

1999

ELECTRONIC

RECRUITING

INDEX:

The Industry Matures

Executive Summary

IBN: interbiznet.com is a niche consulting firm located in Mill Valley, CA. Each year, the company produces an analysis of the Electronic Recruiting Industry. This year's report, entitled the 1999 Electronic Recruiting Index (1999 ERI), covers the following terrain:

- ⇒ **Trends Driving The Growth Of The Internet As A Recruiting Tool**
 - ⇒ **Growth Statistics and Forecasts (Sales, Postings, Websites)**
 - ⇒ **Consequences of Growth On Recruiting Practice**
 - ⇒ **Available Market Niches and Exploitation Strategies**
 - ⇒ **Optimal Corporate Strategies For Labor Supply Management**
 - ⇒ **Web Design Methods and Processes**
 - ⇒ **Clear Forecasts of Industry Growth and Convergence**
 - ⇒ **Traffic Development Goal Setting and Processes**
 - ⇒ **Key Content and Contact Information For 300 Trade Magazines**
 - ⇒ **Business Model Boilerplate and Cost Drivers**
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- ⇒ **Evaluation of Over 1,500 Web Recruiting Endeavors**

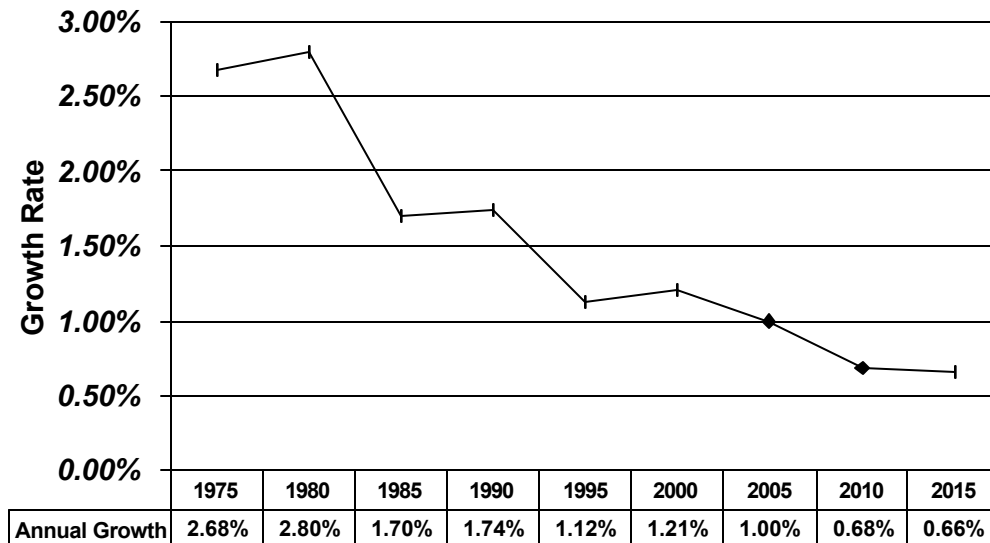
The work is rooted in two comprehensive Industry surveys.

IBN surveyed 2,620 users of Web Recruiting services with a 400 question instrument that assessed needs, customer satisfaction, techniques and various perceptions of 45 Web Recruiting Service Providers. The report includes summary level data from this survey including:

- ⇒ **Customer Satisfaction, Market Penetration and Sales Effectiveness of 45 Web Recruiting Services (Job Boards)**
- ⇒ **Ranking of Job Boards For Short and Medium Term Investment Potential**
- ⇒ **Assessment of Key Recruiter's Needs (Market Opportunities)**
- ⇒ **Usability, Results and Quality Measurements For 45 Job Boards**
- ⇒ **Performance Rankings Of 45 Job Boards**
- ⇒ **Web Design Methods and Processes**
- ⇒ **Traffic Development Goal Setting and Processes**
- ⇒ **Business Model Boilerplate and Cost Drivers**

2,500 Job Boards were also surveyed in detail. Responses from 400 include service offerings, pricing, contact information, and internal diagnostics.

Changes In Labor Force Growth Rate



The single most important dynamic driving Electronic Recruiting is not electronic at all. As global population growth drifts toward zero (pure replacement), a significant change takes place in a variety of aspects of Recruiting.

58 Countries reported birth rates below the replacement level in 1997. Among these countries were Great Britain, Japan, Russia, China, most of Europe and Asia. Declining birth rates have been translating into declining population growth for more than 20 years.

The results are predictable. While economic growth depends on the availability of workers, they are available at decreasing rates. Labor shortages, often reported in the press in the Information Technology (IT) sector, are widespread. Over 60% of the Recruiters who responded to our survey experienced labor shortages in areas other than IT.

We are at the beginning of a shift in the way that work is understood and accomplished that is driven by these shortages. The changes are not forecasts. They drive the performance of excellent Recruiters and inhibit the results of the rest of the pack.

