



Understanding The Competition

OIGP Partners Meeting – Miami

April 26, 2018



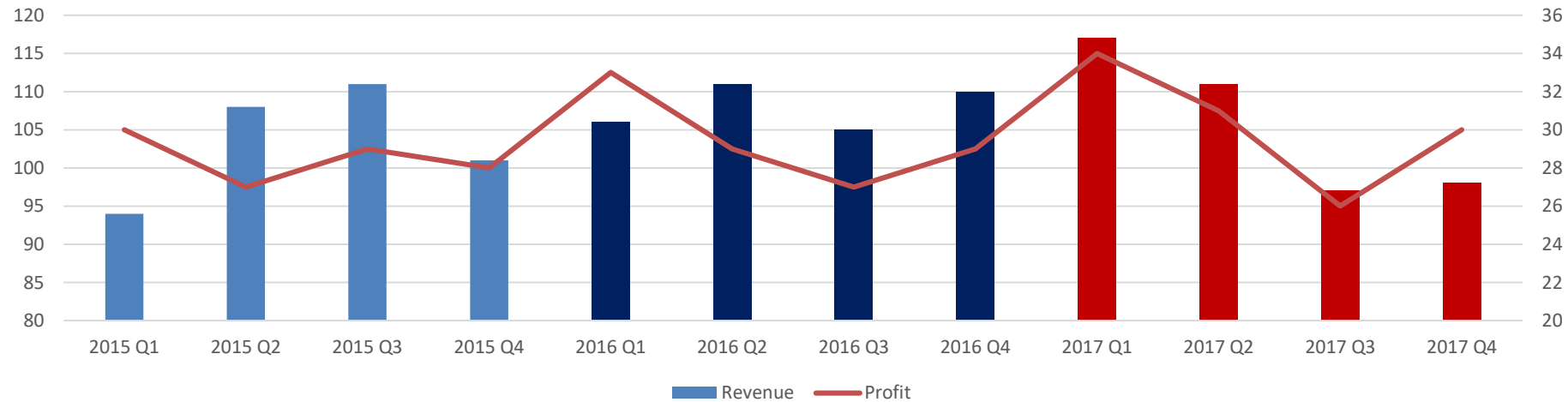
Competitive Trends

- Outplacement, as reported by the USA BLS, was down 20% versus the previous year. Involuntary turnover numbers were the lowest since 1990.
- Executive search showed healthy gains. Korn Ferry (+21%) and Heidrick & Struggles (+7%) had strong years.
- Outplacement delivery in the USA continued to move even more to virtual delivery.
- Price competition from smaller firms continues – multiple price driven campaigns on Google AdWords



