

# Revenue vs profit: Do you know the difference?

By Gaynor Lowndes, Managing Director of The Recruitment Training Company

For the average permanent recruitment consultant, the measurement of success is the amount of revenue generated. This is obvious enough, as you don't necessarily have to wear the costs of delivery associated with your operations.

My belief is that in a contracting market, such as the one we currently find ourselves in, it is essential to understand the profitability of your desk rather than just focus on the revenue you generate.

Cost of delivery refers to the time taken to fill a vacancy accounting for cost percentages such as the telephone bill, advertising costs, the consultant's resourcers and the admin time taken. Your billings may look impressive, but on occasion when I conduct onsite management consulting, I find a disturbing number of recruitment desks that are in fact running at a loss.

I wouldn't be aware of this issue had I not had to face it during my own career as a consultant and during my time as a trainer and management consultant for the industry. If you want to be aware of how "profitable" your desk is, then consider conducting the follow exercise.

## 1. Keep a timesheet for each role you work

The necessary starting point is to gauge where your day is going right now. More often than not, when this step is implemented, a clear picture arises as to which jobs are high profit and which may be running at a loss. We have all worked jobs in our careers that take forever to fill, we advertise and refresh our adverts for them almost daily and we just can't seem to find the right candidate. In contrast we have also run jobs that are so easy to fill we almost feel bad taking the fee!

All other service professionals charge on a time basis – why not us? Keep a record of every advert you write and refresh, the time spent on resume and telephone screening for the role, candidate interviews and reference checks etc. Then, when the role is filled, de-

duct your "costs" from the placement fee and you will get a clear indication of how profitable the role was for you. Ask your manager what dollar figure you should allocate to your hourly cost. The rate should take into account your cost to the company plus relevant on-costs.

This exercise will provide a reality check which may compel you to approach your day differently.

## 2. Review prospects "in the funnel" for profitability

We all know that to an extent, our success is based on "doing the numbers", but are the numbers profitable? Are you getting something from every call you make? Work out how much each call is worth to you by taking your average monthly fees and dividing by how many cold calls you made. That will give you an amount per call. This may motivate you to make more calls or change your tact to ensure that you get something from every call you make.

Every wasteful cold call is costing your company money and is also costing you in terms of confidence. Research does not have to be elaborate or detailed, it can be as simple as checking out the company's website or assessing the vacancies they advertise and chasing accordingly.

It's not about occasionally striking gold at a cold call, it's about striking any profitable opportunities as consistently as possible. Because the research has been done, the calls that are made are worth the company's money and more likely to yield results. What are the most profitable cold calls?

- advert chases;
- reference checks;
- lead chases; and
- reverse marketing.

## 3. Make sure you work "easy to fill" roles

In the current candidate short market, many would argue that there is no such thing as an "easy to fill" role. The key, however, is to assess

your billings and discover the salary range and the type of roles that you can consistently fill with the greatest ease. Once again this ensures a consistent and profitable use of time.

When I worked as a specialist accounting recruiter, I placed all roles from data entry clerks to financial controllers and everything in between. A role like the financial controller, of course, brought in the highest revenue, but weighed against the costs of more intensive advertising and time spent trying to source a suitable candidate capable of meeting the standard required, I realised that such a role was not worth an "active" focus as a recruiter. I decided that my focus had to change to the roles I could fill most consistently and with the greatest level of ease and efficiency.

These roles fell between the \$45k and \$60k salary range. The individual fee wouldn't be as high, obviously, but the consistency and efficiency of activity would ensure the profitability of my desk. Granted, if I had a candidate for a higher role, such as a financial controller, I would place them, but such a placement would not be the focus of my activities.

With desks throughout the industry running at a loss and a number of companies failing, it is imperative as we move into a slowdown that consultants focus on the profitability of their desks.

This issue is even more important as we enter difficult economic times, and it is my hope that a collective awareness of profit vs revenue within the recruitment workplace will help our organisations survive and prosper. ■



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