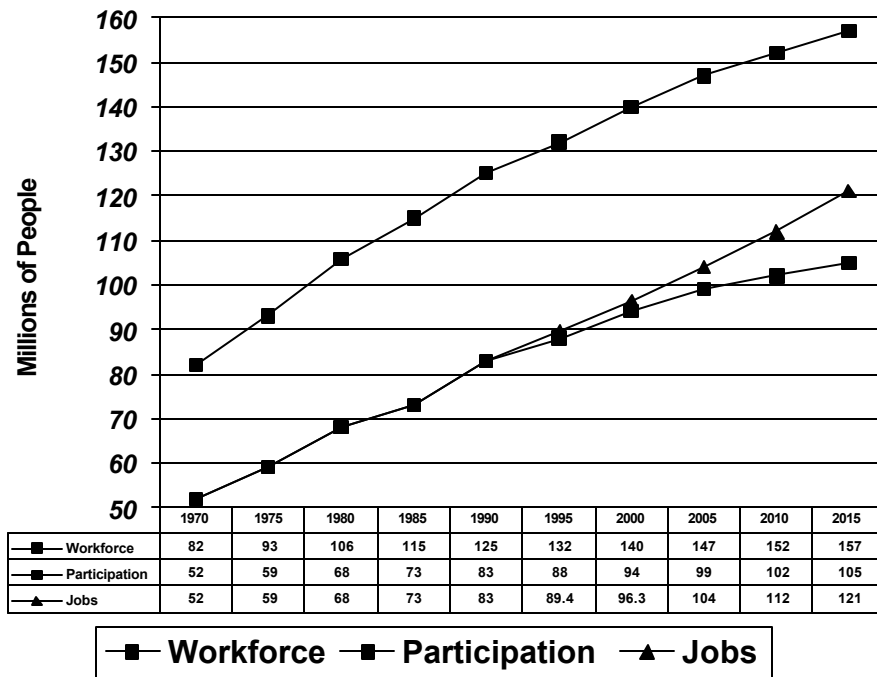
For the 1999 Electronic Recruiting Index, we have prepared a number of labor force forecasts. The most conservative, which predicts a modest shortage of 2.3 Million workers in the American economy by January 1, 2000 is shown below.

We use these figures as a way of maintaining credibility. The real scope of the problem is significantly greater than shown below.

Although Human Resource Departments have been articulating the requirement that employees be treated as precious commodities, Demographic circumstances dictate major changes in policy and actual practice. Real shortages are being amplified by a wage migration. The pull and tug of compensation driven by the acute shortages in Information Technology is creating a waterfall effect.

In this setting, Recruiting becomes a question of managing scarcity. As such, the rules of the new game are 180 degrees different from techniques that worked as recently as five years ago. Recruiting is changing into a discipline of Labor Supply management.

Labor Shortages In Context

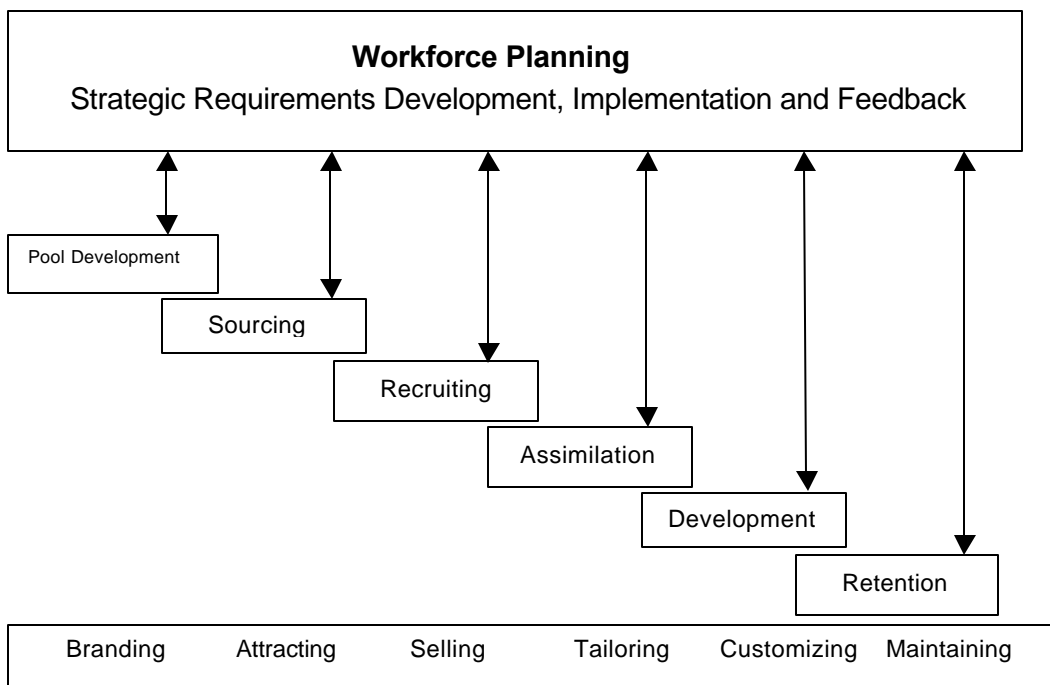


Over a relatively short time, Recruiting has changed from a discipline devoted to winnowing the wheat from the chaff to one that hunts and attracts candidates. It is no accident that nearly 2 out of every 5 dollars spent on radio advertising are devoted to Recruitment. Non-network (cable) advertising revenues derived from Recruiting operations are rising at 20% per year.

Recruiting is the marketing and advertising relationship between a company and its potential and current employees.