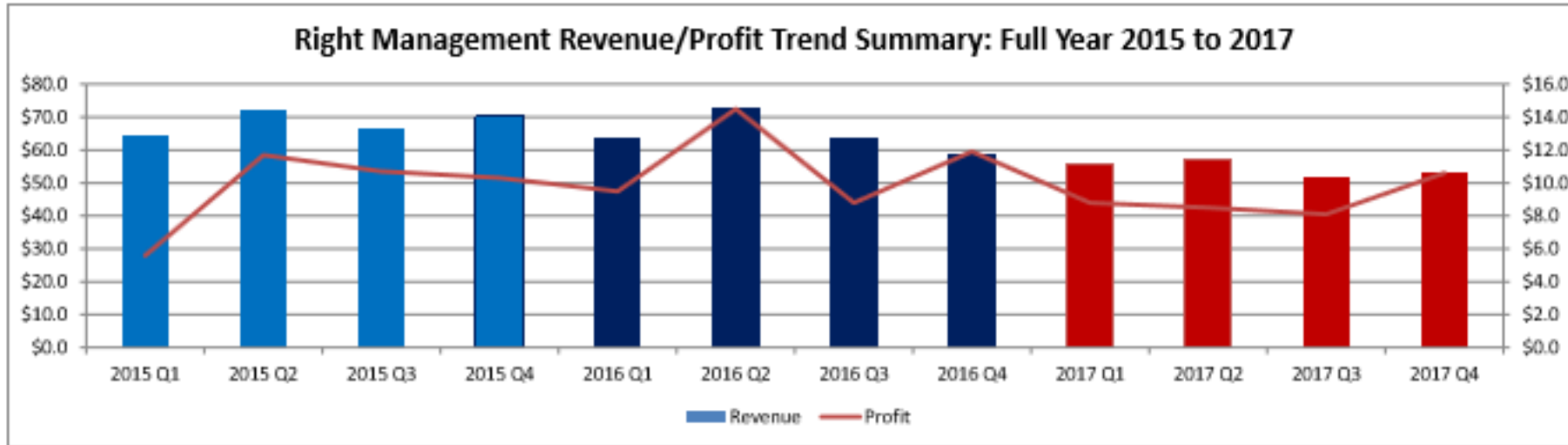
LEE HECHT HARRISON

LHH Revenue - Profit Trend 2015 - 2017 (Euro's - MM)



2017 Lee Hecht Harrison Summary - Full Year				
Euro's (MM)	2016	2017	Diff	% Chg.
Revenue	432.0	423.0	-9.0	-2.1%
Profit	118.0	121.0	3.0	2.5%
Profit Margin	27.3%	28.6%		

- LHH strategy appears to be focused on profit optimization versus revenue.
- In 2017 LHH represented 1.8% of Adecco's revenue but 10.8% of their profit.
- Note: Randstad just purchased General Assembly, an adult learning center for digital skills training



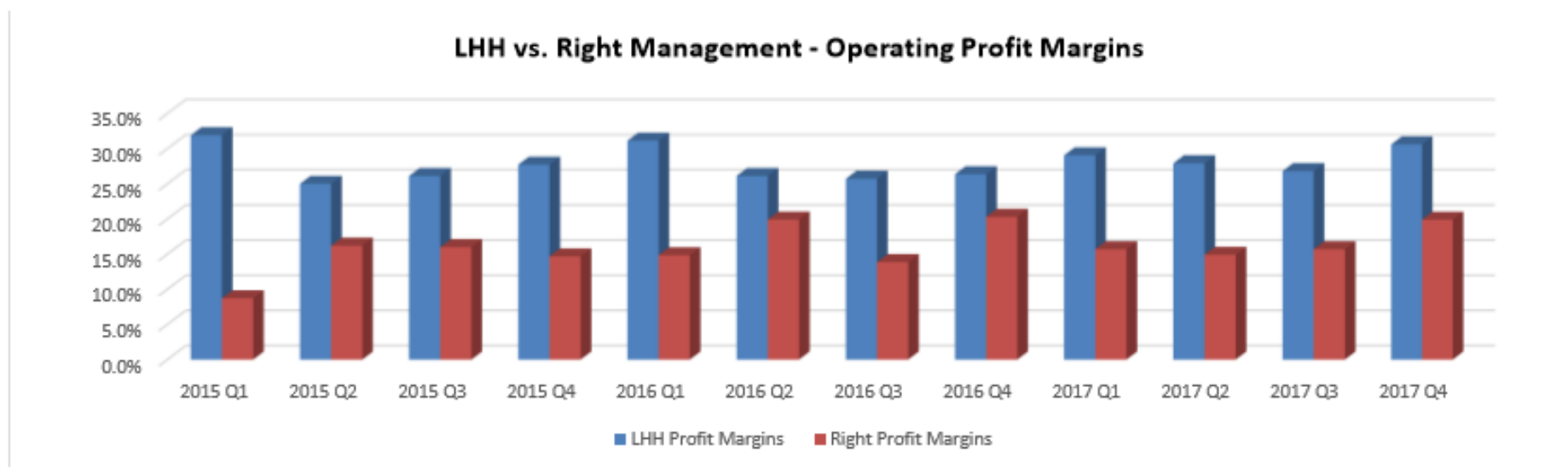
2017 Right Management Summary - Full Year				
	2016	2017	Diff	% Chg.
Revenue	\$258.9	\$218.1	-\$40.8	-15.8%
Profit	\$44.7	\$36.0	-\$8.7	-19.5%
Profit Margin	17.3%	16.5%		

