives Kronos a rating of 4.3 stars, while 92% of those providing reviews would recommend the company to a friend, and Kronos CEO Aron Ain receives a healthy endorsement as 97% of them say they approve of the CEO.

IN THIS VENDOR PROFILE

This IDC Vendor Profile describes Kronos, the leading provider of workforce management software worldwide according to IDC. Kronos, headquartered in Chelmsford, Massachusetts, began by modernizing the market for timekeeping solutions in 1977 and has evolved to deliver innovative 3rd Platform workforce management solutions leveraging cloud, social, mobile, and big data that go beyond punching a time clock.

Today, Kronos is a privately held organization with more than \$1 billion in annual revenue, serving more than 27,000 customers in more than 100 countries and used by 35 million people every day. With Kronos leading the market and the Kronos Cloud being the fastest-growing segment of Kronos' business (more than 16,000 of the global customer base is deployed in the cloud), Kronos is driving the adoption toward cloud for workforce management and transforming the way organizations manage their workforces.

SITUATION OVERVIEW

Company Overview

Since its beginning in 1977, Kronos has been leading innovation in the area of workforce management solutions. In 1979, the company delivered and patented the first microprocessor-based time clock, which automatically recorded, totaled, and reported employee hours. The company grew, expanded operations overseas and, in 2000, surpassed \$500 million in revenue. About this same time, Kronos introduced Web-based workforce management solutions and added employee scheduling, labor analytics, human resources (HR), payroll, and hiring capabilities to its solution suites, along with meeting the needs of specific industries such as healthcare, retail, public sector, services, and distribution and manufacturing.

Today, Kronos is privately held, has over \$1 billion in annual revenue, is serving customers of all sizes in over 100 countries, and is used by 35 million people every day. There are more than 4,400 "Kronites" in offices worldwide and in technology centers in India, Canada, and the United States. The company has continued to innovate in the area of workforce management leveraging social, gamification, mobile, and big data to enable organizations to manage their generally most strategic asset – their workforce. The company is also driving the adoption toward cloud for workforce management and transforming the way organizations manage their workforces.

Financial Performance

Kronos was a publicly traded Nasdaq company from 1992 until 2007, when it went private again and was acquired by private equity firms Hellman & Friedman and JMI Equity. In 2014, private equity firms Blackstone and GIC joined the investment in Kronos, valuing the company at that time at \$4.5 billion. These investments allowed Kronos to grow more rapidly by investing more funds back into the business, including making acquisitions. One of Kronos' most valuable acquisitions (the company has done 67 acquisitions) was small and midsize business (SMB) workforce software provider SaaS*hr* in 2012, which provided the foundation of the Workforce Ready product. The most recent acquisition was in August 2015 when Kronos acquired AutoTime, a time and attendance and labor management solution from Kaba Workforce Solutions. Also, in June 2015, Kronos acquired Productive Scheduling Solutions and its EZCall physician scheduling solution, deepening Kronos' healthcare solutions.

Unlike most privately held companies, Kronos provides a quarterly revenue update. The most recent two fiscal years' revenue updates are detailed in Table 1.

This steady revenue growth along with consistently profitable earnings are important factors when selecting a software vendor with which to work. This type of growth shows that the company continues to attract new business while also retaining existing customers and profits providing capital to continue to develop innovative products and services. In 2015, the company invested \$100 million in research and development (R&D) of new and existing products, aside from any spend on acquisitions. In 2016, Kronos plans to spend more than \$130 million in R&D.

TABLE 1**Kronos Revenue, 2014 and 2015**

Fiscal Period	Period Ending	Revenue (\$M)	Earnings (EBITDA) (\$M)
4Q15	September 30, 2015	295.1	99.3
3Q15	June 30, 2015	274.2	88.8
2Q15	March 30, 2015	262.1	84.3
1Q15	December 31, 2014	257.8	82.3
4Q14	September 30, 2014	282.9	95.3
3Q14	June 30, 2014	265.0	88.5
2Q14	March 30, 2014	248.7	80.5
1Q14	December 31, 2013	243.4	78.7

Source: IDC, 2015

Company Culture

Kronos' own workforce is one of the company's proudest assets. The company is routinely honored as a "best place to work" by independent organizations around the globe. As of October 2015, glassdoor.com gives Kronos a rating of 4.3 stars, while 92% of those providing reviews would recommend the company to a friend, and CEO Aron Ain receives a healthy endorsement as 97% of them say they approve of the CEO. Kronos currently has more than 300 job openings worldwide and hired more than 1,000 employees in the past 12 months.