In the 1999 Electronic Recruiting Index, we present a seven-phase model for Life Cycle Recruiting that encompasses early familiarization and outreach and extends to the end of an employee's relationship with the company.

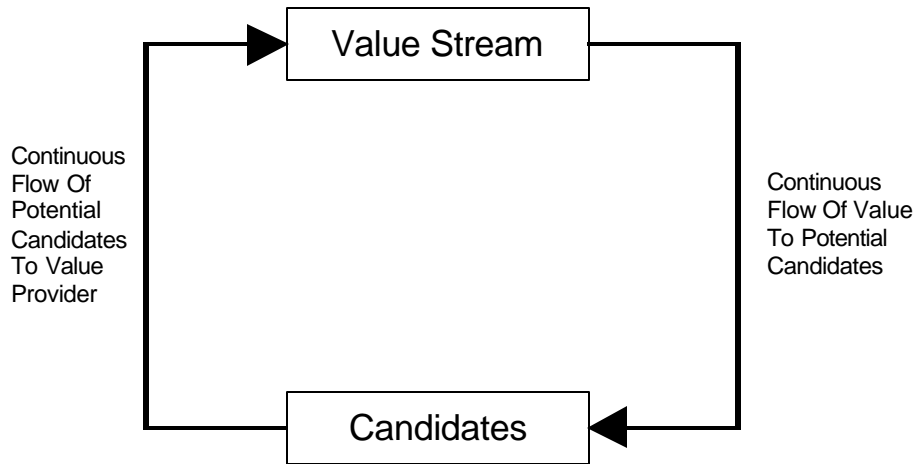
Ultimately, the importance of the Internet as a Recruiting tool is that it prepares Recruiters for the full spectrum of Responsibilities in 21st Century Recruiting.



The explosion in Internet Recruiting tools and sources is in its infancy. The companies that are busily securing niche positions are doing so to hedge against the coming labor shortages. They are preparing themselves and their staff for an environment that demands proactive involvement of the Recruiting team in strategic decision making.

In a shortage environment, the most important skill a Recruiter can develop is the ability to attract candidates and develop long term relationships with them. This approach, Candidate Pool Development, requires a reversal in traditional Recruiting economics. Since the Recruiter's success is now dependent on the ability to produce candidates when required, value must flow to candidates from the Recruiter.

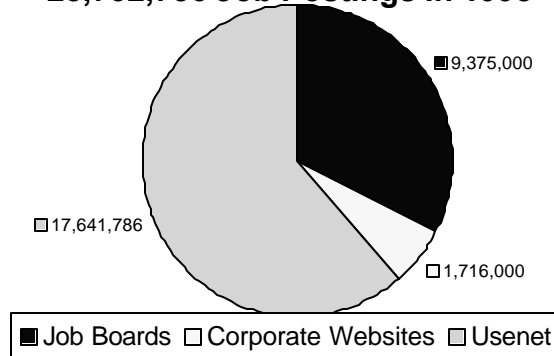
Candidate Pool Development



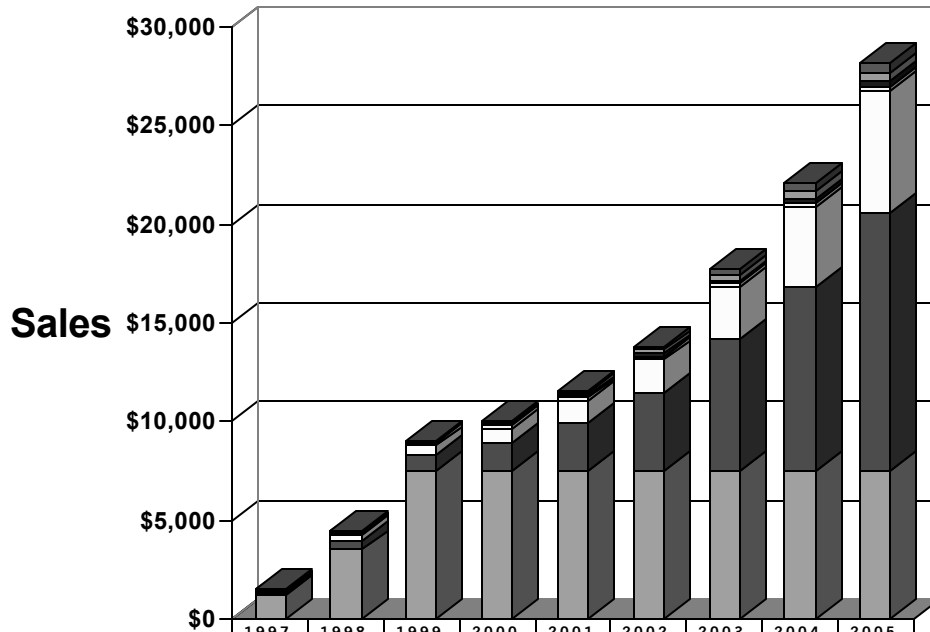
In earlier days, success depended completely on delivering value to the paying client. Candidates were an abundant commodity and involved almost no cost on the part of the Recruiter. Like oil to the oil companies in the 1950s, the raw materials were a minor component of the overall cost of a transaction. The Recruiting Marketplace is suffering undiagnosed shocks as the cost of acquiring an individual candidate rapidly escalates.

