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interbiznet Press Backgrounder #1 - Key Trends

2001 Key Events

December is the time for recaps, forecasts and summaries. Over the next weeks, you'll be seeing lots of them. We looked back over the last year to try to understand the pivotal events shaping our industry's future. Depending on your perspective (Vendor, Recruiter, HR Executive, Investor), the relative meaning of events is somewhat different. For that reason, we present the following list as an unranked look at some of the key events that shaped our industry during 2001. It's part One of a two part offering (seconds, tomorrow), this is the summary level material from the **2002 Electronic Recruiting Index**. In the ERI, a total of fifty key Events (acquisitions, product offerings, management changes and trends) will be identified to illuminate the marketplace trends driving our business forward.

- **TMP's incredible acquisition plays during the year.** For the first time ever, the Federal Trade Commission took an interest in our industry. TMP's consistently aggressive acquisition strategy, rooted in a stock value that is still nearly 40 times revenues, included a soon to close purchase of HotJobs. On one level, the company has effectively consolidated all of the old market (Search Firms, Job Boards and Ad Agencies). On another, it has simply cleared the decks for the logical new entrants. TMP's continued success will be increasingly dependent on word of mouth quality stories and the development of additional revenue streams.
- **Customer focus shift to financial fundamentals and ability to execute.** Following the untimely death of ISearch, which left hundreds of customers without an Applicant Tracking System, vendors began including financial data in their sales pitch. Clearly, the largest single beneficiary of the renewed emphasis on business fundamentals was BrassRingSystems because of their deep pockets parentage (The Washington Post). The next couple of years will include increasing focus on management quality and fiscal wherewithal. In market development terms, this trend is evidence of a "chasm-crossing" in the web based ATS market. The next step will include an emphasis on measured quality that will again rearrange the market.
- **The aggressive move by Peoplesoft into the market.** The Recruiting end of Peoplesoft's business was traditionally executed by Restrac (Webhire) or Resumix in arrangements brokered by large consulting firms. Realizing the incredible revenue to be acquired through Recruiting oriented transactions, the Peoplesoft Team unveiled their Recruiter's desktop in July. Simply rearranging the existing relationships so that Webhire clients are converted to full Peoplesoft accounts makes the move the "come from nowhere into prominence" success story of the year. Peoplesoft is positioned to become a major industry influence without marketing beyond their installed base.
- **Salary.com's release of the Personal Salary Report.** Imagine a world in which salary negotiations include employees who are armed with real market data presented in a clear and intelligible form. Likely to be the most influential new product of 2002, Salary.com's \$30 offering will permanently rearrange the dynamics between employer and employee. Ultimately, this product will be seen as a critical step in bring real-world market forces into the workforce (which has been traditionally shielded from real market pressures.) As the labor shortage expands during 2002 and 2003, we imagine that the compensation analysis market will explode in order to meet the requirement for desktop access for hiring managers. This, in turn, will open the gateway for other products that meet hiring manager's needs. Salary.com's Personal Salary report is the first real evidence that the decentralization of HR functions is a reality.

