

INDUSTRY BENCHMARKS

Recruiters start to feel chill as credit crunch kicks in

While there is still year-on-year growth in billings, the rate of growth has slowed significantly, according to BDO Stoy Hayward's review of the latest data outputs from Recruitment Industry Benchmarking (RIB).

Growth slows to standstill

At the start of the year the recruitment industry continued to show exciting growth in billings while the rest of the economy worried about how the credit crunch would affect their business.

However, the latest data from RIB shows that the slowdown has started to catch up with the recruitment industry, with billings in June 2008 only 0.4% better than in June 2007.

While growth in the industry has been dropping since September 2007, the majority of the months since have still been showing growth of more than 5%, which is still a very respectable performance.

How managers react to this news will determine whether the sector starts to go into negative growth for the first time since the end of 2001.

The quoted recruiters have seen their share prices fall significantly. Investors, market makers and brokers downgraded their forecast earnings for these businesses some time ago and their concerns over the future performance of the industry are starting to show as RIB members see their billings growth slow.

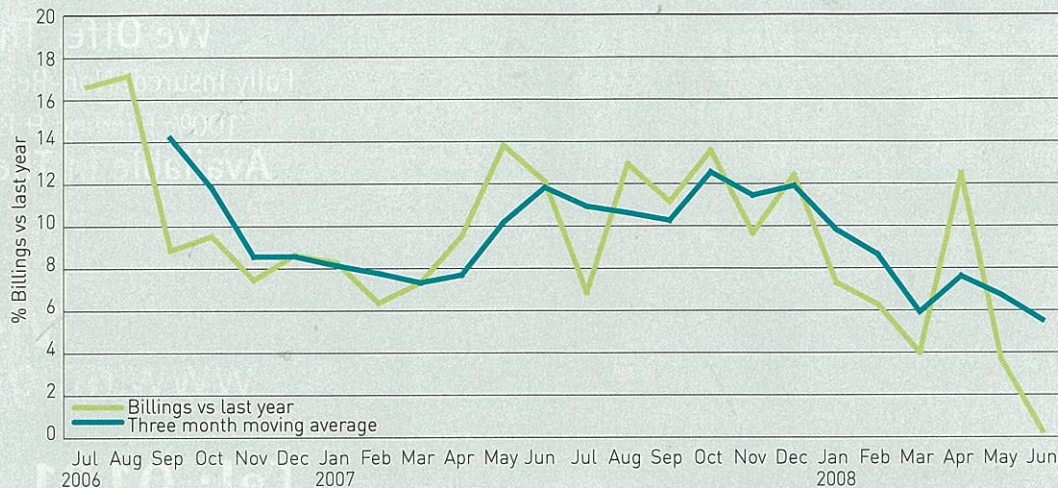
Christopher Clark, corporate finance partner at BDO Stoy Hayward, says: "While it is concerning that growth has stopped, it should be put in the context that industry commentators have been predicting a deterioration in performance for some time now.

"The latest data shows that while growth may have slowed, RIB members are still managing their businesses well and are not showing a decline in billings; they have just plateaued."

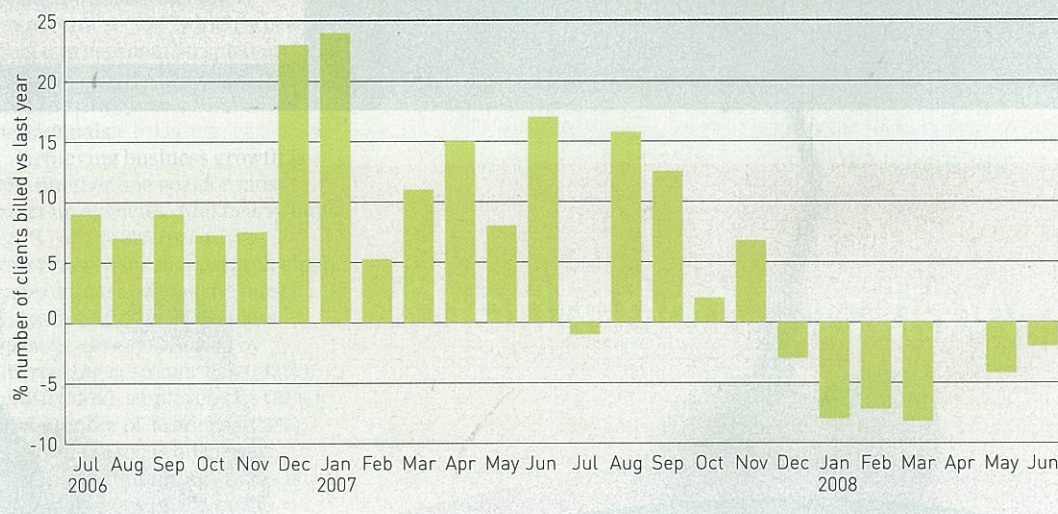
Where are the clients going?

You would expect activity from clients to have reduced, but what is surprising is the fact that billings have remained stable. The reduction in the number of clients billed since December 2007 is between 0 and 8% when compared

OVERALL BILLINGS VS LAST YEAR



COMPARISON OF CLIENTS BILLED VS LAST YEAR



with the previous year. Recruiters are therefore working very hard with a smaller pool of clients to ensure targets are met.

Reward packages for recruitment consultants usually recognise that winning new clients can bring lucrative returns, and the spoils are often shared with them.

However, reward packages also need to be adaptive so that those consultants who are better placed at servicing existing clients are adequately rewarded. When opportunities to fill new roles are scarce, clients will often reduce the number of suppliers they deal with to save time and money.

They are likely to look favourably on their trusted supplier who has gone that extra mile on previous assignments.

Clark says: "While client satisfaction is not easy to measure, if the culture in your organisation centres around your clients' needs then you are more likely to see the benefits of this longer term.

"When clients are reviewing the list of suppliers to give a declining number of vacancies to fill, being a 'top five' supplier when they are only going to talk to three does not bode well."

Crawford Walker, director at RIB, says: "RIB members have

outperformed market sentiment over the past nine months. As the marketplace gets harder, it is crucial that companies optimise their performance and use the RIB as a management tool."

Recruitment Industry Benchmarking provides its members with monthly up-to-date analysis of their performance on key industry measurements. This enables them to measure, manage and improve their business performance.

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