Methods for identifying, targeting and evolving long-term relationships abound on the Web. From mailing lists to interactive forums, the essence of Web businesses is the development of long term relationships mediated by digital communications. The difference between Recruiting and most businesses that move to the Web is the degree to which Recruiters have been able to avoid

28,732,786 Job Postings In 1998



Market Revenues Thru 2005 (\$000K)



	1997	1998	1999	2000	2001	2002	2003	2004	2005
■ Pool Dev	\$2	\$10	\$50	\$80	\$120	\$180	\$300	\$450	\$525
■ Integration	\$14	\$29	\$58	\$116	\$145	\$193	\$257	\$343	\$390
■ Sourcing	\$20	\$52	\$66	\$82	\$102	\$128	\$160	\$200	\$250
□ Subscriptions	\$52	\$102	\$116	\$131	\$149	\$170	\$193	\$219	\$249
□ Marketing and Admin	\$60	\$304	\$468	\$719	\$1,107	\$1,703	\$2,620	\$4,030	\$6,200
■ Posting Fees	\$93	\$446	\$802	\$1,445	\$2,456	\$3,930	\$6,681	\$9,354	\$13,03
■ Site Development	\$1,259	\$3,502	\$7,500	\$7,500	\$7,500	\$7,500	\$7,500	\$7,500	\$7,500

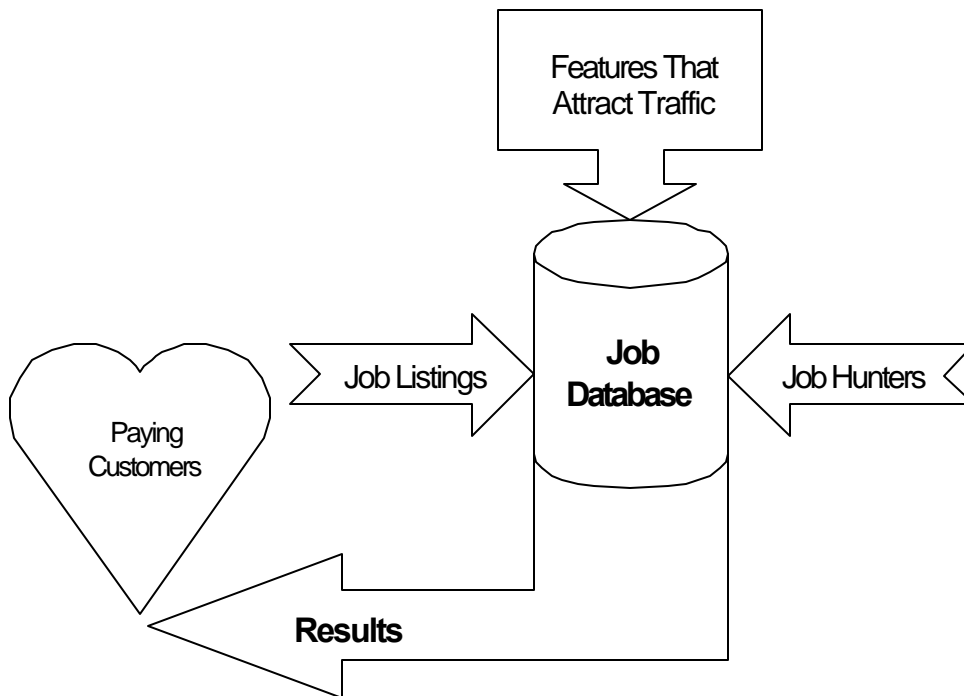
developing these relationships.

The costs of using the Web add more to an already escalating price for new hires. Many companies have begun experiments that would have seemed outrageous only two years ago.

A growing trend is the exchange of Resumes for training. In professions where continued professional growth is a matter of survival, smart companies are becoming the source of free training for upwardly mobile candidates. The company gets a relationship and the certain knowledge that a particular

candidate has passed a particular course. This dynamic alone will be responsible for the rapid entrance of training companies into the Industry. Current players will be faced with acquisition decisions in this arena.

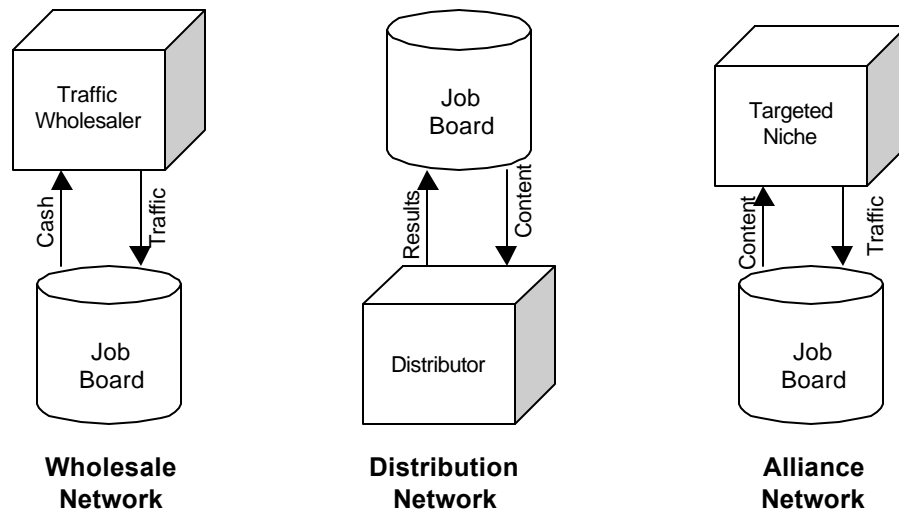
Candidate pool development represents the fastest growing, though not the largest segment of the Industry. With over \$4B in observable expenditure during 1998, the Industry clearly ranks as the best kept secret Online. Advertising revenues on job boards alone accounted for nearly \$450M of this total. The bulk of the remainder involves spending on Website development by the owners of over 200,000 Websites actively engaged in Recruiting candidates.