Company Strategy

Product Strategy

Over the years, Kronos has developed an impressive group of more than 27,000 customers worldwide, including more than half of the Fortune 1000 companies. Customers range from small and midsize businesses that are often a good fit for the Workforce Ready product line to medium-sized to very large organizations that may have hundreds of thousands of employees worldwide and require industry-specific solutions available in Workforce Central.

Kronos has seen more than half of the Kronos global customer base turn to the Kronos Cloud for its deployments. The Kronos Cloud is experiencing significant growth across all industry segments and company sizes and is the fastest-growing aspect of the business. More than 90% of new Kronos customers are deploying in the Kronos Cloud (as of 4Q15). In fiscal year 2015, Kronos won its largest SaaS deal worth \$22 million (see Table 2 and Figure 1).

The pace of existing customers converting from on-premise instances to a Kronos Cloud offering is exceeding expectations. As a result of this continued high demand, Kronos announced a Kronos Cloud Readiness assessment service to help new and existing customers maximize the value of migrating to the Kronos Cloud, which allows customers to rely on Kronos to maintain their workforce management solution, freeing IT resources to focus on other aspects of the business.

TABLE 2

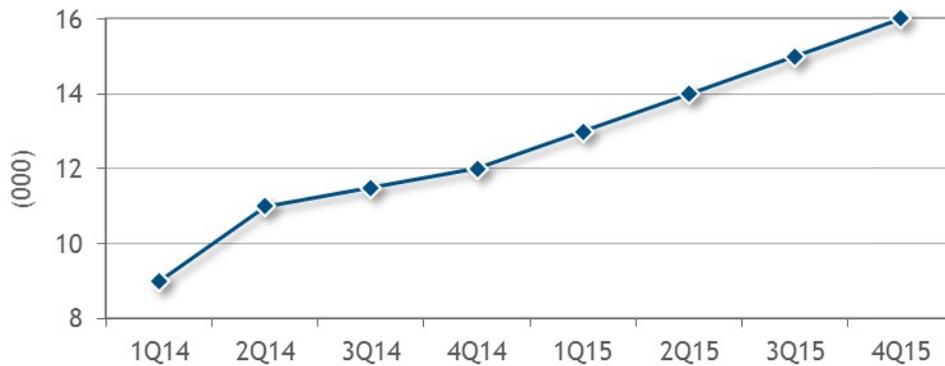
Kronos Cloud Customer Growth, 2014 and 2015

Fiscal Period	Period Ending	Customers on Cloud
4Q15	September 30, 2015	16,000
3Q15	June 30, 2015	15,000
2Q15	March 30, 2015	14,000
1Q15	December 31, 2014	13,000
4Q14	September 30, 2014	12,000
3Q14	June 30, 2014	11,500
2Q14	March 30, 2015	11,000
1Q14	December 31, 2013	9,000

Source: IDC, 2015

FIGURE 1

Kronos Cloud Customer, 1Q14-4Q15



Source: IDC, 2015

Workforce Central

Workforce Central is Kronos' flagship product line. Generally used by medium-sized to large organizations (with more than 2,500 employees), Workforce Central provides deep functionality for time and labor tracking, advanced scheduling, analytics, HR/payroll, and complex absence management. A variety of industry-specific solutions are available, and the product is used globally. Because Kronos believes that customers want to choose their preferred deployment model, Workforce Central is available both in the cloud and on-premises.

