

Fordyce

Letter

Volume XXXVII

CONSULTANT EARNINGS

The information which follows is a compilation of the results from almost 800 firms who responded to our survey representing over 4,300 revenue-producing consultants. This is a slightly larger number of respondents than last year. Almost 20% of the respondents were solo practitioners.

The recruiting profession, at least according to this polled group, attests to the fact that our business continues to progress in income. This snapshot of the recruiting industry has demonstrated amazing accuracy over the 20+ years in which we have conducted this survey and TFL readers tend to be longer tenured and more successful than non-readers. The increase in earnings seems not to be because those surveyed worked harder, but because salaries increased as did fee percentages charged.

As always, we asked for results from only those people who have been in the business for a year or more. While there are occasional superstars who demonstrate exceptional performance during that critical first year, this is an easy entry, easy exit business and including neophytes skews the results in such a way as to distort the results.

We also deleted those few responses where the Cash In figures were outrageously high (well over \$1 million and probably a pooling of revenues from a number of 'team' members) or too low (only worked part time during the polled year).

Only 6% of the respondents identified themselves as purely retained. The balance were contingency practitioners with about 17% of these indicating that they occasionally charged upfront commitment or engagement fees and about 4% of the contingency group said they sporadically worked a fully retained assignment.

Approximately 20% of the respondents were solo practitioners, a percentage that is reflective of the proportional distribution of our readership in general. Franchised offices comprised 29% of the survey respondents, down somewhat from last year.

Here is a thumbnail look at those things that seem to matter most to readers. More detailed information will follow in subsequent issues for those whose eyes have not yet glazed over.

**CATEGORY
PERCENTAGE OF
RESPONDENT FIRMS**

Solo practitioners.....	20%
Non-Solo Independent Firms	48%
Franchised Firms	29%
Other Modalities.....	3%

**AVERAGE FEE
COLLECTED**

Solo practitioners.....	\$18,442.46
Non-Solo Independents	\$19,856.60
Franchised Firms	\$19,227.20

Global Executive Solutions Group - Fairlawn, OH \$31,224.11

NOTE: The previous year's average fee was \$17,863. Average fees have jumped almost 10% from the previous year, due primarily to increasing salaries and more 30% fees being charged. Another factor, according to many, is the fact that they are more selective in the assignments they accept. One told us, "I'm well aware that most companies will attempt to fill the run-of-the-mill jobs on their own and the ones they offer me are more difficult. Even so, I only take those where the odds of filling them are heavily weighted in my favor. I turn down 4 out of every 5 openings and almost always require some type of commitment fee as well as a 30% fee. That's what my time is worth and I have no desire to waste it on sub-par or needle-in-a-haystack exercises."

A higher than average number of solo practitioners are still charging from 20-25%. We suppose they do so because they have a lower overhead component.

AVERAGE CASH IN - Annually

Solo practitioners.....	\$230,565.12
Non-Solo Independents	\$234,885.50
Franchised Firms	\$239,068.30

Global Executive Solutions Group Fairlawn, OH \$282,000.00

AVERAGE CONSULTANT Compensation

Non-Solo Independents	\$105,698.25
Franchised Firms	\$95,627.20

Global Executive Solutions Group (80 % of recruiters) \$ 117,000 to \$ 530,000

NOTE: Non-solo independent firms tended to pay out an average of 44% of Cash In while franchised firms paid about 40%. Although some firms pay a fixed salary plus a smaller percentage of the Cash In, the vast majority of firms still compensate their consulting staffs based on performance (commission vs. salary). Another variable is the commission percentage paid. Some firms pay no draws or salaries, but pay from 50-70% of Cash In as a tradeoff. Although the IRS deems it illegal to treat your consultants as Independent Contractors, the large number of people working as virtual consultants from their homes rather than chained to a desk in a typical office environment rather blurs the ability of the ‘revenooers’ to make the determination regarding the I/C status.

AVERAGE % OF CASH IN PAID TO CONSULTANTS

All Surveyed.....	42.00%
Non-Solo Independents	43.68%
Franchised Firms	39.98%

Global Executive Solutions Group: 35 % to 50 % based on accumulative cash-in plus benefits package.

NOTE: Very little change from previous years. Some firms pay as little as 20% and a few dozen of those in this survey indicated that they pay as much as 70%. Much depends upon the architecture of the firm, benefits offered, types of placements, draw/salary components, etc. Percentages very often “step up” based upon Cash In (gross fee) results. Thresholds will differ from firm to firm but it is almost universal that the more a consultant bills, the higher the payout will be as a percentage of the additional Cash In.

MONTHLY DRAW

The average draw (where paid) is \$2,000 – not much different than last year.

Global Executive Solutions Group: \$ 1,500 to \$ 9,000 depending on metrics attained weekly.

Average Tenure of Respondents6.14 years

NOTE: Average tenure of recruiters dropped from 9.17 years in 2004 to 6.14 years today. This reflects the fact that many firms increased their staff size during the past couple of years creating more respondents with less tenure. A large number of “old-timers” continue to retire. Even so, the tenure of practitioners in this survey points to the fact that a large majority were able to stay afloat and survive despite the economic circumstances.