As with many things on the Web, the early commercial entrants actually define the roles and responsibilities of the individual businesses that will come to dominate the Industry. We find it unlikely, (over the long term), that the Industry will retain its current shape and structure. Job Boards, in their current incarnation, simply assume that a huge database is a good thing. Unfortunately, the dynamics are that each additional job listed in the database diminishes the effectiveness of all of the others. Job Boards are best seen as traffic generators for company Recruiting Websites.

In fact, the largest single trend of the last year indicates that they believe this to be the case as well. Individually and collectively, the Job Boards have built

collections of alliances and affiliated Websites in order to bring increasingly larger flows of traffic (or eyeballs) to their databases. Begun by a small pioneering Job Board (Net-Temps), the Industry has taken hold of the idea. Most well known job



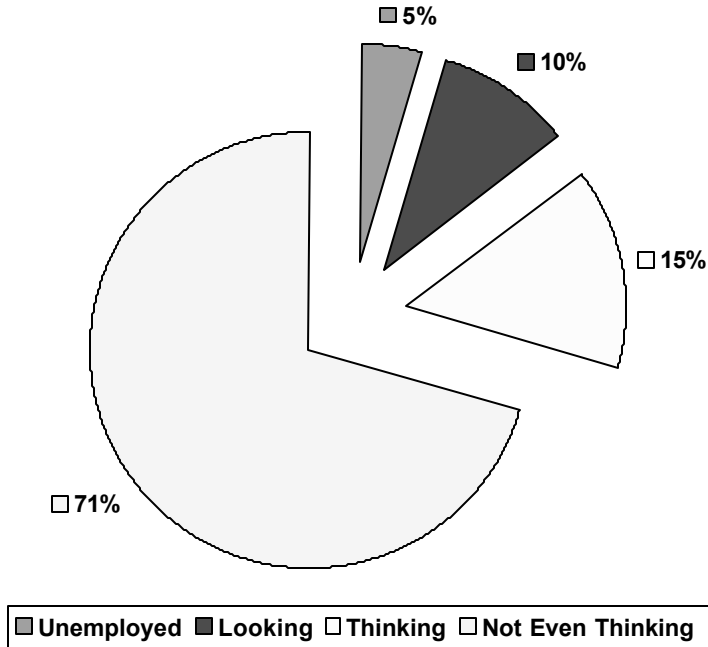
boards have some form of alliance or distribution network in place.

There has been a particularly deep round of activity in the formation of these alliances with so called "Portals". A "portal" is a large site with lots of traffic (like Yahoo!, AltaVista, Netscape, Excite, Infoseek, or Lycos). Job Boards, from CareerPath to CareerMosaic, have built relationships that exchange traffic, content, or cash in exchange for positions on these Giant Websites.

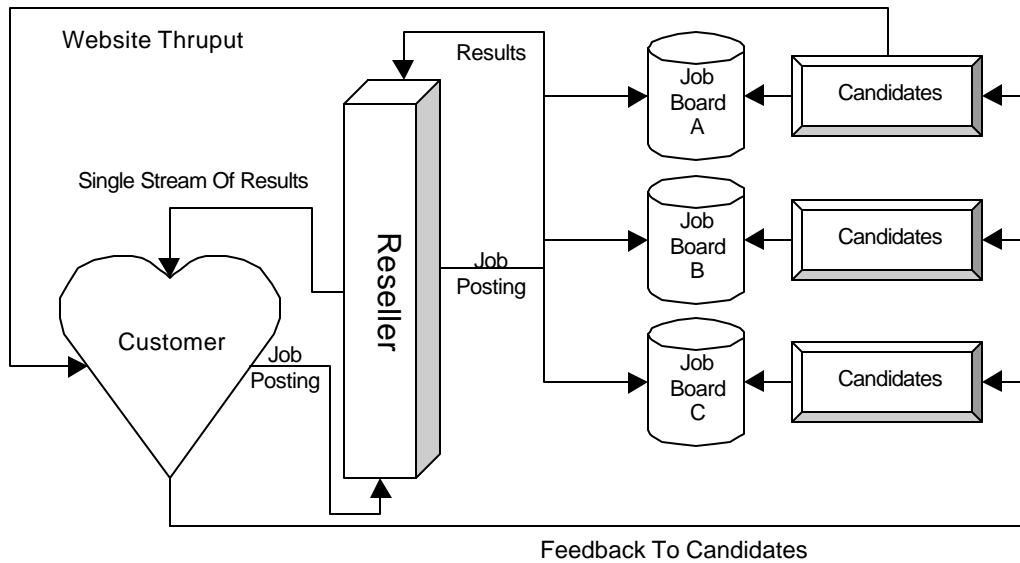
While we expect extraordinary things from the Excite Career Service Line, it is because the relationship involves ownership rather than exchange. Excite purchased the very interesting startup Classifieds2000 and positioned it, in part, as the Career engine for the Excite Network. This is substantially different from most alliances and vests the portal's interest in the Recruiting Marketplace.