In May 2015, Kronos launched Workforce Central 8. This release included a new user experience, leaderboards to improve employee engagement, grant and project tracking, support of the Affordable Care Act, and enhanced global capabilities to improve local compliance. It also included new business insight features such as visualization highlighting labor patterns and trends in employee attendance. Workforce Central 8's industry-specific features included employee self-service scheduling, including location schedules and coverage, fatigue management, a granular view of labor required for customer and noncustomer facing tasks in retail stores, reforecasting and forecasting of schedules due to unforeseen influences such as weather, and workload management that considers the demand for care with each patient's level-of-care intensity while equitably distributing and balancing staff assignments.

Workforce Ready

Workforce Ready is Kronos' primary solution for small and midsize businesses, generally up to 2,500 employees, although the product is also used at larger organizations that do not need industry-specific solutions. Workforce Ready provides an easy way for customers to track employee time and attendance and administer payroll and HR services. Launched in 2012, Workforce Ready was built on the SaaS*hr* platform and now has more than 1,400 customers. Workforce Ready is available in the United States, Canada, Mexico, Belgium, the Netherlands, the United Kingdom and, most recently, Australia.

Kronos also continues to offer SaaS*hr* through its partner channel. More than 190 partners have a reseller arrangement to private label, or white label, Workforce Ready. Since the acquisition of SaaS*hr* in 2012, Kronos has more than doubled the number of customers on the platform. Workforce Ready (and SaaS*hr*) is available only in the cloud and is on an ongoing release cycle. The most recent release (September 2015) of Workforce Ready included updates to human resources, recruiting, talent management, scheduling, and compliance.

In fiscal year 2014 (period ending September 30, 2014), Kronos added 3,800 small and midsize businesses to its customer community. Recently announced Workforce Ready customers include Dora Hotel Company, Hays Supermarkets, Mammoth Mountain Ski Area, Norwood Hills Country Club, and Tully's Coffee. New Workforce Central customers include ACCO Brands, Mercy Hospital of Iowa City, Crayola LLC, Indianapolis Department of Public Works, and Charles County Public Schools.

Workforce Analytics

Kronos Workforce Analytics and the Big Data for Workforce Management practice group are helping organizations align operational and financial data to monitor processes, improve outcomes, and plan for the future. By launching a series of plug-ins dedicated to simplifying complex workforce data for customers and partners, this group provides insight into costly workforce issues, synthesizing volumes of overtime, absence, scheduling, productivity data, and time clock entries against key performance indicators (KPIs). An example includes a healthcare planning tool that enables hospitals to efficiently align resources with fluctuating demand while maintaining service and quality levels.

Time Clocks

The time clock business is still a healthy one for Kronos, as the company shipped its 1 millionth time clock in June 2015. The latest time clock offered by Kronos is called Kronos InTouch, and it includes features such as touchscreens, battery packs in case of power outages, and video streaming and is WiFi ready. The terminals can also come equipped with biometric verification capabilities, gaming features, or the ability to host customized applications. The Kronos InTouch can also be designed for harsh work environments found in locations like factories or manufacturing plants.

International

As the leading provider of workforce management software worldwide (according to IDC), Kronos serves customers in more than 100 countries through sales and service offices in North America (the United States and Canada), Latin America (Mexico and Brazil), Asia/Pacific (Singapore, Australia, China, and India), and Western Europe (Belgium, France, the Netherlands, and the United Kingdom).

Kronos international product bookings increased 12% year over year (fiscal year 2015). Kronos is seeing this growth from local companies as well as multinationals, including Best Buy, Coach, Crocs, DHL/Exel, DICK's Sporting Goods, Joy Global, the Neiman Marcus Group, Nespresso, Sabre Holdings, and Walter Energy.

Kronos continues to invest in regions where it sees strong growth potential. Soon after the opening of its new Latin America headquarters in Mexico City, Kronos relocated its Delhi/Noida, India, operations to a new 93,000 sq ft space to support its growing software development, Kronos Cloud, professional services, finance, and information technology functions. Kronos also unveiled a new and expanded U.K. headquarters in Bracknell, England. The company is routinely honored as a "best place to work" by independent organizations in many of these regions.