Niche Ranking of Respondents

The top niches represented by respondents to this survey were:

Specialty	Ranking
Accounting/Banking/Financial related	1
Sales/Marketing	2
Healthcare/Pharmaceutical/Medical Related.....	3
Manufacturing/QC/Production	4
Engineering/Technical/Design/R&D/High Tech	5
IT	6
Legal/Paralegal	7
Insurance	8
Hospitality/Food Service/Leisure/Travel	9
Retail	10
Real Estate/Construction	11
General/Admin./HR/Mgmt.....	12
Telecommunication	13
Advertising/PR/Graphic Arts/Publishing	14
Clerical/Office Support	15

NOTE: These rankings represent the number of people who work within the named specialty according to the respondents to this survey. They closely parallel the anecdotal comments we receive on a daily basis in conversations with our readers. Being highly ranked does not necessarily mean you should flock to those specialties since specialty areas attracting a large number of recruiters often means a greater tendency for clients to insist on deep discounts, believing that the laws of supply and demand work in their favor. There are dozens of very strange specialty areas practiced by a very few people who earn a lot of money and these will be covered in future issues.

Average # Consultants Per Non-solo Firm - 6.5

Global Executive Solutions Group – 16 Consultants (Practice Leads)

NOTE: There has been a doubling in the number of consultants per firm since last year's survey. Remember, however, that we do not include consultants with less than one year of experience. Even so, we would have suspected this number to be even higher since many firms responding to last year's survey told us they planned to add staff. If they did so, perhaps the majority of them didn't last long enough to be included in this year's survey.

FEE PERCENTAGES

Average fee percentage billed and collected..... 26%

Global Executive Solutions Group: 25 % to 32 %

NOTE: When over 40% of respondents report that 25% is what they are able to charge, it almost becomes the norm by default. While most still have a ‘sticker price’ of 30% on their fee schedules, fact is, the real fee is almost always 25% - or lower.” Retained firms typically charge from 30 % to 35 %. This survey is highly skewed toward contingency firm data.

We have seen some significant movement back towards a 30% fee lately, but there is still reluctance on the part of some large employers unless they are desperate to alleviate their pain on certain critical openings. Also, rather than dropping their 30% fees down to 25% (which is really a 17% discount – not the 5% as many believe), many have lowered it to 27.5% or some other in between percentage outside of the ‘5%’ discount normally requested.

Here are the survey results:

33% fees.....	2.8%
30% fees.....	31.3%
26-29% fees	8.4%
25% fees.....	42.2%
21-24% fees	2.6%
20% fees.....	11.7%
<20% fees	0.12%
Other (flat fee, hourly, unbundled services, etc.)	0.7%

GUARANTEES OFFERED

Money back guarantees	20.17 %
Replacement guarantees	65.23%
Prorated guarantees*	7.63%
No guarantee offered	6.97%
30 days.....	41.90%
45 days.....	.06%
60 days.....	33.71%
90 days.....	17.30%
Other	7.03%

**THE HISTORICAL CONSULTANT
Average EARNINGS SCORECARD**

1985	\$51,900
1986	\$52,848
1987	\$53,278
1988	\$57,184
1989	\$57,592
1990	\$52,236
1991	\$52,914
1992	\$50,025
1993	\$63,304
1994	\$67,721
1995	\$76,473
1996	\$72,672
1997	\$87,294
1998	\$89,178
1999	\$87,835
2000	\$93,634
2001	\$82,038
2002	\$80,624
2003	\$78,604
2004	\$88,700
2005	\$98,530
2006	\$ 101,615
2007	\$ 102,000
2008	\$ 103,000
2009	\$ 98,480
2010	\$ 101,214

Global Executive Solutions Group (average) \$ 117,000
Maximum earned \$ 530,000

SOME OBSERVATIONS

Perhaps only happy and productive people respond to surveys like this. But we've been conducting this survey for 20 years and the results always seem to mirror the industry in general. It is, of course, only a snapshot of the industry at one specific point in time by people who are willing to share their results. It is instructive, however, as a benchmark against which to compare your particular practice. It also gives us the pulse of the industry.

We continue to see the tendency for birds of a feather flocking together. If a firm's consultants have mediocre results, all of them generally follow that pattern. If a firm's consultant billings are above average, all the consultants usually beat the average. Maybe it's peer pressure; maybe it's higher comfort levels. Maybe it's better management; maybe it's better training. Wish we knew so we could bottle it.

A few years ago, we chronicled a practitioner who billed over \$900K per year with the help of two researchers. Evidently, others have followed that advice since several respondents indicated that they have successfully adopted that suggestion. One 27 year veteran in the engineering niche reported \$923,000 cash in with the help of three research assistants. Another 10 year veteran operating in the Accounting area reported \$895,000 with 2 researchers.

The most surprising was the fact that almost everyone we talk to tells us there's more business than they can handle, yet the average practitioner still only makes an average of one placement a month. Either their ringmaster skills are deficient or they have a low comfort level which prevents them from rising above the average.

Further correlations of the data are still being massaged and the results will be reported in future issues. We appreciate those who took the time to respond.