Meanwhile, most of the efforts of the Job Boards (and Recruiters in general) mimic the existing classified advertising business. The unfortunate part of this approach is that it misses the large majority of Web users who have not committed to a Job Hunt. These "passive" job hunters make up the Lion's share of Internet users. As companies learn to master retention (after a decade long phase of ignoring the issue), the number of active job hunters is bound to decline. The future of Online Recruiting clearly rests in outreach to the potential candidate who is not actively engaged in a job hunt. They clearly do not visit large Job Boards, Corporate Recruiting Sites, or 3rd Party Recruiters.

Who visits Job Boards? The Unemployed and the Looking, and they comprise only 15% of Internet Users.



The 1999 Electronic Recruiting Index explores the business dynamics that drive Web Recruiting operations whether they are formal Job Boards or internal posting systems for companies or 3rd Party Recruiters. Our polls of Job Hunters indicate that they can not tell the difference and that brand names are not as

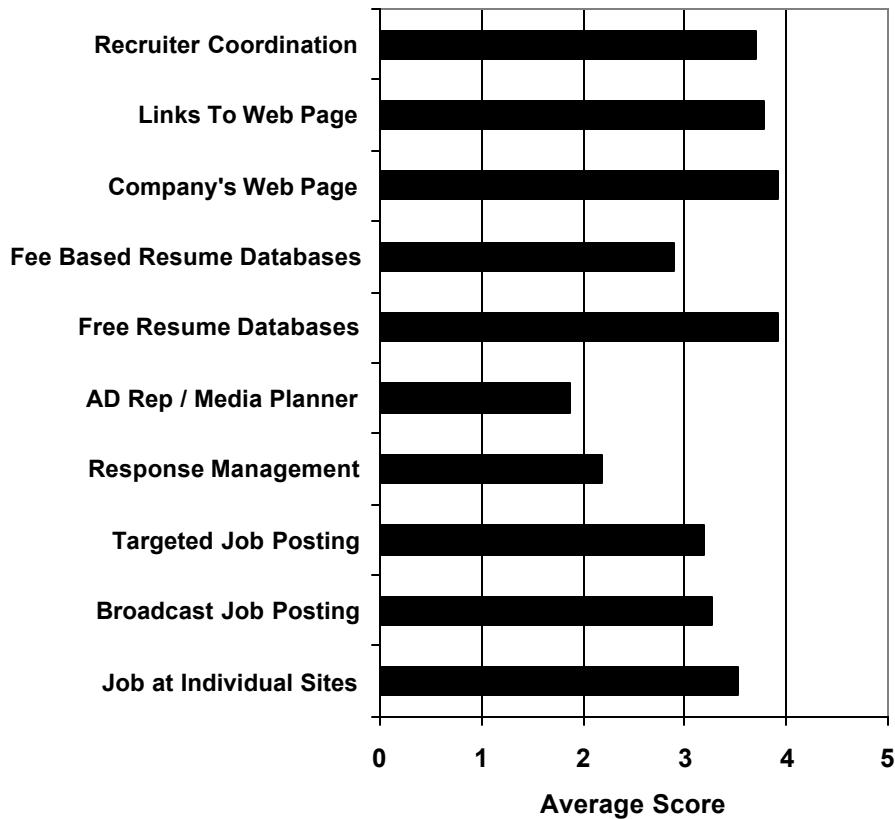


important as “finding the site”.

With 2,500 sites offering job posting services, the media planning required by a normal desk based Internet Recruiter is quite extensive. Most Recruiters feel overwhelmed by the degree of choice offered by the Web. It is humanly impossible for an individual Recruiter to become usefully familiar with all of the options.

Because they are under pressure induced by the lower transaction costs of Web advertising and the substantial cost of training a sales force, the advertising agencies have left an interesting market opening.

Importance of Various Recruiting Tools



1998 saw the emergence of the Internet Recruitment Advertising reseller. From Best Internet Recruiter (an automated Posting system) to HR Sites International

