



Turnaround

PRESS RELEASE
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Subject Fees, Margins & Profitability

Mates rates or profitable business?

The Australian recruitment industry is globally renowned for working at significantly lower fees and margins than other countries.

Why?

Does this go back to the old Australian “mates rates” analogy, when builders would help you build your house for a feed, a beer and a thanks mate? Back then, was the corporate Australia just doing one another favours rather than building commercially sustainable businesses with commercially viable terms?

Or was it that as the Australian population significantly grew, it does so with an employable workforce whereby the early recruiters had little more to do than just farm out the endless flows of suitable talent and could run profitable businesses and desks without feeling required to charge any more?

Let us ask you all this?

- Have you tried getting hold of a builder recently? Did it cost more than a beer and a feed?
- How is your market for good quality candidates these days or even those that aren't so good?

Of course we all know the answers to this (let us just point out we are not having a go at any builders for now charging more, quite the contrary, hats off to them for adapting with the times and charging more accurately for their hard work).

Having polled over 100 recruitment professionals for this month's subject, “fees, margins and profitability” we are perhaps presently surprised with the results....

Asked the question in this month's survey, "What level of confidence do you have in negotiating fees and margins with clients," 75% of respondents answered they have complete confidence. No one answered the option of "I'm not comfortable negotiating" or "I hate negotiating" which leads us to believe that as an industry we are adequately equipped to raise the bar!

Further conclusion to this is that 95% of the recruiters we polled agreed that the service they provide is definitely worth the fees they charge.

The recruiters we spoke with covered the demographic of industry sectors.

A concern we could have is that 58% of respondents said they hadn't received any kind of training, formal or otherwise in regard to negotiations. Surely this would be a key subject covered in the comprehensive RCSA's "Certificate in Recruitment and Selection"? Or perhaps as the builders of old, they're still at the stage of pushing an industry of favours rather than a commercially viable and sustainable one.

Did you know the leading search companies in Australia will not even consider recruiting for an assignment should the fee be less than \$75,000 as their average fees tend to be in the region of \$200,000 per placement?

Therefore next time a line manager or human resource department is pushing your fee under 15% stating all recruitment is done at 12% or whatever the claim may be, remember the CEO of that company they are working for in most likelihood would have been placed at a fee more in the region of 33% by a Search company.

Why can Search companies command such rates? They recognise there is only a finite number of C'level / senior talent in the market and therefore must work hard to build trusted relationships with their candidates to understand their needs and so they can then sell them the benefits of an assignment, correctly presenting them to the right opportunity. Because of this limited talent pool they face and the resource effort required to secure these trusted relationships, the Search companies confidently stick to their guns and charge accurately for their hard work.

Now going back to our early question of "How is your market for good quality candidates these days or even those that aren't so good?" we all know we are in a talent short market or as some refer to it, an era of "the war for talent".

So as with the Search companies who stand proud of their fees and won't negotiate to unreasonable levels because of the hard work required to be commercially successful in their industry, why would the rest of us bend over and continually take our clients demands in dropping fees, margins and intimately our profitability.

In some of our previous research findings we have qualified that one of the top five current boardroom issues amongst corporate Australia is how to

recruit and retain the best talent. Given this recognition and that what we all now know is a talent short market, today, here and now is the greatest opportunity in the recent history of the Australian recruitment industry to push its rates forward and charge more accurately for the hard work that is required to be a success within this industry.

This months findings show recruiters are actually confident negotiating and believe in their deserved fees. And therefore we put it to Agency Owners, Directors and Managers to back their consultants powers of negotiations, set and stick to a higher minimum fee / margin not allowing anyone to drop below it regardless of the dollars or short term gain, support your consultants in walking away from business, remembering a “good client” is one that works with your terms of business and not what they think is appropriate. Your terms after all were created for the exact reason of building a successful and profitable business.