Target Markets

Kronos targets its customers in two primary ways – small and midsize businesses and vertical solutions for specific industries.

Workforce Ready is the primary solution for small and midsize businesses, generally with up to 2,500 employees, although the product is also used at larger organizations that do not need industry-specific solutions. Industry solutions are provided in the Workforce Central product line. Industry-specific solutions, along with resource libraries, are available for the following industries:

- Business services (with specific solutions for contract services, field services, and nonprofits)
- Education (with specific solutions for higher education and K-12 education) (More than 330 K-12 schools and districts and more than 250 higher education institutions use Kronos.)
- Energy (with specific solutions for utilities and oil and gas)
- Financial services (with specific solutions for banking and insurance)
- Government (with specific solutions for federal government and state/local government) (Kronos is used by more than 1 million federal government workers in 95 departments or agencies, in 35 states, and in more than 720 state and local government organizations.)
- Healthcare (with specific solutions for hospitals and health systems and long-term care) (Kronos is used by more than 3,000 hospitals and 6,000 long-term care facilities.)
- Hospitality (with specific solutions for dining, gaming, and lodging)

- Logistics (with specific solutions for distribution and trucking) (10 of the top 20 logistics companies worldwide use Kronos.)
- Manufacturing (with specific solutions for life sciences). (7 of the top 10 automotive suppliers are Kronos customers.)
- Public safety (with specific solutions for 911 dispatch, campus public safety, fire and emergency medical services, and police and correction)
- Retail (with specific solutions for grocery) (57 of the top 100 retailers use Kronos.)

An example of an industry-specific solution is 911 Public Safety Communications Centers. These vital organizations exist in cities and local governments throughout the United States. The Kronos scheduling solution for 911 Public Safety Communications Centers ensures that critical positions are staffed 24 x 7, automates overtime distribution, creates compliant schedules that balance demand with employee eligibility and availability, and sends rapid, accurate notifications for schedule changes in time of crisis.

Workforce Optimization

With workforce optimization, Kronos is also showing companies how they can transform their workforce from a cost of doing business into a competitive advantage. There are five components to this evolution:

- **Manual:** At this beginning stage, many processes are still manual. Employees may be tracking time on paper timesheets or not tracking time at all.
- **Automate:** As organizations need to track employee cost, they often view the workforce as an expense. At this point, the foundation can be laid to track labor cost, compliance risk, absenteeism, and administrative efficiency. Kronos can help automate these processes through its data collection, time and attendance, and absence management solutions.
- **Plan:** Once an organization starts to automate workforce management, it often looks for ways to proactively manage overtime and coverage. Organizations often start to view the workforce as a resource that can be deployed. At this point, the Kronos forecasting, scheduling, and hiring solutions are commonly used.
- **Execute:** An agile and engaged workforce is a flexible asset to the organization as managers need to react to changing conditions. Customer satisfaction and operational excellence are important measurements. Managers are looking for mobile solutions that can use from their phone or tablet and collaboration and gamification solutions to improve employee engagement, plus Kronos' Workforce Task Management solution to increase staff productivity.
- **Innovate:** At this point, the vital workforce is a competitive advantage. Companies strive to continuously improve their growth, branding, profitability, transparency, accountability, and organizational effectiveness. Kronos' budgeting and analytics solutions are often used at this stage.

Kronos workforce management solutions are aligned with this model, and as customers choose to evolve their workforce, they can select the Kronos products that are appropriate to how far they want to evolve along the workforce optimization maturity scale.

FUTURE OUTLOOK

Challenges and Opportunities

Challenges

There has been press in the past year about difficulties experienced by hourly workers receiving difficult work schedules that were created by automated software, such as Kronos. These workers are typically earning low wages and may be juggling school schedules, limited child care options, multiple jobs, public transit commutes, and more. Employers in retail, fast-food dining, and janitorial services often manage on thin profit margins and are trying to adjust staffing with expected demand. Both groups want and need flexibility to manage their business and their lives with consistency, early communication, and transparency. Software solutions and algorithms used to determine optimal work schedules should not work in a vacuum and need human judgement from workers and managers to ensure that the process works.