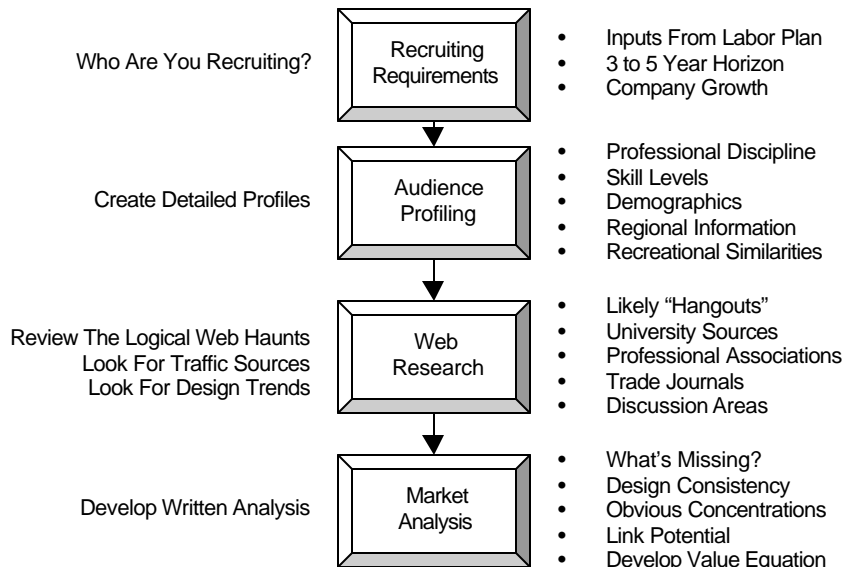
(a demographic targeting tool), these operations allow a Recruiter to reduce administrative time while increasing results.

In a similar vein, the biggest technical move forward was brought to the market by a company called “Junglee”. The company sells “middleware”, meaning that a Recruiter can not purchase anything from Junglee (at this time). The company’s service involves automated pickup and delivery of Job Postings from a company site for placement on a Job Board. With nearly 50 clients in the Job Board business, Junglee has become a de facto standard in the reduction of administrative effort for recruiters and advertising placement.

Given the company’s Recruiting acumen and their recent acquisition by Amazon, we imagine a Recruitment offering focused on interest areas sometime during 1999. Very surprisingly, given its lack of a retail product, Junglee was the tenth best recognized service provider in the marketplace.

In spite of the dramatic proliferation of company Recruiting Websites, they are becoming more important, not less. Recruiters defined their company webpage and the links to it as two of the top five most important tools for Electronic Recruiting. This is in spite of the fact that it takes most Recruiters a good bit of energy to get a job posted on their internal site.

The level of experience, education and Internet Recruiting experience of the typical Recruiter is quite remarkable. Sophisticated about Online Recruiting, exposed to most of the tools and self-trained, these are not the unsophisticated customers described by Job Board representatives. They are informed



consumers looking to maximize value and have distinct opinions about the relationship of results to customer satisfaction.

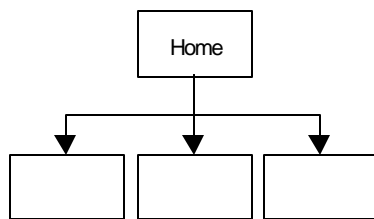
The 1999 ERI takes a close look at the market penetration, sales effectiveness, usability, results, results quality, and customer satisfaction.

The key to effective utilization of a company Website for Recruiting purposes is effective quantitative objective setting and clear definition of the targets.

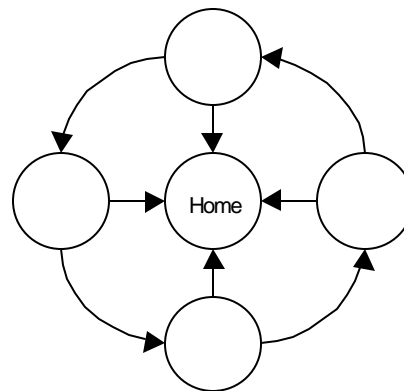
Far too often, design of a Website is confused with an exercise in graphical interface development. While this is an important component of the process, a great deal of money has been wasted in experiments that did not bother to clearly articulate the required research and expectations. A solid, ongoing Web Recruiting operation requires a constantly active research function that targets and identifies groups of candidates around the Web.

Once the fundamental analysis is completed, the choice of site architecture is next. There are two basic approaches. The hierarchical (and most common) design looks like an organizational chart. Stiff and unyielding, the hierarchical model gives visitors one path through a simple maze.

The alternative approach is called “hive design” because of its similarity to a beehive. With multiple paths towards a center, the hive design makes some sort of accommodation for any visitor who enters the site. There are multiple paths