2018 Right Management Summary - First Quarter				
	2017	2018	Diff	% Chg.
Revenue	\$56.0	\$50.0	-\$6.0	-10.7%
Profit	\$8.8	\$6.4	-\$2.4	-27.3%
Profit Margin	15.7%	12.8%		

- Right Management has seen both revenue and profit declines the past two years.
- Right Management represents 1.0% of Manpower’s revenue and 3.9% of profit.
- 2018 Q1 Results were down significantly



LHH Vs. Right Management



	<u>2015 Q1</u>	<u>2015 Q2</u>	<u>2015 Q3</u>	<u>2015 Q4</u>	<u>2016 Q1</u>	<u>2016 Q2</u>	<u>2016 Q3</u>	<u>2016 Q4</u>	<u>2017 Q1</u>	<u>2017 Q2</u>	<u>2017 Q3</u>	<u>2017 Q4</u>
LHH Profit Margins	31.9%	25.0%	26.1%	27.7%	31.1%	26.1%	25.7%	26.4%	29.1%	27.9%	26.8%	30.6%
Right Profit Margins	8.7%	16.2%	16.0%	14.7%	14.8%	19.9%	13.9%	20.3%	15.7%	14.9%	15.7%	19.9%

- LHH has stronger metrics than Right Management because:
 - They have better diversified with talent management vs. remaining a pure play with outplacement.
 - Have stronger business development resources – boots on the ground.
 - Have better cross-leveraged their total Adecco platform





- Randstad unfortunately does not break out their business results for RiseSmart (part of Global Business unit consisting of Monster, Randstad Sourceright, twago and RiseSmart).

Per the 2017 annual report, the Global Business reported the following:

2017 Randstad Global Business Unit - Full Year				
	2016	2017	Diff	% Chg.
Revenue	€ 761.7	€ 1,194.9	€ 433.2	56.9%
Gross Profit	€ 261.9	€ 671.4	€ 409.5	156.4%
GP Margin	34.4%	56.2%		
Operating Profit	-€ 15.7	-€ 95.2	-€ 79.5	506.4%
Profit Margin	-2.1%	-8.0%		

- The Randstad Global Business is on a growth trajectory – strong revenue growth – profit losses.
- Randstad must see the future margin and growth potential of each new acquisition as a way to counter balance the lower margins from staffing.





Randstad strategy shows that it sees future promise in development of their Global Business. Their strategy – per the 2017 annual report – states:

“Over the past few years, Randstad has been transforming itself from a traditional staffing company to a data-driven HR services provider.

We have strengthened our digital foundation through the acquisitions of RiseSmart and Monster and our Randstad Innovation Fund investments. Going forward, our growth path will be mainly organic, supported by digital initiatives, while also expanding the value of Monster for the entire Randstad Group”.

- Randstad hired Karen O’Boyle (formerly of Mullin/LHH) as their Chief Commercial Officer to accelerate their growth with enterprise accounts





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EMPLOYERS SEARCH FOR SOLUTIONS TO ADDRESS THEIR CURRENT NEEDS THAT HELP THEM FROM A MANAGE THE SOLUTIONS
and businesses to manage their money. It organizes its portfolio of businesses into four principal
Business and Other Businesses. These categories

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OUR SOLUTIONS ARE DESIGNED WITH SMALL AND MEDIUM BUSINESSES IN MIND

SPARK	BEST VALUE BOOST	MOST POPULAR IGNITE	EMPOWER
\$499	\$899	\$1899	\$2499
for 3 months per employee*	for 3 months per employee*	for 3 months per employee*	for 6 months per employee*
Recommended for: Hourly Employees	Recommended for: Entry Level Positions	Recommended for: Managers and Individual Contributors	Recommended for: Directors and above
BUY NOW	BUY NOW	BUY NOW	BUY NOW

- RiseSmart Express is targeted the small/mid-size business segment with a self-serve, web-based, retail approach.
- Designed to not require a lot of business developmental time and attention.
- Initiative would indicate that they are looking for new revenue streams because:
 - Enterprise revenue is flat
 - Excess capacity in their system





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2018 March Job Cut Report: 60,357 Cuts With Retail, Health Care Leading

MARCH JOB CUTS
60,357

Challenger, Gray & Christmas, Inc.