- **The dramatic expansion of regional job board offerings.** The "recession" has diverted attention from a number of counter-indicators. The unemployment rate is already beginning its decline. Total layoffs amounted to only 0.3% of the workforce. And, very importantly, regional job boards exploded on the scene this year. The number of micro job boards expanded from 3,500 to nearly 10,000 with no sign of slowing growth during 2002.
- **The introduction of HodesIQ.** After years of growing by simply picking up disaffected customers from the TMP acquisition spree, Hodes set about catching up with the market defining RecruitUSA. Led by Jeremy Shapiro, who is one of the smartest folks in our industry, HodesIQ is an elegant product that makes great strides in the automation of online recruiting. Finally, an ad agency is playing as if the web were a reality. HodesIQ sets the standard for simplicity and effectiveness in online media planning, execution and results management.
- **RecruitUSA's move to dominance in the JAD industry.** By focusing on solid contractual alliance infrastructure development, RecruitUSA positioned itself as the gateway of choice for targeted online advertising distribution. While the other competitors focused on data exchanges at the expense of contractual relationships, RecruitUSA invested significant resources in enterprise level integration, contractual certainty and performance guarantees that are not subject to market ups and downs. The rest of the JAD industry contracted while RecruitUSA kept its head above water because of the attention to business development instead of technology.
- **Personic's introduction of a pure web services product.** Get out a pencil and write down the phrase "Gen4 Computing". Positioning themselves for major wins in the early adopter set during 2002, Personic reinvented itself as the definition of technical excellence in the industry. Focusing on Microsoft's "dot net" initiative, their latest release turns industry standards on their head and proclaims the start of the "Web Services" business. Microsoft calls them "one of the first" software companies (of any type) to fully embrace the new world. Web services facilitate data transfers among disparate databases leading to easy to customize offerings that meet the real needs of users (over 15% of the market uses in-house solutions because our industry offers such static products). Personic will be the first to really reach the hiring manager's desktop and leads the pack in decentralizing HR.
- **The destruction of the national job fair market.** Sometimes, a business isn't what it seems on the surface. As the newspapers (through BrassRing) consolidated the National Job Fair business, they meticulously severed the ancillary businesses associated with the companies they purchased. Print publications disappeared, websites were spun off and job fairs were streamlined as an events business. Unfortunately, no one asked the customers or the sales people about these decisions. It turns out that customers bought a "bundle" of services from Job Fair companies. Sales began eroding last year as the result of the new policies. The recession simply nailed the coffin closed. Expect vibrant new entrants from a combination of old players and new upstarts during 2002.
- **CareerExchange's Emergence as a public company.** The small Canadian firm (with offices in Oakland) backdoored its way into public financing during the summer. Proving that profitable growth can be a reality, CareerExchange represents a new, stealthier player that is able to combine multiple revenue streams into virtual recession proofing without dreams of market dominance. We think it is an extraordinary example of the possibilities available to the many thousands of small operations.
- **Death of the Industry Trade Show.** Although we never imagined the incredible drop-off caused by the events of 9/11, we knew the trade show business was headed for rocky shores last year. Perhaps better understood as the "boondoggle business", this year's trade shows suffered from simultaneous expansion in their number and a decline in attendance. Vendor grouching about results reached a peak at SHRM where an army of

speakers with no relation to the industry kept attendees away from the booths of the people who actually pay for the show. Given the examples set by Hire.com and Recruitsoft (attention to customers first with very minimal public marketing), budgets will come under incredible scrutiny this year. Expect a thinned down set of offerings with a good deal more prominence for the vendors and a clearer understanding of what customers actually want.

- **Broad acceptance of the CRM metaphor.** Recruiting involves relationships with people who are more like customers than not. This simple notion is the foundation for a broad range of offerings that claim to allow recruiters to capitalize on the development of relationships with potential employees. Unfortunately, no one has belied up to the development of the analytical tools needed to really mine those relationships. CRM is a complex tool set with analytical engines that iterate a variety of data mining scenarios in search of trends in the data. With the exclusive exceptions of Hire.com and Monster, no one is really paying attention to the real power of the metaphor. Most talent relationship management schemes are no more than integrations with Microsoft Outlook so that correspondence may be better managed. The real meat on this trend is, unfortunately, lost on the crowd that sells buzzwords.
- **Recruitsoft's prominence as the year's fair haired new entrant.** Due in large part to the phenomenal effectiveness of iLogos (Recruitsoft's marketing department) and the incredible value provided by Recruitsoft's website, the company moved from the backwaters of Canada to prominence in our industry. Converting their status as the "charming new entrant" to enduring market presence will be the company's challenge in 2002. Recruitsoft's broad market success in 2001 was a symptom of the market's shift from the old Restrac-Resumix market to a new one that features a triad of Recruitsoft, BrassRing and Hire.com.
- **Newspaper Industry purchase of CareerBuilder which, in turn, is purchasing HeadHunter.net.** After many failed attempts to build a viable defense of their classified advertising business (which used to be worth nearly \$8Billion/year), the newspapers bought CareerBuilder. Claiming the emergence of a two brand industry (what malarkey!), the company moved to buy Headhunter.net, alienating customers and vendors in the process. Meanwhile, classified advertising revenues continued to erode prompting our expectation that the Newspapers will continue to invest heavily in the industry.

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