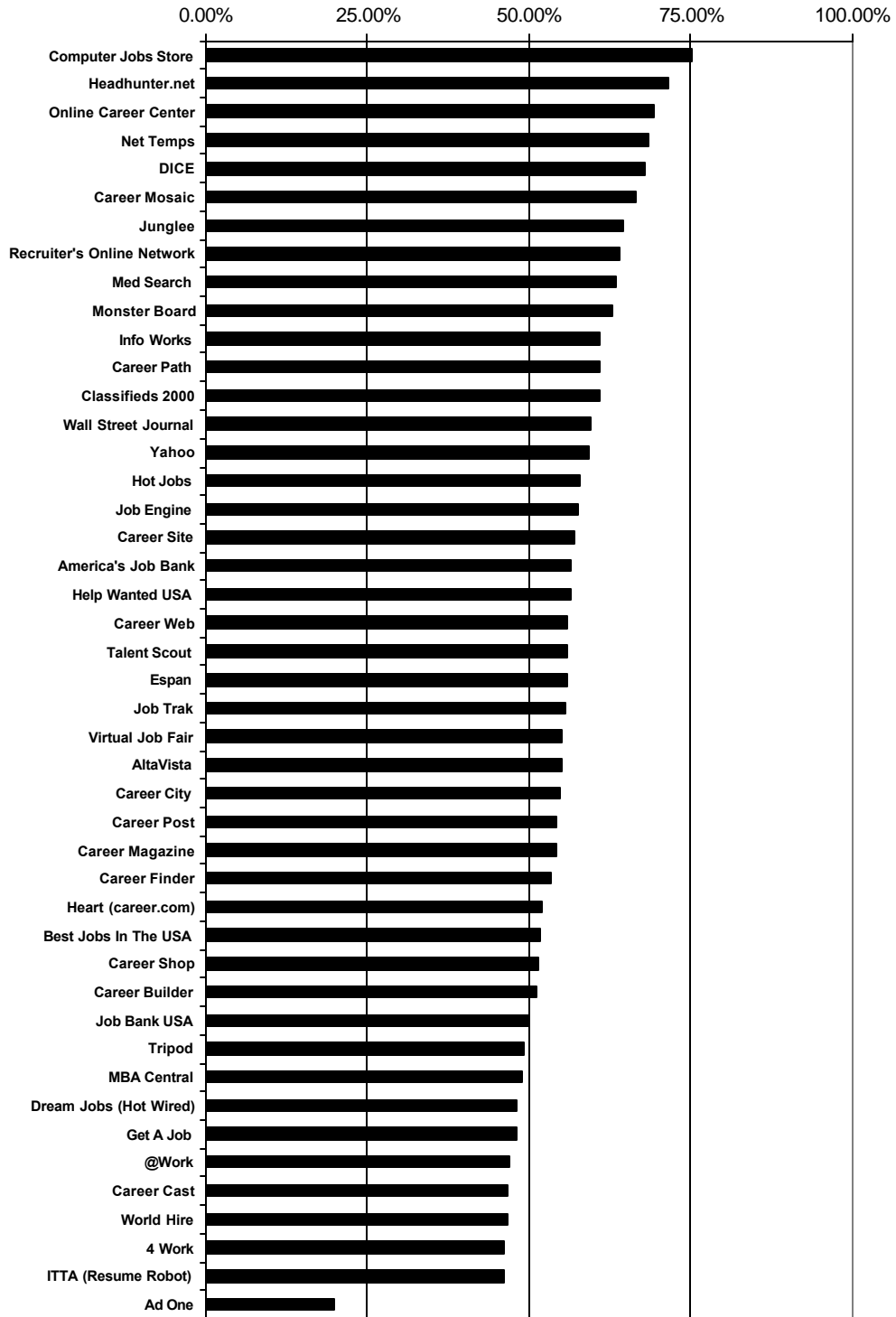
Hierarchy



Hive

and multiple opportunities. Coupled with automated posting, the hive site enables the development of long term relationships with pools of candidates.

Job Sites, Ranked by Level of Customer Satisfaction



The 1999 Electronic Recruiting Index covers all aspects of the Industry and identifies key market opportunities, investment variables, performance characteristics, and the needs and perceptions of our core survey group of 2,620 working Recruiters.

Contents of the 1999 Electronic Recruiting Index

Chapter	Contents
Introduction	Overview and Guide
Demographics That Drive Recruiting Trends	Labor Force Growth In Detail Training as A Candidate Pool Builder Wage Migration Labor Shortages Life Cycle Recruiting Explained
The Electronic Recruiting Industry	Job Posting Volume and Forecasts Sales Volume and Forecasts Industry Segment Analysis Driving Forces Behind the Players Dynamics That Drive Productivity Cost Factors Market Opportunities
Corporate Website Development	Design Process Developing and Using a Spec Making Sure It's Job Posting Friendly
Perfecting The Job Posting	Writing Guidelines Placement Guidelines Strategy and Website Integration
Survey: 2,500 Electronic Recruiters	Satisfaction Levels Ranking of Tools Awareness and Market Opportunities Job Board Investment Rankings Job Board Quality Rankings Job Board Sales Effectiveness Job Board Brand Awareness
Top 100 Recruiting Websites	Grading Accomplishments Evaluation Contact Info
Marketing A Recruiting Site	The Basic Primer for Traffic development
300 Job Boards	Contact Info Pricing Features Composition
2,500 Recruiting Domains	Key Contacts for all Job Boards
3,200 Third Party Sites	Our Current Inventory

2002 Electronic Recruiting Index

The 2002 Electronic Recruiting Index is the single source of information for Investors, Vendors, Corporate Recruiters and Staffing Firms on the Electronic Human Capital Marketplace. As It Currently stands, the report will contain:

Chapter 1: Industry Overview and Stats

- 2001 In review
- Top 50 events of 2001
- Market Definitions
- Industry Revenue in 2001 and five year forecast by segment
- Job posting Volume
- Resume volume
- Recession Impact
- Applicant Tracking Systems Market
- Consolidation
- CRM metaphor
- Monetizing the candidate
- Key Investors

Chapter 2: Job Board In A Box Companies

Chapter 3: Regional Job Boards

Chapter 4: Trends and Forecasts

Chapter 5: Public Company Performance

Chapter 6: Market Opportunities and Acquisition Targets

Chapter 7: Design Trends in Corporate and Vendor Job Boards / Employment

Sections

Chapter 8: Investors and Investments

Chapter 9: Buyers' Survey

Chapter 10: Summaries and Conclusions

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