



PROFITABILITY & OPERATING MODELS

FUTURE PROOFING YOUR BUSINESS


simplicity
For faster smarter growth

SELLINGSUCCESS¹
TRANSFORMING PEOPLE'S LIVES

Ian Knowlson

- 30+ years in Recruitment Industry
- Founder of Selling Success
- NLP Master Practitioner
- Work with 20-30 annually recruitment businesses
- Track record of outstanding GP growth with clients
- Support them produce and deliver 3-5 year growth plans
- Typically growing 30-300% year on year



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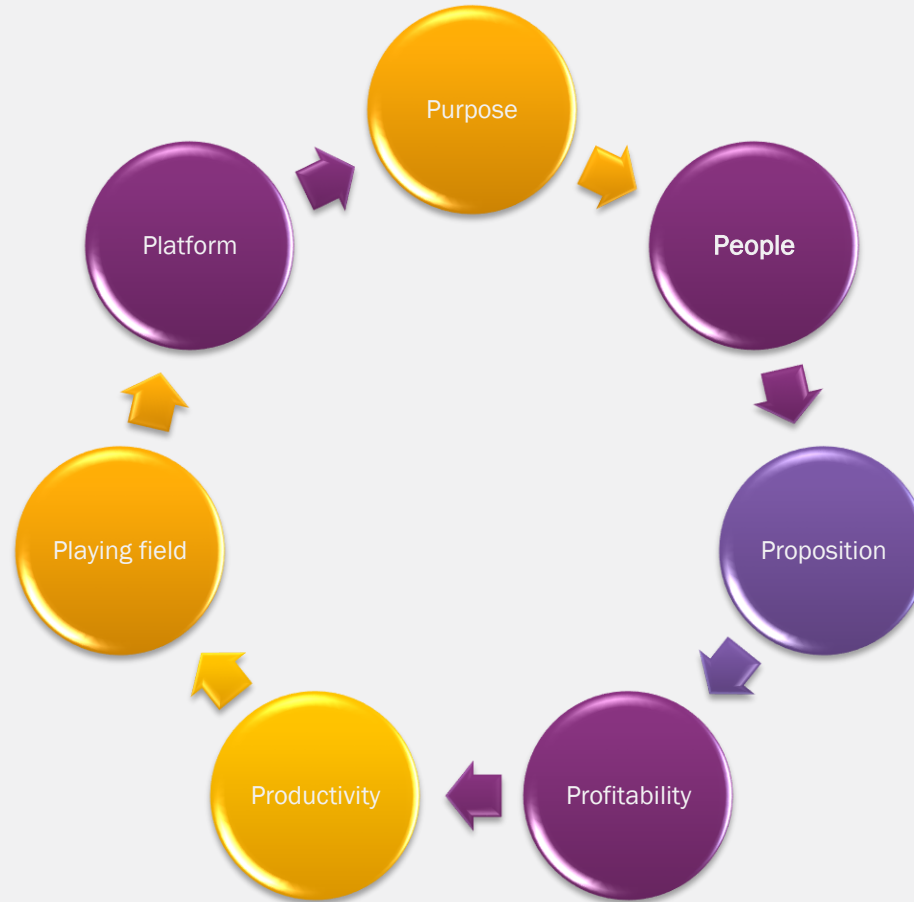
WHAT IS HIGH GROWTH?

High Growth

- Is 20% increase in turnover and/or employment growth in three successive years.
- Our experience is there are SEVEN areas that MDs & Directors need to get right
- We call them the:
- Seven “P”s



THE SEVEN "P" S



WHICH ARE YOU?

NICHE



GENERALIST



PROFITABILITY & OPERATING MODELS

- Growth requires Investment either borrowing or dividend sacrificing
- Do you have the correct operating model?
- Do you operate the correct proportions of:
 - Consultant earnings (salary/benefits/commission)
 - General business costs/overheads
 - Surplus (profit/ director's dividend)
 - Cost of finance
- Are your consultants being paid too much or too little?
- Are they 360 Consultants or merely glorified 180 Resourcers?