Job cuts announced by U.S.-based employers surged in March to 60,357, a 71 percent increase from the 35,369 cuts announced in February. Last month's total is the highest monthly total since April 2016, when 64,141 job cuts

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Press Releases

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- Challenger Gray continues to strategically position themselves as the OP provider of choice for the senior level.
- They continue to leverage their PR and marketing strength to position themselves as an OP leader.
- They continue to have a strong mind share with HR leadership.

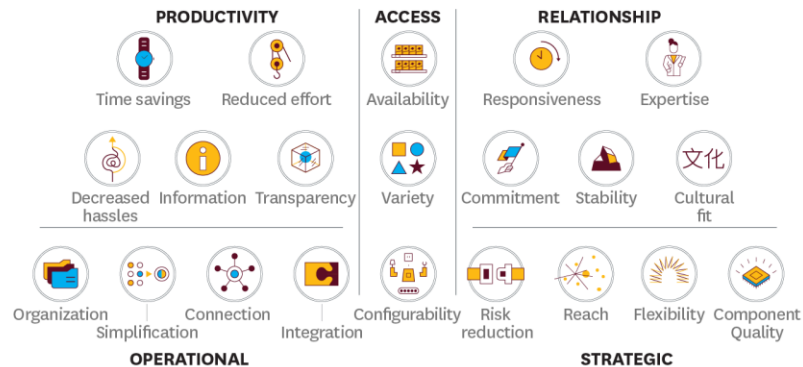
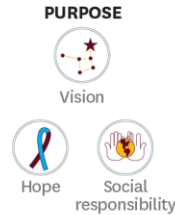




- Different business model:
 - Executive staff (six people)
 - Higher fixed cost structure

- Updated website one year ago.
- Focus is on singular branding of CPI.
- No individual firms are referenced on website.
 - Note: CPI is not heavily branded on many of the members sites





The B2B Elements of Value Pyramid

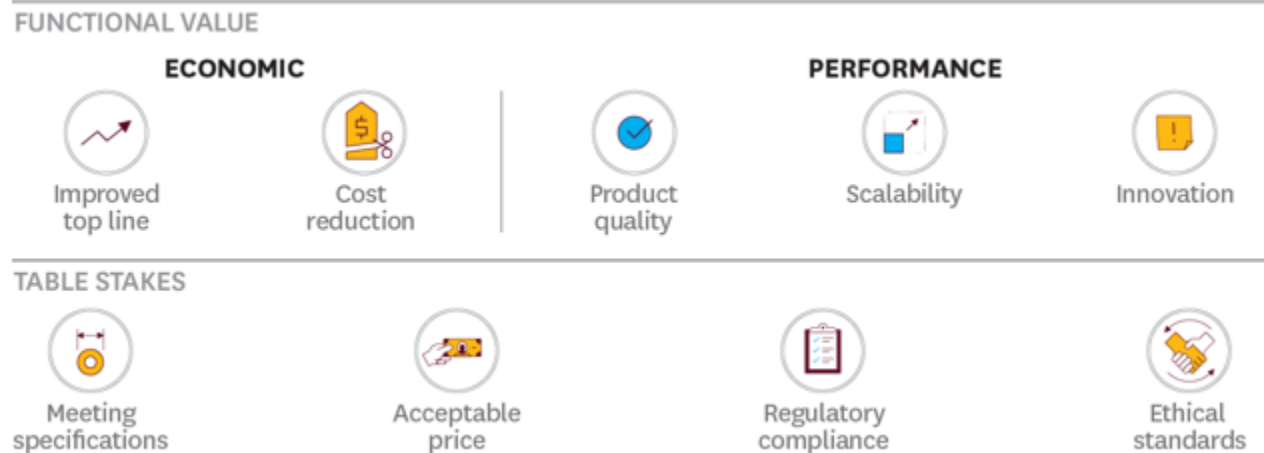
- Bain has organized the 40 distinct kinds of value that B2B offerings provide customers into a pyramid with five levels.
- The most objective kinds of value are found at the base, and the higher a level is, the more subjective and personal the types of value it contains.