Kronos has emerged as a leading participant in the national debate about employee scheduling and was invited to speak at the White House and Open Society Foundations on this topic. Kronos also has plans to develop a dashboard using its Workforce Analytics module that gives retailers near-real-time visibility into key metrics needed to assess how equitable schedules are to employees.

Kronos can do more to ensure that its users understand how to configure scheduling technology to meet the scheduling needs of both workers and employers. Kronos has done a good job of telling the employer side of the story that illustrates how schedules are optimized and is increasingly telling stories of how its software provides optimized schedules for employees who are managing on a limited budget while trying to get to class and do a great job at work.

Opportunities

Kronos has excellent opportunities for continued success. The overall human capital management (HCM) market continues to grow and expand. The HCM market in 2014 reached \$11.2 billion worldwide and is forecast to reach \$16.9 billion in 2019 at a CAGR of 8.7% (see *Worldwide and U.S. Human Capital Management Applications 2015-2019 Forecast*, IDC #256701, June 2015). The workforce management market (a component of the overall HCM market) was \$1.696 billion in 2014 and grew 10.8% over 2013. Kronos is the largest vendor in this market. IDC believes that no other vendor offers the depth and breadth of workforce management solutions that Kronos does, so Kronos is in good position to continue on its track to growth.

ESSENTIAL GUIDANCE

Advice for Kronos

IDC's main advice for Kronos is to continue on the path it is on by developing industry-specific solutions for workforce management and enabling customers to move these solutions to the cloud. There are additional industries that Kronos can develop solutions for, as well as existing industries that may need deeper solutions. IDC also encourages Kronos to continue to partner with other technology solution providers whose applications can be enhanced by offering deeper workforce management capability.

Further, IDC encourages Kronos to continue to work with its retail and other customers that employ large workforces of hourly workers with variable schedules to create algorithms and training on configuring the Kronos products to enable schedules that meet the needs of both the companies and the workers in terms of consistency and flexibility.

Advice for Buyers

Prospective buyers are encouraged to include Kronos on their short list whenever they are considering an updated workforce management solution. Kronos partners well with other HCM software vendors and often provides a deeper level of workforce management functionality that is available with HCM or ERP suite vendors that may be a better fit for your organization's business requirements. Prospective buyers are encouraged to talk with other Kronos customers about their experiences and to Kronos employees as the employee culture is very strong and it is important to have alignment with your chosen vendor.

IDC recommends that prospective and current customers stay engaged with Kronos by following the company blog and becoming part of the Workforce Institute community where you can download articles and engage in the conversation on workplace issues. The Workforce Institute is a Kronos-sponsored think tank. Kronos customers are also encouraged to remain engaged with the company's responsive sales and customer support teams to ensure that their business requirements are met and to attend events such as KronosWorks to remain up to date on future product innovations.

LEARN MORE

Related Research

- *Worldwide Enterprise Resource Management Applications Market Shares, 2014: Year of Cloud, SMB Accounting, and Industry-Specific Applications* (IDC #258740, September 2015)
- *Worldwide Human Capital Management Applications 2014 Vendor Shares: Total Market, Core HR, Workforce Management, Recruiting, Learning Management, Performance Management, and Compensation Management* (IDC #257111, July 2015)
- *National Retail Federation's 104th Annual Convention & EXPO: Observations from Retail's BIG Show 2015* (IDC #254101, February 2015)
- *Mobile and the Workforce: Time for a Closer Look* (IDC #252763, December 2014)
- *IDC MaturityScope: Spend Optimization* (IDC #250057, July 2014)
- *Perspective: If You Measure, You Can Manage: How Improved Workforce Management Generates Productivity Gains on the Shop Floor* (IDC Manufacturing Insights #MIVC52V, September 2013)
- *Perspective: Taking Steps Toward Smarter Operations – The Container Store Implements Kronos' Advanced Workforce Management Features* (IDC Retail Insights #GRI239458, February 2013)

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