GROSS PROFIT DISTRIBUTION - PERM

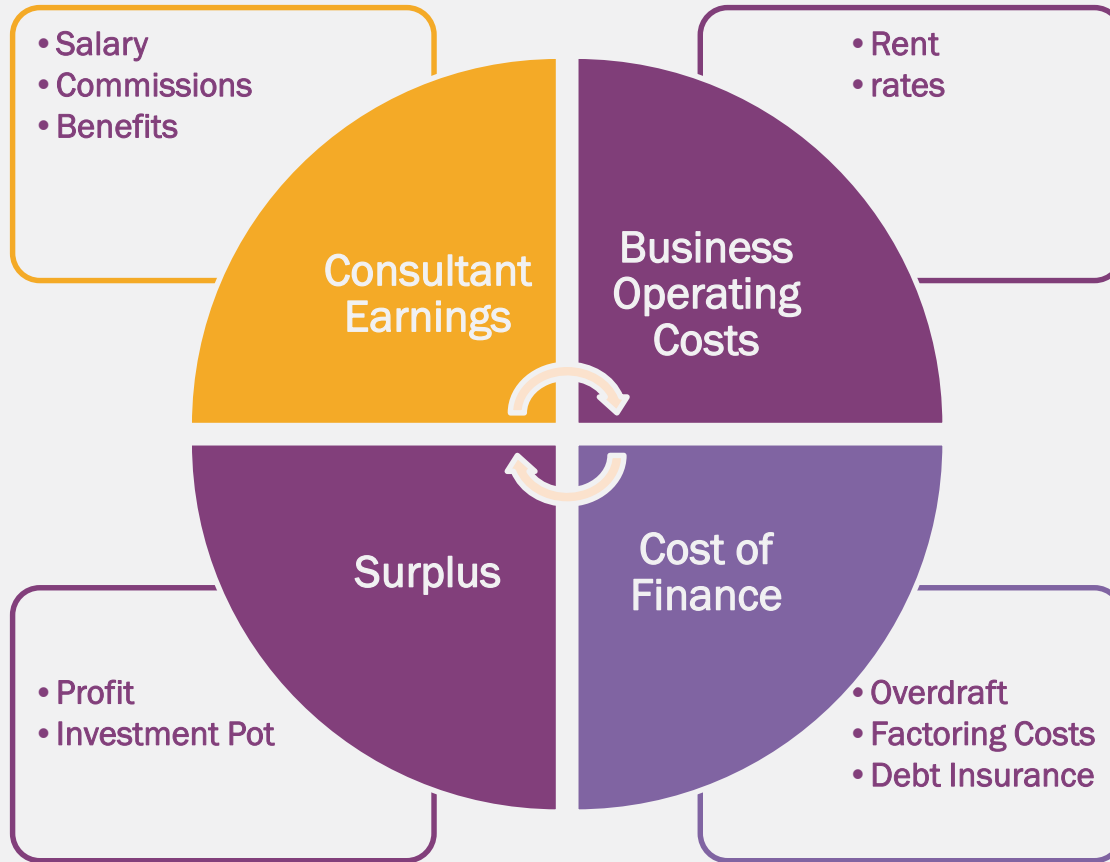


PERMANENT FEES

- Should really be minimum £15%
- Recommend minimum fee £2,500
- Cost of finance & costs is typically 9% of fees.
- Consider staggering remainder after probation

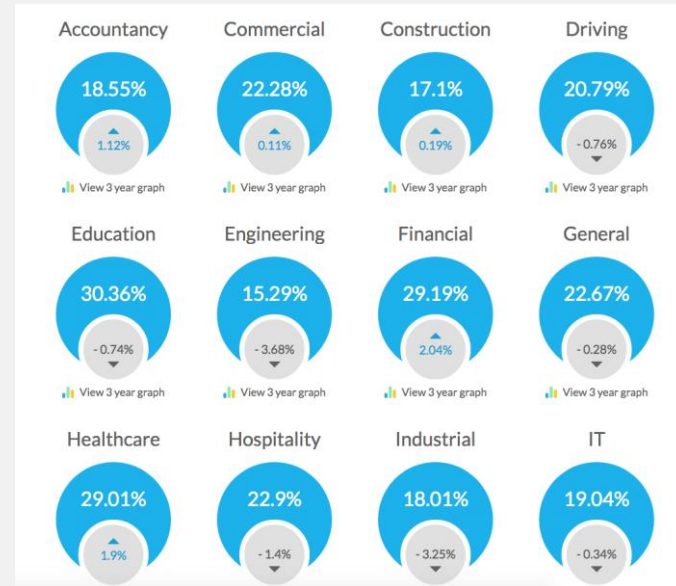


GROSS PROFIT DISTRIBUTION - TEMP



TEMP/CONTRACT MARGINS

- Check Simplicity Margin Index
- Typical margin should be 15%-20%
- Cost of finance & costs is typically 9-10% of fees.
- Why work for 1-3%
- Review actual Margin reports



RECRUITMENT CONSULTANTS

- **Established Consultants should be generating £100k+ GP per year**
- **Thresholds**
 - Calculate Desk costs typically £4-6k per month.
 - Newbies consider no thresholds for first 3-6 months



NEW STARTERS

- Your new starters or trainees unlikely to hit the ground running
- So 33% or 25% earnings ratio in the first 3-6 months is unlikely
- From 6-12 months these should be deliverable
- Certainly any consultant after 9 months should be achieving these proportions.



NEW PATCHES

- **Consultants on new patches either geographic or niche skill sets requires time to start billing.**
- **Its similar to a new starter though the time gap should be shorter.**
- **We typically suggested 6-9 months**



OVER-ACHIEVERS

- **Paying over 30% commission – risky**
- **Challenges when these people become managers, directors & want an override impacts profitability**
- **Better paying milestone bonuses**



CASE STUDY – ALPHA RECRUITMENT

2013

- MD + 2 staff
- £1.2m turnover
- Rented One room Office
- Avg Margin – £1.55 per hour
- MD – delivered 80% of business

2019

- MD + 10 staff
- £7.5-8m
- Purpose built office
- Avg Margin – £2.58 per hour
- MD – delivers 0% of business



CASE STUDY – NU-STAFF CHEPSTOW

2017-19

- **Simplicity Customer**
- **Created a Nu Staff 2020 Vision**
- **Introduced New**
 - **Staff bonus scheme**
 - **Website & Social media strategy**
 - **Customer Service**
 - **Launched Driver division**
- **MD Taking more of a strategic role**
- **Revenues up 200% in two years**
- **Gross profit up 35% year on year**



2020 - LAUNCHING ACCELERATED GROWTH PROGRAMME

x6 Two Day Workshops

- Presentations
- Workshops

Three coaching sessions

- Work through your actions and implementation plans

Diagnostic

- Identify their business inhibitors to growth

Diagnostic Feedback

- 1-2-1 Skype feedback
- Inhibitor feedback



ANY QUESTIONS

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