“As B2B offerings become ever more commoditized, the subjective, sometimes quite personal concerns that business customers bring to the purchase process are increasingly important.”

*Indeed, our research shows that with **some purchases, considerations such as whether a product can enhance the buyer’s reputation or reduce anxiety play a large role.** Recognizing the full range of both rational and emotional factors behind business purchases—and tailoring the value proposition accordingly—is critical to avoiding the commodity trap”*



Base Of The B2B Value Pyramid



- This is where purchasing takes over and moves outplacement to an RFP process.
- Search can also fall victim to commoditization – contingent searches, reduced fees.

- Objective value – minimum cost of entry
- Most prone to commoditization
- Area where outplacement services can be trapped.

Mid-Tier Of The B2B Value Pyramid

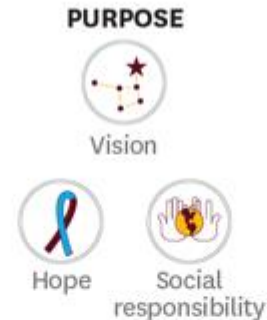


- The mid-tier begins to create subjective value
- Elements within this level make it easier to do business; some provide purely objective types of value, by, say, increasing a customer's productivity (*time savings, reduced effort*) or improving its operational performance (*simplification, organization*).

- Outplacement services can move up the value chain:
 - High touch – quality coaching
 - High tech – portal/reporting
 - Reach – expanded coverage
- This is where firms like LHH and Challenger excel – by creating points of difference.
- LHH, Right, and RiseSmart are all trying to cross leverage the staffing and auxiliary services of their parent companies.

Top Tier Of the B2B Value Pyramid

INSPIRATIONAL VALUE



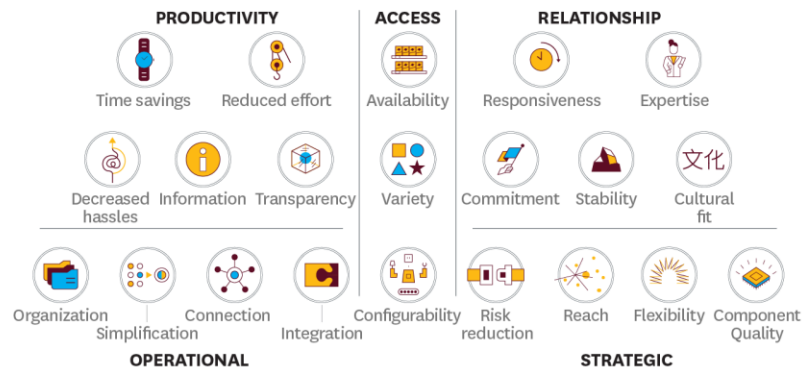
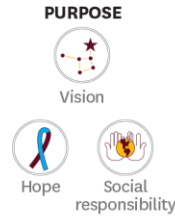
INDIVIDUAL VALUE



“Here the elements of value can address highly emotional concerns.

A fear of failure often nags at buyers who spend large amounts of money and make decisions that may affect revenues or many employees”.

- This is why executive coaching, talent development and retained search are higher margin services:
 - Greater management importance.
 - Potential to advance sponsor’s career



Summary

- Challenge for outplacement services is to move beyond the base level of the B2B value pyramid.
 - RFP's continue to bring down pricing
 - Being a pure play outplacement provider is challenging in today's climate (example – Right Management)
- Outplacement services can be moved up the B2B value pyramid:
 - Challenger has successfully positioned itself as the provider of choice for executive level engagements.
- Diversification of services – talent management, talent selection, assessments – help move firms up the value pyramid:
 - LHH has higher margins due to higher margin coaching
 - Many OIGP firms also have successfully diversified.